NEW ISSUE
BOOK-ENTRY-ONLY

Ratings: Fitch: "AAA"
Moody's: "Aa1"
Standard & Poor's: "AAA "
(See "RATINGS" herein)

In the opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the County, under existing statutes and court decisions and assuming compliance with certain tax covenants described herein, interest on the Series 2018 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 under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed for taxable years beginning prior to January 1, 2018. See "TAX MATTERS" herein for a description of certain other provisions of law which may affect the federal tax treatment of interest on the Series 2018 Bonds. In the opinion of Bond Counsel to the County, under the existing statutes of the Commonwealth of Virginia, interest on the Series 2018 Bonds is not includable in computing the Virginia income tax.

$102,410,000
COUNTY OF HENRICO, VIRGINIA,
WATER AND SEWER SYSTEM REVENUE BONDS,
SERIES 2018

Dated: Date of Issuance | **Due: May 1, as shown on the inside cover**

The Series 2018 Bonds will be issued to finance improvements, additions and extensions to the Water and Sewer System of the County of Henrico, Virginia (the "County"). THE PRINCIPAL OF AND INTEREST ON THE SERIES 2018 BONDS WILL BE PAYABLE SOLELY FROM, AND SECURED EQUALLY AND RATABLY SOLELY BY A LIEN AND CHARGE ON, THE REVENUES DERIVED FROM THE OPERATION OF THE WATER AND SEWER SYSTEM OF THE COUNTY, SUBJECT, HOWEVER, TO THE PRIOR PAYMENT FROM SUCH REVENUES OF THE EXPENSES OF OPERATION AND MAINTENANCE OF THE WATER AND SEWER SYSTEM, AND ARE PAYABLE ON A PARITY WITH THE PAYMENT OF PRINCIPAL OF AND INTEREST ON CERTAIN OTHER BONDS OF THE COUNTY AS DESCRIBED HEREIN. THE SERIES 2018 BONDS ARE NOT A DEBT OF THE COUNTY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION UPON THE CREATION OF GENERAL OBLIGATION INDEBTEDNESS OF THE COUNTY, AND THE COUNTY SHALL NOT BE LIABLE FOR THE PAYMENT THEREOF OUT OF ANY FUNDS OF THE COUNTY EXCEPT THE REVENUES OF THE WATER AND SEWER SYSTEM OF THE COUNTY.

The Series 2018 Bonds will bear interest payable semiannually, on May 1 and November 1, commencing on November 1, 2018. The Series 2018 Bonds 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 Series 2018 Bonds. The Series 2018 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 SERIES 2018 BONDS. FOR AS LONG AS ANY PURCHASER IS THE BENEFICIAL OWNER OF A SERIES 2018 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 OF AND INTEREST ON SUCH SERIES 2018 BOND. See "DESCRIPTION OF THE SERIES 2018 BONDS – Book-Entry Only System".

The Series 2018 Bonds are subject to redemption prior to maturity as provided herein.

The Series 2018 Bonds are offered for delivery when, as, and if issued, subject to the approval of their validity by Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the County, as described herein, and to certain other conditions referred to herein. It is expected that the Series 2018 Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about May 9, 2018.

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.

WELLS FARGO BANK, N.A.

Dated: April 24, 2018

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATE, PRICES OR YIELDS AND CUSIPS**

Maturity (May 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP** Numbers
2019	$1,840,000	5.000%	1.740%	426170NQ5
2020	1,840,000	5.000	1.830	426170NR3
2021	1,935,000	5.000	1.950	426170NS1
2022	2,030,000	5.000	2.060	426170NT9
2023	2,130,000	5.000	2.180	426170NU6
2024	2,240,000	5.000	2.280	426170NV4
2025	2,350,000	5.000	2.350	426170NW2
2026	2,470,000	5.000	2.430	426170NX0
2027	2,590,000	5.000	2.490	426170NY8
2028	2,720,000	5.000	2.550	426170NZ5
2029	2,855,000	3.000	2.750*	426170PA8
2030	2,945,000	3.000	2.800*	426170PB6
2031	3,030,000	4.000	2.840*	426170PC4
2032	3,155,000	4.000	2.940*	426170PD2
2033	3,280,000	3.125	3.200	426170PE0
2034	3,380,000	3.250	3.300	426170PF7
2035	3,490,000	3.250	3.350	426170PG5
2036	3,605,000	3.375	3.390	426170PH3
2037	3,725,000	3.375	3.440	426170PJ9
2038	3,850,000	3.375	3.480	426170PK6
2039	3,980,000	3.500	3.520	426170PL4
2040	4,120,000	3.500	3.570	426170PM2
2041	4,265,000	3.500	3.610	426170PN0
2042	4,415,000	3.500	3.620	426170PP5
2043	4,570,000	3.500	98.00	426170PQ3

$14,765,000 4.000% Term Bonds due May 1, 2046, Yield 3.550%*, CUSIP Number 426170PR1**

$10,835,000 3.625% Term Bonds due May 1, 2048, Price 98.25%, CUSIP Number 426170PS9**

* Yield to May 1, 2028 optional redemption date.

** CUSIP numbers have been assigned by an organization not affiliated with the County and are included solely for the convenience of the holders of the Series 2018 Bonds. The County is not responsible for the selection or uses of these CUSIP numbers, nor is any representation made as to their correctness on the Series 2018 Bonds or as indicated above.

THE COUNTY OF HENRICO, VIRGINIA

BOARD OF SUPERVISORS

FRANK J. THORNTON, *Chairman*

TYRONE E. NELSON, *Vice Chairman*

THOMAS M. BRANIN

COURTNEY D. LYNCH

PATRICIA S. O'BANNON

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*

ANTHONY J. ROMANELLO, *Deputy County Manager for Community Services*

DOUGLAS A. MIDDLETON, *Deputy County Manager for Public Safety*

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

NED SMITHER, *Director of Finance*

BOND COUNSEL

Hawkins Delafield & Wood LLP
7 World Trade Center
250 Greenwich Street
New York, New York 10007
(212) 820-9300

FINANCIAL ADVISOR

PFM Financial Advisors LLC
4350 North Fairfax Drive, Suite 580
Arlington, Virginia 22203
(703) 741-0175

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IN CONNECTION WITH THE OFFERING OF THE SERIES 2018 BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2018 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

No dealer, broker, salesman or other person has been authorized by 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 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 Series 2018 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 has been obtained from 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 County and the purchasers or owners of any of the Series 2018 Bonds.

The Series 2018 Bonds will be exempt from registration under the Securities Act of 1933, as obligations of a political subdivision of the Commonwealth of Virginia. The Series 2018 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 Series 2018 Bonds described herein to the residents of any particular state and is not specifically directed to the residents of any particular state. The Series 2018 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.

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OFFICIAL STATEMENT
RELATING TO THE ISSUANCE OF

$102,410,000
COUNTY OF HENRICO, VIRGINIA,
WATER AND SEWER SYSTEM REVENUE BONDS,
SERIES 2018

INTRODUCTION

The purpose of this Official Statement, including the cover page and attached appendices, is to set forth certain information in connection with the sale by the County of Henrico, Virginia (the "County"), of its $102,410,000 aggregate principal amount of Water and Sewer System Revenue Bonds, Series 2018, dated May 9, 2018 (the "Series 2018 Bonds").

The Series 2018 Bonds will be issued and secured in accordance with the Public Finance Act of 1991, being Chapter 26, Title 15.2 of the Code of Virginia of 1950, as amended (the "Act"), and pursuant to the provisions of a resolution adopted by the Board of Supervisors (the "Board of Supervisors") on November 23, 1977, as amended and supplemented (the "Bond Resolution"), and a supplemental resolution adopted by the Board of Supervisors on March 13, 2018 providing for the issuance of the Series 2018 Bonds (the "2018 Supplemental Resolution") and together with the Bond Resolution, the "Resolutions").

The Series 2018 Bonds were offered for sale on Tuesday, April 24, 2018, at public sale.

The County has issued and there are at present Outstanding under the Bond Resolution $266,295,000 aggregate principal amount of Water and Sewer System Revenue Bonds and Water and Sewer System Refunding Revenue Bonds (the "Outstanding Parity Bonds"), excluding the Series 2018 Bonds. On the date of issuance of the Series 2018 Bonds, the Outstanding Parity Bonds, excluding the Series 2018 Bonds, will consist of: (i) $3,115,000 aggregate principal amount Water and Sewer System Refunding Revenue Bonds, Series 2009, (ii) $1,370,000 aggregate principal amount Water and Sewer System Refunding Revenue Bonds, Series 2009A, (iii) $9,800,000 aggregate principal amount Water and Sewer System Revenue Bonds, Series 2009B (Taxable-Recovery Zone Economic Development Bonds), (iv) $63,215,000 aggregate principal amount Water and Sewer System Refunding Revenue Bonds, Series 2013, (v) $68,255,000 aggregate principal amount Water and Sewer System Revenue Bonds, Series 2014, and (vi) $120,540,000 aggregate principal amount Water and Sewer System Revenue Bonds, Series 2016. See "APPENDIX A" hereto for the annual debt service requirements on the Bonds issued and Outstanding under the Bond Resolution.

The Series 2018 Bonds, the Outstanding Parity Bonds and any Additional Bonds that may hereafter be issued on a parity therewith pursuant to the Bond Resolution (the "Additional Bonds") are referred to herein collectively as the "Bonds". See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2018 BONDS" herein and "APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS" hereto.

The Series 2018 Bonds are being issued to provide the funds needed to finance improvements, additions and extensions to the Water and Sewer System of the County, to fund the Reserve Account for the Bonds and to pay certain costs of issuance of the Series 2018 Bonds. See "APPENDIX A" hereto for a more detailed description of the projects to be financed with the proceeds of the Series 2018 Bonds. See also "ESTIMATED SOURCES AND USES OF FUNDS" herein.

AMENDMENTS TO THE BOND RESOLUTION

The Bond Resolution provides that certain amendments thereto may be made and implemented with the consent of the beneficial owners of at least a 66 2/3% in aggregate principal amount of Bonds Outstanding thereunder. The 2018 Supplemental Resolution provides for an amendment to the definition of "Investment Securities" set forth in the Bond Resolution to allow certain funds held under the Bond Resolution to be invested in investments permitted under the Virginia Investment of Public Funds Act (VA Code of 1950 §2.2-4500 *et seq*., as amended), the Virginia Government Non-Arbitrage Act (VA Code of 1950 §2.2-4700 *et seq*., as amended), and the Virginia Local Government Investment Pool Act (VA Code of 1950 §2.2-4600 *et seq*., as amended) to the extent such investments are permitted under the laws of the Commonwealth, including the Virginia Public Finance Act (VA Code of 1950 §15.2-2600 *et seq*., as amended) for funds of the type proposed to be invested.

The Amendment shall be applicable to the investment of amounts held under the Bond Resolution for the payment of, or amounts held under the Bond Resolution derived from the proceeds of, the Series 2018 Bonds and any Additional Bonds. The Amendment shall not be applicable to any investments relating to the Outstanding Parity Bonds unless and until the holders of the requisite 66 2/3% of Outstanding principal amount of the Bonds under the Bond Resolution shall have consented to the Amendment as required by the Bond Resolution. The holders of the Series 2018 Bonds, on and as of the date of issuance thereof, will constitute approximately 38% of the holders of all Bonds Outstanding under the Bond Resolution. By virtue of their purchase of the Series 2018 Bonds, the beneficial owners of the Series 2018 Bonds shall consent to, and shall be deemed to have consented to, the Amendment, and shall waive, and shall be deemed to have waived, all requirements of the Bond Resolution for the giving of written consent to the Amendment or for receipt of any formal notice of the Amendment.

THE COUNTY AND THE SYSTEM

The Bonds are secured by a pledge of the Revenues of the System. For additional information on the System, see "Appendix A" hereto. Audited financial statements of the System for fiscal year ended June 30, 2017 are attached hereto as "Appendix B". For additional demographic and financial information on the County, see "Appendix C" hereto.

DESCRIPTION OF THE SERIES 2018 BONDS

General

The Series 2018 Bonds are dated as of their date of issuance, bear interest from their date payable on May 1 and November 1 in each year, commencing on November 1, 2018, at the rates and will mature on the dates and in the amounts set forth on the inside cover of this Official Statement.

The record dates for the payment of interest on the Series 2018 Bonds are October 15, 2018 and each April 15 and October 15 thereafter. The record date for the payment of the principal of the Series 2018 Bonds is each April 15 preceding each maturity date of the Series 2018 Bonds. Interest on the Series 2018 Bonds is calculated on the basis of a 360 day year consisting of twelve (12) thirty (30) day months.

Book-Entry-Only System

The book-entry-only system of registration of the Series 2018 Bonds is more fully described in Appendix E to this Official Statement.

Redemption of the Series 2018 Bonds

The Series 2018 Bonds maturing on or after May 1, 2029 may be redeemed prior to their respective maturity dates on or after May 1, 2028 at the option of the County, as a whole or in part at any time at the price of par together with the interest accrued thereon to the date fixed for redemption.

Mandatory Sinking Fund Redemption. The Series 2018 Bonds maturing on May 1, 2046 and on May 1, 2048 are subject to mandatory sinking fund redemption on each May 1, in the principal amounts in each year set forth below, with the particular Series 2018 Bonds or portions thereof to be redeemed to be selected by lot, upon payment of the principal amount of the Series 2018 Bonds to be redeemed, together with the interest accrued on the principal amount to be redeemed to the date fixed for the redemption thereof, as follows:

Series 2018 Bonds Maturing May 1, 2046

Year (May 1)	Principal Amount
2044	$4,730,000
2045	4,920,000
2046†	5,115,000

†Maturity

Series 2018 Bonds Maturing May 1, 2048

Year (May 1)	Principal Amount
2047	$5,320,000
2048†	5,515,000

†Maturity

The County, at its option, may credit against such mandatory sinking fund redemption requirements the principal amount of any Series 2018 Bonds maturing on May 1, 2046 or on May 1, 2048 which have been purchased and cancelled by the County or which have been redeemed and not theretofore applied as a credit against such mandatory sinking fund redemption requirements.

Notice of Redemption. Notice of any redemption specifying the designation, date and maturity of the Series 2018 Bonds to be redeemed and the date and place fixed for redemption shall be given by first-class mail, postage prepaid, not less than 30 days and not more than 45 days prior to the redemption date, to the registered holder of the Series 2018 Bonds at such registered holder's address as shown on the books of registration kept by the registrar therefor; *provided, however,* that any defect in such notice shall not affect the sufficiency of the proceedings for the redemption of such Series 2018 Bonds. If such notice is given and payment of the Series 2018 Bond is duly made or provided for, interest thereon shall cease from and after the date so specified for the redemption thereof. Notice of such redemption shall also state that if less than the entire principal amount of a Series 2018 Bond called for redemption is to be redeemed, such Series 2018 Bond must be surrendered in exchange for payment of the principal amount thereof to be redeemed and the issuance of a new Series 2018 Bond or Series 2018 Bonds of the same series and maturity equaling in principal amount that portion of the principal amount of the surrendered bond not to be redeemed. **During any period that a securities depository, including DTC, is the registered owner of the Series 2018 Bonds, the County will not be responsible for mailing notices of redemption to Beneficial Owners.** See "APPENDIX E – DESCRIPTION OF THE DEPOSITORY TRUST COMPANY AND THE BOOK-ENTRY-ONLY SYSTEM".

ESTIMATED SOURCES AND USES OF FUNDS

The following table summarizes the anticipated application of the proceeds of the Series 2018 Bonds and other moneys to the purposes of issuance described above:

Sources:	
Principal Amount of Series 2018 Bonds	$102,410,000.00
Net Original Issue Premium	3,718,198.10
Total Series 2018 Bond Proceeds	$106,128,198.10
Uses:	
Deposit to Reserve Account	$5,201,366.41
Deposit to Construction Fund	100,000,000.00
Underwriting Compensation(1)	581,688.80
Other Issuance Expenses	345,142.89
Total Uses	$106,128,198.10

(1) See "SALE AT COMPETITIVE BIDDING " herein.

SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2018 BONDS

The Series 2018 Bonds and all Bonds issued under the Bond Resolution are payable as to principal and interest from, and secured by a pledge of, income, revenues, fees and moneys derived by the County from the ownership, possession, operation, management or control of the System, including, but not limited to, charges for current services, fees charged for connection to the System and earnings of the investment of certain funds (the "Revenues"), subject to the prior payment from the Revenues of the expenses of operation and maintenance of the System. The Series 2018 Bonds will be payable on a parity with the Outstanding Parity Bonds, Additional Bonds and interest on bond anticipation notes hereafter issued pursuant to the Bond Resolution. For a more complete discussion of the County's ability to issue additional debt secured by the Revenues of the System, see "APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS – Issuance of Additional Obligations".

The Series 2018 Bonds are not a debt of the County within the meaning of any constitutional or statutory limitation on the creation of general obligation indebtedness of the County, nor do they impose any general liability upon the County. The full faith and credit of the County is not pledged to the payment of the Series 2018 Bonds, and the County shall not be liable for the payment thereof out of any funds of the County other than the Revenues pledged therefor, in the manner provided in the Bond Resolution.

Collection and Disposition of Revenues

The Revenues shall be applied and expended for the following purposes and in the following order of priority (except as otherwise permitted by the Bond Resolution) to the following accounts created in the Revenue Fund:

FIRST, To the Operation and Maintenance Account: On the first business day of each month there shall be credited to the Operation and Maintenance Account in the Revenue Fund such moneys as are determined to be necessary to pay the expenses of operating and maintaining the System during such month. Such expenses of operation and maintenance shall include (a) salaries, wages, employee benefits, costs of materials and supplies, costs of water, costs of power, costs of routine repairs, renewals, replacements and alterations occurring in the usual course of business, costs of billings and collections, costs of insurance, costs of audits, taxes, if any, a properly allocable share of County administrative and overhead expenses, and any other costs with respect to any services, facilities or commodities which are required for operating and maintaining the System and (b) payments for water, water supply, water treatment and water transmission for water distributed by the System or for the transmission, treatment and disposal of sewage collected by the System (i) made to other governmental bodies or (ii) made for the use, services and facilities of or commodities supplied by plants and properties of the County which are acquired, constructed or operated as separate utility systems. The moneys credited to the Operation and Maintenance Account shall be applied to the payment of the expenses of operating and maintaining the System.

SECOND, To the Interest Account, Principal Account and Sinking Fund Account: For the purpose of providing for the payment of the interest on the Bonds, on or before each May 1 and November 1 there shall be credited to the Interest Account an amount such that, if the same amount were so paid and credited to the Interest Account on each May 1 and November 1 and prior to the next date upon which an installment of interest falls due on the Bonds, the aggregate of the amounts so credited to the Interest Account, would on such date be equal to the installment of interest then falling due on the Bonds. The County has provided or shall provide in the Supplemental Resolutions authorizing the Bonds or Bond Anticipation Notes for such credits to be made in such amounts and at such times sufficient to pay when due each such installment of interest. The Supplemental Resolutions providing for the Series 2018 Bonds provide for such credits in such amounts and at such time sufficient to pay when due each such installment.

For the purpose of providing for the payment of the principal of the Bonds issued as Serial Bonds, on or before May 1 there shall be credited to the Principal Account an amount such that, the aggregate of the amounts so credited to the Principal Account, together with any other moneys theretofore credited to the Principal Account, would on each May 1 be equal to the installment of principal of such Bonds then falling due. For the purpose of providing moneys to retire any Term Bonds, not later than May 1 in the year of the first redemption date of Term Bonds, and on and before May 1 in each year thereafter, so long as any Term Bonds are Outstanding, there shall be credited to the Sinking Fund Account for the purpose of retiring the Term Bonds an amount such that, if the same amount were so paid and credited to the Sinking Fund Account to provide for the retirement of the Term Bonds on May 1 of each year thereafter and prior to the next date upon which a Sinking Fund Account installment falls due, the aggregate of the amounts so credited to such account would on such date be sufficient to redeem the Term Bonds in the principal amount as provided herein. The County has provided or shall provide in the Supplemental Resolutions authorizing the Bonds for such credits to be made in such amounts and at such times sufficient to pay when due each such installment of principal or sinking fund payment. The Supplemental Resolutions providing for the Series 2018 Bonds provide for such credits in such amounts and at such time sufficient to pay when due each such installment.

In the event of the issuance of Additional Bonds or Bond Anticipation Notes (as defined herein), the foregoing credits are required to be increased as may be necessary to provide for the payment of principal of and interest on such Additional Bonds and interest on such Bond Anticipation Notes.

The moneys credited to such accounts shall be transferred by the County's Director of Finance to the paying agents in such amounts and at such times as shall be necessary to pay the principal of and premium, if any, and interest on the Bonds and interest on the Bond Anticipation Notes as the same become due and payable.

THIRD, To the Reserve Account: In order to provide a reserve for the payment of interest on the Bonds and Bond Anticipation Notes and the principal of and premium, if any, on the Bonds, there shall be maintained on deposit in the Revenue Fund for credit to the Reserve Account an amount equal to the maximum annual Debt Service Requirement (as defined in the Bond Resolution) for the Bonds. Subject to the provisions of the Bond Resolution with respect to the credits to the Reserve Account upon the issuance of Additional Bonds, the moneys on deposit in the Revenue Fund for credit to the Reserve Account shall always be maintained at an amount at least equal to the maximum annual Debt Service Requirement for any year for all Bonds at the time outstanding and if at any time the moneys in the Revenue Fund credited to the Reserve Account are less than such amount, there shall be credited to this account from the first moneys available therefor in the Revenue Fund, after all credits referred to in paragraphs (1) and (2) above have been met, such amounts as shall be necessary until there is again on credit to the Reserve Account an amount equal to the maximum annual Debt Service Requirement. In the event of the issuance of Additional Bonds, unless upon the delivery of such Additional Bonds there shall already be on deposit in the Revenue Fund for credit to the Reserve Account an amount equal to the maximum annual Debt Service Requirement to be in effect after the issuance of such Additional Bonds, (1) there shall be paid into the Revenue Fund for credit to the Reserve

Account such amount, if any, of the proceeds of the sale of such Additional Bonds as the County may determine, so that there shall then be on deposit in the Revenue Fund for credit to the Reserve Account an amount equal to the maximum annual Debt Service Requirement to be in effect immediately after the issuance of such Additional Bonds, or (2) if there shall not be paid into the Revenue Fund for credit to the Reserve Account proceeds of such Additional Bonds in an amount so there shall then be on credit to the Reserve Account an amount equal to the maximum annual Debt Service Requirement to be in effect immediately after the issuance of such Additional Bonds, there shall be credited to the Reserve Account from time to time such amounts as the County may determine, of the moneys available therefor after all credits referred to in paragraphs (1) and (2) above have been met, so that no later than five (5) years from the date of such Additional Bonds there shall be on deposit in the Revenue Fund for credit to the Reserve Account an amount equal to the maximum annual Debt Service Requirement to be in effect after the issuance of such Additional Bonds. The moneys in the Revenue Fund to the credit of the Reserve Account shall be applied solely for the purpose of paying the interest on Bonds and Bond Anticipation Notes and the principal of and premium, if any, on the Bonds when due, whether at their maturity or upon the redemption or purchase thereof, and shall be so used and applied whenever there are insufficient moneys in the Revenue Fund on credit to the Interest Account, Principal Account and Sinking Fund Account for such purposes.

FOURTH, *To such other Accounts which may be created:* In the event any payments on hedge agreements, support agreements or other financial agreements, other than payments constituting principal of, premium, if any, and interest on, Bonds, shall be secured by a lien on and pledge of Revenues on a parity with the lien on and pledge of the Revenues created for the payment and security of the Bonds, a separate account shall be established in the Revenue Fund for the payment thereof and payments to such account shall be made from Revenues at the time and after Revenues are disbursed to the Interest, Principal and Sinking Fund Accounts in the Revenue Fund.

FIFTH, *To Other purposes:* Money on deposit in the Revenue Fund not required to make the payments or credits referred to in paragraphs (1), (2), (3) and (4) above shall constitute surplus funds and may be used to make all renovations, replacements, renewals and repairs to the System as are necessary to maintain the System in good condition. Such moneys may, however, also be used for making up insufficiencies in any account in the Revenue Fund; for paying the costs of acquisition or construction of plants and properties to comprise part of the System; for paying the cost of reconstructions, improvements, enlargements or extensions to the System; for redeeming or purchasing Bonds; for accelerating the payments required to be made into the Reserve Account; for the making of advances, in anticipation of repayment from evidences of indebtedness or other moneys, for the purpose of acquiring and constructing plants and properties for the storage, supply and treatment of water or the treatment and disposal of sewage, including associated transmission facilities, which the County has elected to acquire, construct and operate as separate utility systems; for the carrying out of any other provisions of the Bond Resolution; for the payment of the principal of and premium, if any, and interest on Bond Anticipation Notes; for the payment of bonds, notes, certificates of indebtedness or other evidences of indebtedness secured by a lien on and pledge of the Revenues of the System junior to the payment and security of the Bonds; for the payment of taxes, assessments or other governmental charges; or for any other lawful purpose of the County with respect to the System.

Rate Covenant

The County covenants in the Bond Resolution to establish, maintain, revise and collect rates and charges with respect to the System in each year sufficient to provide Net Operating Revenues (the calculation of which excludes connection fees, income from investments and certain other nonrecurring revenues), equal to not less than 1.25 times the aggregate of the Debt Service Requirement during such year on all Bonds outstanding under the Bond Resolution and the interest during such year on outstanding bond anticipation notes, if any, payable on a parity with the Bonds. See "APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS – Covenant as to Rates and Charges". See also "APPENDIX A – HISTORICAL DEBT SERVICE COVERAGE – Debt Service Coverage Ratio Under the Resolution".

Reserve Account

The Series 2018 Bonds, together with the Outstanding Parity Bonds, Additional Bonds and interest on bond anticipation notes, will be additionally secured by a Reserve Account established and maintained by the County pursuant to the terms of the Resolutions. As described in "APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS – Collection and Disposition of Revenues – *Reserve Account*", the Resolutions require the County to maintain on deposit in the Reserve Account an amount, or a surety bond, insurance policy or letter of credit (or any combination of the foregoing), equal to the maximum annual Debt Service Requirement for any year on the Series 2018 Bonds, Outstanding Parity Bonds and Additional Bonds, in order to provide a reserve for the payment of the principal of and interest and premium, if any, on the Series 2018 Bonds, Outstanding Parity Bonds and Additional Bonds and for the payment of interest on bond anticipation notes. There is currently no surety bond, insurance policy or letter of credit on deposit in the Reserve Account with respect to the Series 2018 Bonds or any Outstanding Parity Bonds. A portion of the Reserve Account is held under an Investment Agreement with Wells Fargo Bank, National Association, expiring on May 1, 2028.

Bondholders' Remedies in Event of Default

In case of an Event of Default under the Resolutions (see "APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS – Events of Default, Bondholder Remedies"), the holders of not less than 25% in aggregate principal amount of the Bonds may proceed to protect and enforce their rights by declaring the entire unpaid principal of and interest on the Bonds due and payable or by instituting a mandamus or other suit, action or proceeding at law or in equity, including an action for specific performance of any agreement contained in the Resolutions. The mandamus remedy, however, may be impracticable and difficult to enforce. Furthermore, the right to enforce payment of the Series 2018 Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws and equitable principles, which may limit the specific enforcement of certain remedies.

Additional Bonds

The County may issue Additional Bonds for capital projects and improvements, if, among other things, one-half of the Net Operating Revenues during any twenty-four (24) consecutive months (the "Base Period") out of the thirty (30) months immediately preceding the issuance of the Additional Bonds, shall have been not less than 1.25 times the maximum Debt Service Requirement to accrue during any year on the Bonds then Outstanding and such Additional Bonds.

The County may issue Refunding Bonds to refund Bonds if, among other things, the Debt Service Requirement on the Refunding Bonds and the Bonds which are not refunded shall not be greater in any year in which the Bonds not refunded are to be Outstanding than the Debt Service Requirement would have been in such year if the Bonds to be refunded were not so refunded.

See "APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS – Issuance of Additional Obligations" for additional information regarding the conditions for the issuance of Additional Bonds and Refunding Bonds.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the County, under existing statutes and court decisions and assuming compliance with certain tax covenants described herein, interest on the Series 2018 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; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed for taxable years beginning prior to January 1, 2018. In rendering its opinions, Bond Counsel has relied on certain representations, certifications of fact and statements of reasonable expectations made by the County in connection with the Series 2018 Bonds, and Bond Counsel has assumed compliance by the County with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2018 Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the County, under existing statutes of the Commonwealth of Virginia, interest on the Series 2018 Bonds is not includable in computing the Virginia income tax.

Bond Counsel expresses no opinion regarding any other federal or State tax consequences with respect to the Series 2018 Bonds. 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, or any facts or circumstances that may thereafter come to its attention, or changes in law or in interpretations thereof that may thereafter occur, or for any other reason. Bond Counsel expresses no opinion on the effect of any action thereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Series 2018 Bonds, or under State and local tax law.

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 2018 Bonds in order that interest on the Series 2018 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 2018 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 2018 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 County has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2018 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 2018 Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Series 2018 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 2018 Bonds.

Prospective owners of the Series 2018 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 2018 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.

Original Issue Discount

"Original issue discount" ("OID") is the excess of the sum of all amounts payable at the stated maturity of a Series 2018 Bond (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the "issue price" of a maturity means the first price at which a substantial amount of the Series 2018 Bonds of that maturity was sold (excluding sales to bond houses, brokers or similar persons acting in the capacity as underwriters, placement agents or wholesalers). In general, the issue price for each maturity of the Series 2018 Bonds is expected to be the initial public offering price set forth on the inside cover page of this Official Statement. Bond Counsel further is of the opinion that, for any Series 2018 Bonds having OID (a "Discount Bond"), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Series 2018 Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner's adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange or other disposition of such Discount Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds 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 the State and local tax consequences of acquiring, holding and disposing of Discount Bonds.

Bond Premium

In general, if an owner acquires a Series 2018 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 Series 2018 Bond after the acquisition date (excluding certain "qualified stated interest that is unconditionally payable at least annually at prescribed rates), that premium constitutes "premium" on that Series 2018 Bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the 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 result in the lowest yield on such Bond). An owner of a Premium Bond must amortize the premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the premium allocable to that period. In the case of a tax-exempt Premium Bond, if the 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 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 premium on, sale, exchange or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest on tax-exempt obligations, including the Series 2018 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 2018 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 2018 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 2018 Bonds under federal or State law or otherwise prevent beneficial owners of the Series 2018 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 2018 Bonds.

Prospective purchasers of the Series 2018 Bonds should consult their own tax advisors regarding the foregoing matters.

SALE AT COMPETITIVE BIDDING

The Series 2018 Bonds were awarded to Wells Fargo Bank, N.A. (the “Underwriter”) at a price to the County that results in underwriting discount in the amount of $581,688.80 from the initial public offering prices derived from the yields for the Series 2018 Bonds shown on the inside cover page of this Official Statement. The Underwriter supplied the information as to the initial public offering yields for the Series 2018 Bonds shown on such inside cover page. The Underwriter may offer to sell the Series 2018 Bonds to certain dealers and others at prices lower than the initial public offering prices, or prices derived from the yields, shown on such inside cover page.

RATINGS

Fitch Ratings, 33 Whitehall Street, New York, New York, Moody’s Investors Service, 7 World Trade Center, 250 Greenwich Street, New York, New York, and Standard & Poor’s Ratings Services, 55 Water Street, New York, New York, have assigned ratings of “AAA” , “Aa1” and “AAA” , respectively, to the Series 2018 Bonds. An explanation of the significance of such ratings may only be obtained from the rating agency furnishing the same. 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, rating agencies base their ratings on such materials and information, as well as investigations, studies, and assumptions of the 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 any such rating agencies if, in the judgment of such agency, 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 Series 2018 Bonds.

CERTIFICATES CONCERNING OFFICIAL STATEMENT

The County will furnish to the successful bidder a certificate dated the date of delivery of the Series 2018 Bonds, signed by the County Manager and the Director of Finance, and stating that, both as of the date of this Official Statement and the date of delivery of the Series 2018 Bonds, the descriptions and statements contained in this Official Statement (except in the section entitled "LITIGATION") were and are, to the best of their knowledge, true and correct in all material respects and did not and do not contain an untrue statement of a material fact or omit to state a material fact required to be stated herein or necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, and that no material adverse change has occurred in the financial condition of the County between the date of this Official Statement and the date of delivery other than as contemplated in this Official Statement. Such certificate will state, however, that the County Manager and the Director of Finance did not independently verify the information in this Official Statement indicated as having been obtained or derived from sources other than the County and its officers but that they have no reason to believe that such information is not accurate.

The County will also furnish to the successful bidder a certificate dated the date of delivery of the Series 2018 Bonds, signed by the County Attorney and stating that, both as of the date of this Official Statement and the date of delivery of the Series 2018 Bonds, the statements in the section herein entitled "LITIGATION" did not and do not contain an untrue statement of a material fact or omit to state a material fact required to be stated herein or necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

CONTINUING DISCLOSURE

The County will execute and deliver to the Underwriters a Continuing Disclosure Certificate, the form of which is included as Appendix F to this Official Statement, pursuant to which the County will covenant and agree, for the benefit of the holders of the Series 2018 Bonds, consistent with the Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the "Rule"), to provide to the Municipal Securities Rulemaking Board 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 on and after July 1, 2017, and, in a timely manner not in excess of ten (10) business days after the occurrence thereof, notices of certain events with respect to the Series 2018 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 Series 2018 Bonds when the Series 2018 Bonds are no longer outstanding. Any failure by the County to comply with the foregoing will not constitute a default with respect to the Series 2018 Bonds.

The County has agreed in certain of its existing continuing disclosure undertakings relating to certain of its outstanding general obligation bonds 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. Although this Supplemental Information was not included in the Annual Reports, it was available in Official Statements of the County that were posted on EMMA during each of the last five years. 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.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters relating to the authorization and validity of the Series 2018 Bonds are subject to the approval of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the County, whose opinion with respect to the Series 2018 Bonds will be furnished at the expense of the County upon delivery of the Series 2018 Bonds. Bond Counsel will express no opinion of any kind to buyers of the Series 2018 Bonds as to this Official Statement, and the opinion of Bond Counsel will be limited to matters relating to the authorization and validity of the Series 2018 Bonds and the treatment of the interest on the Series 2018 Bonds under present federal and Virginia income tax laws as more fully described under "TAX MATTERS" above.

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

INDEPENDENT AUDITORS

The financial statements of the County of Henrico, Virginia, Water and Sewer Revenue Fund, as of and for the fiscal year ended June 30, 2017, included in this Official Statement as Appendix B have been audited by KPMG LLP, independent auditors, as stated in their report appearing herein.

The auditors have not been requested to consent, nor have they rendered any consent, to the inclusion of the financial statements in this Official Statement, nor have the auditors been engaged to perform any procedures relating to this Official Statement or the issuance of the Series 2018 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 Series 2018 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.

LITIGATION

The County Attorney advises that there is no litigation pending or, to the best of his knowledge, threatened, in any way questioning or affecting the validity of the Series 2018 Bonds, or the power and authority of the County to fix and collect rates and charges for the services, facilities and commodities sold, furnished or supplied through the System or the power and authority of the County to pledge the Revenues therefrom to the payment of the principal of and interest on the Series 2018 Bonds.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to prospective buyers of the Series 2018 Bonds. All quotations from and summaries and explanations of laws contained in this Official Statement do not purport to be complete and reference is made to such laws for full and complete statements of their provisions. Any questions concerning the contents of this Official Statement should be directed to the following: Ned Smither, Director of Finance, (804) 501-4266; or Kevin Rotty, Managing Director, PFM Financial Advisors LLC (804) 780-2850 or Katie Allen (703) 741-0175.

The distribution of this Official Statement and its delivery have been duly authorized by the Board of Supervisors. The County Manager and the Director of Finance of the County deemed the Preliminary Official Statement, dated April 17, 2018, final as of its date within the meaning of the Rule except for the omission of certain information permitted to be omitted by the Rule.

COUNTY OF HENRICO, VIRGINIA

/S/JOHN A. VITHOULKAS
JOHN A. VITHOULKAS
County Manager

/S/NED SMITHER
NED SMITHER
Director of Finance

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APPENDIX A

INFORMATION REGARDING THE SYSTEM

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APPENDIX A

THE SYSTEM

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The County of Henrico, Virginia (the "County") 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 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 was 332,368 for 2016 (the most recent available data from the Henrico County Department of Planning) and is expected to grow for the foreseeable future. For a more detailed description of the County, see Appendix C.

THE SYSTEM

History and Development

Prior to October 1968, water and sewer services in the more densely populated areas of the County were provided by sanitary districts. As the County developed and its population increased, the Board of Supervisors determined that water and sewer services could be provided more economically on a County-wide basis and that extension of and improvements to public water and sewer facilities needed to be made without regard to sanitary district boundaries. In October 1968, the County entered into an agreement with the sanitary districts in the County, which was supplemented in 1975 (together, the "Unification Agreement"), to provide a unified County-wide system. Under the Unification Agreement, the County consolidated the water and sewer facilities of the sanitary districts into a single County-wide system (the "System") and also consolidated the revenues derived from such water and sewer facilities.

Organization and Administration

The County Department of Public Utilities (the "Department") is responsible for the operation and maintenance of the System and for the construction of additions and improvements thereto. The Department is under the direction of Charles B. England, P.E., Director of Public Utilities, who reports through the Deputy County Manager for Community Operations to the County Manager. Mr. England has been in his position with the County since May 2017. Mr. England is a graduate of the United States Military Academy, West Point, NY; where he earned a Bachelor of Science degree in Environmental Science. Mr. England also earned a master's degree in Business Administration from Averett University. Mr. England holds Professional Engineer (P.E.) and Class I Waterworks Operator licensure with the Commonwealth of Virginia.

For resumes of key officials, see the section "COUNTY GOVERNMENT - Certain County Staff Members" in Appendix C. As of June 30, 2017, there were 307 positions in the Department for activities directly relating to providing water and sewer services. The County is prohibited by law from recognizing a labor union as a bargaining agent for any County employees and is prohibited from collectively bargaining with any such union or its agents concerning any matter relating to those employees or their employment with the County.

In addition to providing water and sewer service within the County, the Department is responsible for County-operated refuse collection and disposal, the operation of one County-owned transfer station, two public use areas, and the administration of street lighting service provided to five sanitary districts, these services are collectively known as the Solid Waste Operation. As of June 30, 2017, there were 69 positions in the Department for activities directly related to Solid Waste Operation. The Public Utilities Department accounts for the receipts and disbursements related to providing solid waste services separately from revenues and expenses of the Water and Sewer System. Expenses and revenues for the Solid Waste Operation are segregated from funds of the Water and Sewer System. A portion of the administrative costs, which are paid by the Water and Sewer System, are charged to the Solid Waste Operation as an overhead expense.

In providing water and sewer services in the County, the Department receives support from other County departments. The Department (and, therefore, the System) is charged by the County for its share of operating costs for data processing services, finance and accounting services, vehicle maintenance services, risk management, office space, purchasing, County attorney assistance, and the use of certain County-owned vehicles. The County has chosen not to charge the Department a payment-in-lieu of taxes for real property assets of the Water and Sewer system.

The Department does not provide any free water or sewer service within the County and all customers, including the County government, are subject to the same schedule of rates and charges.

Properties and Services

The primary functions of the System are water supply, storage and distribution and wastewater collection, transmission, treatment and disposal. The System provides service to approximately 65 percent of the geographical area of the County and 95 percent of the population.

The County provides water service to approximately 98,000 residential, commercial, and industrial customers. The County also has service agreements to supply limited amounts of water to Hanover County and Goochland County. Currently about 37 percent of the County's water supply is purchased from the City of Richmond. The remainder is supplied by the County's 80 MGD Water Treatment Plant, which is supplied by the James River. The plant was completed in April 2004, and the expansion from 55 MGD to 80 MGD was completed in May 2015. The System's water facilities consist of approximately 1,600 miles of water distribution mains, 9 pump stations with 15 ground storage tanks and 2 elevated storage tanks for a total tank storage capacity of approximately 31 million gallons.

The County provides wastewater service to approximately 95,000 residential, commercial, and industrial customers. The County also has service agreements to treat a limited quantity of wastewater from Hanover County, Goochland County, and the City of Richmond. The County operates a 75 MGD wastewater treatment facility.

Wastewater is transmitted to the County Wastewater Treatment Facility where it is treated pursuant to a Virginia Pollutant Discharge Elimination System Permit. Limited volumes of wastewater from the County continue to be treated at Richmond's wastewater treatment facility, and limited volumes of wastewater from Richmond are treated at the County's Wastewater Treatment Facility under a wastewater agreement that became effective November 1, 1989. Wastewater from Hanover County and Goochland County is treated at the County Wastewater Treatment Facility under agreements between the County and Hanover and Goochland Counties.

Operations and Maintenance Procedures

The County has implemented modern operation and maintenance procedures with respect to the System. The City tests the water it sells to the County, and the County maintains its own laboratory to conduct daily tests of the water quality of the distribution system. The County maintains ongoing educational programs to keep employees of the System aware of new developments in water and wastewater technology. In addition, all treatment plant operators are required to attend technical schools and to obtain proper certification.

Mechanical equipment is maintained in County-owned shops, and operating facilities are regularly inspected and maintained by System employees. The County reads meters bi-monthly using a mobile collection device. This device reads the meters via radio transmissions while the van travels through County neighborhoods and along County roads. Employees of the System throughout the County are linked together by a County-owned radio communication system which is interlinked with the County police and fire departments. Maintenance of County sewer lines is enhanced by the use of trucks equipped with high velocity water jets and vans equipped with closed circuit television cameras which can be maneuvered through the sewer mains to inspect the sewer system. Operation of the water distribution and sewage collection and pumping systems is enhanced by use of a modern supervisory distribution control and data acquisition (SCADA) system. The County is in the engineering stage of a SCADA standardization project for the System. This is a project to replace the existing SCADA systems for all DPU collection and distribution system remote sites as well as the SCADA at the Water Treatment Facility and the Water Reclamation Facility. The key objectives of this project are to replace the existing obsolete and proprietary hardware and software with state of the art, off the shelf, non-proprietary, modern hardware and software, and to standardize the hardware and software and process control philosophies used in the treatment facilities and remote sites. Achieving these objectives will allow for effective and efficient automated monitoring and control of the various SCADA processes as well as the consistent, reliable training of all personnel involved with SCADA. It will also simplify and stream line the technical support of the SCADA system resulting in less downtime and less interruptions to automated processes.

The System uses Cityworks as its asset management system (AMS). Cityworks allows for the faster flow of information between the Department and its customers as well as between divisions. This eliminates the need to have hand written data from paper work orders entered into a system by office staff. Cityworks interfaces with the Department's billing system, CIS Infinity, as well as Flexidata (sewer line CCTV). The GIS-centric nature of Cityworks allows the Department to realize its goal of having GIS as its central asset registry.

Rates and Charges

The most recent rate increase, effective July 1, 2017, was approximately a 5 percent increase in water and sewer rates. The Board of Supervisors also increased connection fees by approximately 5 percent effective October 1, 2017.

Water and sewer rates are based on a forecast model compiled annually by the County. Fiscal year 2018 budgeted revenues are based on an approved 5 percent rate increase. Estimates for succeeding years are based on 5 percent annual rate increases and customer base growth rates starting at 0.75% in 2018 and growing to 1.5% by 2022, anticipating continued development and growth in the County. A schedule of current rates, fees, and charges in effect as of the date of this Official Statement is included in the following tables.

WATER AND SEWER RATES
(Effective since July 1, 2017)

SINGLE-FAMILY RESIDENTIAL CUSTOMERS

Water and sewer customers are billed every two months and pay both a *service* charge and a *volume* charge for water and sewer services.

Bi-Monthly Service Charge	**Water**	**Sewer**
Service Charge for Residences		
(5/8" meter)	$ 14.20	$ 28.60
(If water is not metered there is a flat charge of $75.20 for sewer service)		

Volume Charge [3]	**Water**	**Sewer**
The charge for each hundred cubic feet (CCF) of water used [1]	$ 3.26	$ 3.45
If 6 CCF or less	2.02	2.12

COMMERCIAL AND INDUSTRIAL CUSTOMERS

Bi-Monthly Service Charge [2]	**Water**	**Sewer**
5/8" Meter	$ 14.20	$ 28.60
1" Meter	33.55	47.35
1½" Meter	61.65	69.40
2" Meter	94.70	100.20
3" Meter	156.15	169.50
4" Meter	250.85	268.05
6" Meter	484.85	533.65
8" or 10" Meter	970.40	913.55

Volume Charge Per CCF [2]	**Water**	**Sewer**
First 10,000 CCF	$ 3.26	$ 3.45
Next 70,000 CCF	2.22	2.47
Over 80,000 CCF	1.60	2.22

(1) One hundred cubic feet is a CCF and is approximately 748 gallons.

(2) Industrial customers are subject to surcharges for discharge of strong wastes in addition to sewer service and volume charges listed above.

(3) The average combined bi-monthly residential water and sewer bill for FY2017-18 is $136.74, based on 14 CCF consumption.

WATER AND SEWER CONNECTION FEES
(Effective since October 1, 2017)

	Water		Sewer	
	Connection Fees	Local Facilities Fees(A)	Connection Fees	Local Facilities Fees(A)
Single Family Residential with existing well and/or septic system	$ 2,315+	$2,625	$2,805+	$3,990
Single Family Residential including semi-detached dwellings	$4,635+	$2,625	$5,605+	$3,990
Multi-Family Residential Apts., Townhouses, Condos, & Cluster Homes; Duplexes	$4,270 (per unit)	(B)	$5,170 (per unit)	(C)
Motel and Hotel	$2,350 (per room)	(B)	$2,850 (per room)	(C)
Hospital	$5,430 (per bed)	(B)	$6,575 (per bed)	(C)
Nursing Homes	$3,625 (per bed)		$4,380 (per bed)	
Assisted Living	$1,810 (per bed)	(B)	$2,190 (per bed)	(C)
Facilities providing permanent housing for elderly or handicapped persons and operated by charitable, non-stock, non-profit organizations which are exempted by § 501(c)(3) of the Internal Revenue Code	$1,810 (per bed)	(B)	$2,190 (per bed)	(C)
Dormitories	$1,360 (per bed)		$1,645 (per bed)	
All other business, industrial & public buildings based on meter size as follows:				
5/8"	$ 4,635	(B)	$ 5,685	(C)
1"	16,570	(B)	20,050	(C)
1½"	33,060	(B)	40,015	(C)
2"	65,615	(B)	79,415	(C)
3"	131,235	(B)	158,830	(C)
4"	205,050	(B)	248,175	(C)
6"	410,105	(B)	496,340	(C)
8"	656,160	(B)	794,145	(C)
10"	943,130	(B)	1,141,585	(C)

(A) Local facilities fee will be due where local facilities are available to connector's property and the costs have not been previously assessed against the property. Local facilities are those portions of the County's water and sewer systems which are used to, respectively, deliver water to or collect wastewater from individual users in local areas, subdivisions and developments. Included are local water distribution mains and valves, local wastewater collection mains, water service lines, meter setters, meter boxes, wastewater lateral lines to the user's premises and fire hydrants.

(B) Local facilities fee is $2,625 for 5/8" meter, $3,360 for 1" meter, $5,460 for 1½" meter and $5,460 for 2" meter. The Director of Public Utilities will determine this fee for meter size in excess of 2".

(C) Local facilities fee is $3,150 for sewer when applicable.

INSTALLATION CHARGES
(Effective since October 1, 2017)

WATER INSTALLATION CHARGE TABLE
(Not including cost of meter)

METER SIZE	SERVICE SIZE	INSTALLATION CHARGE
5/8"	¾"	$2,625
5/8"	1"	2,625
5/8"	1½"	3,360
1"	1"	2,775
1"	1½"	3,360
1"	2"	3,360
1½"	1½"	5,460
1½"	2"	5,460
2"	2"	5,460

SEWER INSTALLATION CHARGE TABLE

1) 4" or 6" sewer lateral installation charge = $3,150

2) County Sewer & Water Main Extension Costs:

Sewer: $50 per foot for vacant lot or $25 per foot for existing single-family residence, plus sewer installation charge for each connection, plus basic connection fee.

Water: $30 per foot for vacant lot or $15 per foot for existing single-family residence, plus water installation charge for each connection, plus basic connection fee.

Billing and Collection Procedures

The County renders a monthly bill to certain industrial accounts for water and sewer services and to Hanover County and Goochland County for water and sewer service. All other customers of the System are billed once every two months. If an account remains unpaid 30 days after the billing date, a notice is mailed to the customer whose account is delinquent and a late payment fee is imposed on the account. Fifteen days thereafter, if the account still has not been paid, service may be discontinued by the County. The County is authorized to enforce the collection of delinquent accounts by judicial proceedings, if necessary.

Largest Accounts

The following table lists the 10 largest accounts of the System (excluding Hanover County and Goochland County, which purchase water and sewer service from the County on a wholesale basis and excluding the County government) during the fiscal year ended June 30, 2017.

Customer	Industry	Fiscal Year 2017 Billings	% of Total System Operating Revenue
US Residential	Real Estate Development, Management	$655,727	0.60%
Crofton Square Association	Real Estate Development, Management	528,819	0.48%
Essex VA Investors LLC dba Essex Apartments	Real Estate Development, Management	480,863	0.44%
Parham Road Apartment Association	Real Estate Development, Management	411,018	0.38%
Coca-Cola Refreshments	Beverages	404,074	0.37%
Fareva Richmond, Inc.	Pharmaceutical Manufacturer	359,768	0.33%
Forest City Development (Short Pump Town Center)	Real Estate Development, Management	335,127	0.31%
St. Mary's Hospital	Healthcare	323,402	0.30%
Henrico Doctor's Hospital	Healthcare	291,803	0.27%
Quality Technology Services	Data Center	269,331	0.25%
Total		$4,059,932	3.73%

Budget Fiscal Year 2017-18

The County closely monitors the System's financial performance, with specific focus on operating revenues and expenditures. The current fiscal year's budget calls for operating resources of approximately $123.2 million, operating expenses of approximately $89.8 million (including debt service), and capital spending of approximately $70.1 million. See "WATER AND SEWER SYSTEM CAPITAL IMPROVEMENT PLAN" below. As of this date, the County expects that it will finish the 2018 fiscal year at or near budgeted revenues and expenses.

Agreements with the City of Richmond

As mentioned above, the County purchases some of the System's water requirements from the City of Richmond. Approximately 63 percent of the County's demand is met by the County's 80 MGD water treatment facility which opened in April 2004 at 55 MGD and was expanded to 80 MGD in May 2015. In FY 2017 the County purchased 6,113,445 CCF from the City of Richmond and treated 10,437,817 CCF at the County's plant. The City treats a limited quantity of wastewater originating from the System. Both water supply and wastewater treatment are provided by the City pursuant to agreements with the County described below.

Water Supply

On September 28, 1994 (effective as of September 29, 1994), the Board of Supervisors approved a water supply contract (the "Contract") under which the City of Richmond supplies the County with treated water, which replaced a contract which was effective July 1, 1985, between the City and the County. The Contract provides that the City will supply the County with water from the City's distribution system at various points around the City, and that the County will distribute the water to the customers of its System. The Contract also provides that the County may resell the water to customers of the System located outside the County (*e.g.,* Hanover County and Goochland County). The County has exercised its option under the Contract requesting that, after January 1, 2007, the City provide the County up to 35 MGD of capacity. Pursuant to the Contract, the County must provide the City with an annual projection of its water requirements for the next 10 years and the City must advise the County within 90 days of any modifications or improvements to its water system necessary to supply the County's projected requirements. The County must concur in the making of any modifications or improvements if the costs of such modifications or improvements are to be borne by the County. The Contract provides that the County shall be responsible for providing water distribution facilities within the County and that the County will maintain water storage and pumping facilities adequate to provide service in the County under the Contract.

The volume of water supplied by the City to the County is measured by meters and the City renders a monthly bill to the County. Charges payable by the County are determined as set forth in the Contract, based on a mutually agreed upon cost of service study which is updated each year. The Contract is for a term until July 1, 2040 and, thereafter, until cancelled upon five years' notice by either party. See also the section "WATER AND SEWER SYSTEM CAPITAL IMPROVEMENT PLAN". In fiscal year 2017, the County paid $11,506,790 to the City under this agreement.

Wastewater Treatment

Between 1976 and November 1989, the County undertook the development of the Wastewater Treatment Facility in the County which opened in November 1989. Since then, the County and the City have operated under the terms of an agreement effective November 1, 1989. This agreement provides for the City to treat limited flows from the County and for the County to treat limited flows from the City. See also the subsection "Properties and Services" located above.

Agreements with the Counties of Goochland and Hanover

The County has a water and wastewater agreement with Hanover County to provide water up to 0.775 MGD and to treat wastewater up to 5.4 MGD. The water agreement was signed April 10, 1995 and is in full force and shall continue in full force thereafter, until terminated by either County Manager or County Administrator (of respective localities) by giving the other party ten (10) years written notice. No notice has been given to terminate this agreement. For fiscal year 2017, Hanover County paid the County $1,619,354 under these agreements.

Henrico also has a water and wastewater agreement with Goochland County to provide water up to 5.25 MGD and to treat wastewater up to 0.69 MGD. Both agreements with Goochland were signed June 11, 2002 and are in full force until June 30, 2032 and shall continue in full force thereafter, until terminated by either County Manager or County Administrator (of the respective localities) by giving the other party ten (10) years written notice. No notice has been given to terminate this agreement. For fiscal year 2017, Goochland County paid the County $1,104,023 under these agreements.

Agreement with the County of Cumberland

A Memorandum of Understanding, dated August 10, 2010, between Henrico and Cumberland counties established the terms and conditions for Henrico to proceed with the construction of the reservoir in Cumberland County. Under these terms and conditions, Henrico shall pay the full costs of permitting, engineering, and acquiring property for constructing, maintaining and operating the reservoir. Henrico shall reimburse Cumberland County for all costs previously paid by Cumberland for permitting the reservoir ($2,104,646.09) and all payments Cumberland previously made for the wetland mitigation bank ($505,383). In accordance with the MOU, these were paid to Cumberland in August and November 2010, respectively.

For 50 years from the date of this Memorandum, Henrico shall make an annual contractual payment to Cumberland in the amount of $1,131,900. After this 50-year period, Henrico shall make a payment-in-lieu of taxes under the methodology set forth in the Code of Virginia for calculating payments-in-lieu of property taxes.

System Statistics

HENRICO COUNTY WATER AND SEWER SYSTEM STATISTICS (unaudited)

	Fiscal years ended June 30				
	2013	**2014**	**2015**	**2016**	**2017**
Water:					
Number of customers	94,006	95,097	95,994	96,811	97,549
Miles of water mains	1,572.07	1,581.81	1,594.82	1,607.37	1,621.98
Hydrants in service	12,399	12,529	12,692	12,880	13,142
Average daily flow (mgd)(1)	30.4	28.5	29.8	29.6	29.7
Wastewater:					
Number of customers	91,110	92,125	93,087	93,839	94,538
Miles of sewer mains	1,462.95	1,470.16	1,481.36	1,491.33	1,503.87
Average daily flow (mgd)(1)	26.2	24.1	23.6	23.7	23.5

(1) (mgd) million gallons/day. Average daily flow is based on metered consumption as billed. Wastewater flow is based on metered water consumption and calculated as provided by the County ordinance for billing. Calculation of residential sewer billing is based on a fixed charge, plus a volume charge. Additional allowance is made for increased consumption of water in the summer, which is not related to sewer service.

SUMMARY OF REVENUES AND EXPENSES OF THE SYSTEM

The following schedule sets forth the revenues and expenses (excluding depreciation and interest expenses) of the System for the five fiscal years ended June 30, 2017. The financial data for the fiscal years ended June 30, 2013 through June 30, 2017 has been derived from the audited financial statements of the System. The financial data set forth below should be read in conjunction with the System's financial statements for the fiscal years ended June 30, 2017 and notes thereto and the report on the 2017 financial statements of independent auditors, which are included as Appendix B.

Summary of Revenues and Expenses of the System

	2013	2014	2015	2016	2017
Operating Revenue					
Water System	$ 45,693,810	$ 45,791,013	$ 50,719,860	$ 51,169,761	$ 54,814,946
Sewer System	46,645,946	49,502,721	51,137,470	53,435,352	54,563,383
Other	1,098,202	995,127	1,163,227	1,295,292	1,208,146
Total Operating Revenue	$ 93,437,958	$ 96,288,861	$ 103,020,557	$ 105,900,405	$ 110,586,475
Operating Expenses					
Water System					
Source of Supply	$ 10,244,253	$ 13,065,979	$ 12,250,784	$ 12,726,415	$ 11,250,861
Pumping and Treatment	7,912,987	7,571,518	8,205,773	8,804,051	9,042,609
Transmission and Distribution	4,982,879	4,739,981	4,846,808	5,026,633	6,209,969
Customer Billing and Services	1,187,465	1,235,504	1,163,098	1,313,055	1,286,591
General and Adminsitrative	4,936,934	5,233,880	5,088,561	6,468,444	5,290,711
Total Water System	$ 29,264,518	$ 31,846,862	$ 31,555,024	$ 34,338,598	$ 33,080,741
Sewer System					
Treatment and Disposal	$ 10,235,149	$ 11,612,144	$ 11,192,998	$ 12,548,992	$ 11,832,563
Collection	3,509,346	3,308,042	3,473,055	3,354,002	3,590,487
Pumping	6,214,770	8,250,913	7,578,880	8,078,380	7,758,898
Customer Billing and Services	1,150,883	1,196,892	1,127,876	1,272,746	1,246,918
General and Aministrative	4,895,617	5,463,642	5,135,155	6,477,171	5,303,751
Total Sewer System	$ 26,005,765	$ 29,831,633	$ 28,507,964	$ 31,731,291	$ 29,732,617
Total Operating Expenses	$ 55,270,283	$ 61,678,495	$ 60,062,988	$ 66,069,889	$ 62,813,358
Net Operating Revenue	$ 38,167,675	$ 34,610,366	$ 42,957,569	$ 39,830,516	$ 47,773,117
Non-Operating Income					
Investment Income	$ 1,024,146	$ 2,074,889	$ 799,161	$ 1,019,734	$ 975,513
Connection Fee	8,658,539	6,100,959	9,096,093	12,634,472	9,480,779
Add debt service contribution from County GF[(1)]	435,976	1,610,976	1,607,475	1,609,675	1,607,988
Miscellaneous[(2)]	(103,495)	(456,562)	(3,003,808)	(1,392,014)	671,521
Total Other Income	$ 10,015,166	$ 9,330,262	$ 8,498,921	$ 13,871,867	$ 12,735,801
Total Amounts Available for Debt Service	$ 48,182,841	$ 43,940,628	$ 51,456,490	$ 53,702,383	$ 60,508,918

(1) Represents reimbursement from the County's General Fund to Public Utilities for certain infrastructure and road improvements related to economic development projects at White Oak Technology Park. These transfers from the General Fund are made in connection with financing agreements relating to these particular projects. See Note 7 to the System's audited financial statements attached hereto as "APPENDIX B." The County does not routinely transfer amounts from the General Fund to the System for its general operations or to pay debt service on the Bonds issued under the Bond Resolution.

(2) Miscellaneous includes amortization, loss or gain on early retirement of fixed assets, sale of vehicles, sale of equipment, grant funds, VA nutrient credits, and entries from Central Automotive Maintenance (CAM).

HISTORICAL DEBT SERVICE COVERAGE

Debt Service Coverage Ratio under the Resolution

	FY2013	FY2014	FY2015	FY2016	FY2017
Total Operating Revenue	$93,437,958	$96,288,861	$103,020,557	$105,900,405	$110,586,475
Total Operating Expenses	(55,270,283)	(61,678,495)	(60,062,988)	(66,069,889)	(62,813,358)
Debt Service Contribution from County General Fund[1]	435,976	1,610,976	1,607,475	1,609,675	1,607,988
Revenues Available for Debt Service	38,603,651	36,221,342	44,565,044	41,440,191	49,381,105
Debt Service	15,365,027	15,069,891	16,997,118	17,011,726	21,330,889
Debt Service Coverage Ratio Under the Resolution	2.51	2.40	2.62	2.44	2.32

(1) Represents reimbursement from the County's General Fund to Public Utilities for certain infrastructure and road improvements related to economic development projects at White Oak Technology Park. These transfers from the General Fund are made in connection with financing agreements relating to these particular projects. See Note 7 to the System's audited financial statements attached hereto as "APPENDIX B." The County does not routinely transfer amounts from the General Fund to the System for its general operations or to pay debt service on the Bonds issued under the Bond Resolution.

Debt Service Coverage Ratio Using All System Revenues

	FY2013	FY2014	FY2015	FY2016	FY2017
Revenues Available for Debt Service under Resolution	$38,603,651	$36,221,342	$44,565,044	$41,440,191	$49,381,105
Plus:					
Connection Fees	8,658,539	6,100,959	9,096,093	12,634,472	9,480,779
Investment Earnings	1,024,146	2,074,889	799,161	1,019,734	975,513
Miscellaneous [1]	(103,495)	(456,562)	(3,003,808)	(1,392,014)	671,521
All System Revenues	48,182,841	43,940,628	51,456,490	53,702,383	60,508,918
Debt Service	15,365,027	15,069,891	16,997,118	17,011,726	21,330,889
Debt Service Coverage Ratio	3.14	2.92	3.03	3.16	2.84

(1) Miscellaneous includes amortization, loss or gain on early retirement of fixed assets, sale of vehicles, sale of equipment, grant funds, VA nutrient credits, and entries from Central Automotive Maintenance (CAM).

Source: County Department of Utilities.

ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth for each fiscal year ending June 30 the approximate amounts payable from the revenues of the System as principal of and interest on its Outstanding Parity Bonds.

Fiscal Year Ending June 30	Debt Service on Outstanding Parity Bonds(2)			Series 2018 Bonds			Outstanding Series 2009B Recovery Zone Economic Development Revenue Bonds				Total Debt Service
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Subsidy(3)	Total	
2018	$9,460,000	$11,471,269	$20,931,269	$	$	$	$ 0	$598,003	$-251,341	$346,662	$21,277,931
2019	9,790,000	11,144,269	20,934,269	1,840,000	3,874,316	5,714,316	0	598,003	-251,341	346,662	26,995,247
2020	10,000,000	10,817,844	20,817,844	1,840,000	3,870,369	5,710,369	0	598,003	-251,341	346,662	26,874,875
2021	10,285,000	10,419,044	20,704,044	1,935,000	3,778,369	5,713,369	0	598,003	-251,341	346,662	26,764,075
2022	10,715,000	9,999,619	20,714,619	2,030,000	3,681,619	5,711,619	0	598,003	-251,341	346,662	26,772,900
2023	11,225,000	9,479,369	20,704,369	2,130,000	3,580,119	5,710,119	0	598,003	-251,341	346,662	26,761,150
2024	11,765,000	8,940,819	20,705,819	2,240,000	3,473,619	5,713,619	0	598,003	-251,341	346,662	26,766,100
2025	12,250,000	8,461,694	20,711,694	2,350,000	3,361,619	5,711,619	0	598,003	-251,341	346,662	26,769,975
2026	12,820,000	7,890,294	20,710,294	2,470,000	3,244,119	5,714,119	0	598,003	-251,341	346,662	26,771,075
2027	13,385,000	7,323,094	20,708,094	2,590,000	3,120,619	5,710,619	0	598,003	-251,341	346,662	26,765,375
2028	14,000,000	6,720,144	20,720,144	2,720,000	2,991,119	5,711,119	0	598,003	-251,341	346,662	26,777,925
2029	7,970,000	6,110,394	14,080,394	2,855,000	2,855,119	5,710,119	1,090,000	598,003	-251,341	1,436,662	21,227,175
2030	8,310,000	5,771,394	14,081,394	2,945,000	2,769,469	5,714,469	1,125,000	534,205	-224,526	1,434,679	21,230,541
2031	8,660,000	5,417,794	14,077,794	3,030,000	2,681,119	5,711,119	1,160,000	466,705	-196,156	1,430,549	21,219,461
2032	9,035,000	5,049,144	14,084,144	3,155,000	2,559,919	5,714,919	1,200,000	395,330	-166,157	1,429,173	21,228,235
2033	9,415,000	4,664,344	14,079,344	3,280,000	2,433,719	5,713,719	1,240,000	321,494	-135,124	1,426,370	21,219,433
2034	9,810,000	4,263,194	14,073,194	3,380,000	2,331,219	5,711,219	1,285,000	245,197	-103,056	1,427,141	21,211,553
2035	10,235,000	3,845,044	14,080,044	3,490,000	2,221,369	5,711,369	1,330,000	166,131	-69,825	1,426,306	21,217,719
2036	10,630,000	3,449,325	14,079,325	3,605,000	2,107,944	5,712,944	1,370,000	84,296	-35,430	1,418,866	21,211,135
2037	6,090,000	3,037,725	9,127,725	3,725,000	1,986,275	5,711,275					14,839,000
2038	6,360,000	2,764,275	9,124,275	3,850,000	1,860,556	5,710,556					14,834,831
2039	6,650,000	2,478,575	9,128,575	3,980,000	1,730,619	5,710,619					14,839,194
2040	6,950,000	2,179,675	9,129,675	4,120,000	1,591,319	5,711,319					14,840,994
2041	7,265,000	1,862,756	9,127,756	4,265,000	1,447,119	5,712,119					14,839,875
2042	7,595,000	1,531,356	9,126,356	4,415,000	1,297,844	5,712,844					14,839,200
2043	7,945,000	1,184,769	9,129,769	4,570,000	1,143,319	5,713,319					14,843,088
2044	8,305,000	822,038	9,127,038	4,730,000	983,369	5,713,369					14,840,406
2045	4,405,000	442,750	4,847,750	4,920,000	794,169	5,714,169					10,561,919
2046	4,630,000	222,500	4,852,500	5,115,000	597,369	5,712,369					10,564,869
2047				5,320,000	392,769	5,712,769					5,712,769
2048				5,515,000	199,919	5,714,919					5,714,919
Totals(1)	$265,955,000	$157,764,506	$423,719,506	$102,410,000	$68,960,404	$171,370,404	$9,800,000	$9,389,392	($3,946,361)	$15,243,030	$610,332,941

(1) Totals may not add due to rounding.

(2) Water and Sewer System Revenue Bonds Series 2016, dated May 17, 2016; Water and Sewer System Revenue Bonds Series 2014, dated March 20, 2014; and Water and Sewer System Refunding Revenue Bonds, Series 2013, dated February 20, 2013; Water and Sewer System Refunding Revenue Bonds Series 2009A, dated December 22, 2009; and Water and Sewer System Refunding Revenue Bonds Series 2009, dated March 6, 2009.

(3) Federal subsidy adjusted per sequestration, subject to change.

WATER AND SEWER SYSTEM CAPITAL IMPROVEMENT PROGRAM

The Board of Supervisors annually adopts a Five Year Capital Improvement Program for the System (the "CIP"), approving the first year of the CIP for implementation and the remaining four years for planning purposes. The projects set forth in the CIP provide for extensions of service by the System and improvements to the System to upgrade existing service. The 2017-18 through 2021-22 CIP anticipates the following appropriations, as described in the following subsections:

FY 2018-2022 Water and Sewer Capital Improvement Program

	Approved FY2018	Requested FY2019	Requested FY2020	Requested FY2021	Requested FY2022	Total
Wastewater	$71,100,000	$14,275,000	$14,700,000	$15,100,000	$67,150,000	$182,325,000
Water	$6,450,000	$20,150,000	$4,825,000	$4,550,000	$11,650,000	$47,625,000
Total	$77,550,000	$34,425,000	$19,525,000	$19,650,000	$78,800,000	$229,950,000
Previous Years Appropriations (1)	$314,285,000					$314,285,000
Combined Capital Improvement Plan	$391,835,000	$34,425,000	$19,525,000	$19,650,000	$78,800,000	$544,235,000
Planned Bond Issues (2)	$100,000,000		$90,000,000		$43,000,000	$233,000,000

(1) Planned Bond Issues include funding for projects approved in prior capital budgets.
(2) Current estimate of future bond issues.

The County expects that net revenues and debt proceeds will fund the CIP. It should be noted that many of the projects and improvements in the CIP are in the planning stages, with construction cost estimates that are preliminary and contracts that have not been awarded. Hence, the overall timing and sizing of the CIP is subject to change. Only the first year of the CIP is appropriated. The County will carefully consider its funding needs and whether debt is needed each year when preparing a new CIP.

Sewer System

In January 1977, the County completed a comprehensive study of the County's wastewater treatment system (the "Wastewater Treatment Study") to evaluate existing facilities and to provide a specific plan of development for wastewater transportation and treatment needs for the County. The study explored various alternatives and recommended that the County design and build a regional wastewater transport and treatment system. In response to that study, the County constructed the County Wastewater Treatment Facility which was placed in service in November 1989. As County wastewater collection and pumping systems were connected to the County Wastewater Treatment Facility, wet-weather flows increased significantly due to infiltration and inflow ("I&I"). The increased I&I resulted in the County entering into a consent agreement in June 1993 with the State Water Control Board that requires the County to take certain actions to identify and mitigate I&I. To meet its obligations under the consent agreement, the County expanded its Wastewater Treatment Facility from 30 mgd to 45 mgd and constructed nutrient removal facilities to meet new permit limits for phosphorus, ammonia and nitrogen. In addition, The County replaced and expanded its effluent filters. The filter replacement and expansion was substantially completed August 19, 1996 and the expansion and nutrient removal project was substantially completed March 14, 1997.

On January 28, 1998, the Board of Supervisors authorized a contract to design improvements and expansion of the Water Reclamation Facility to 75 MGD. The expansion of the facility to 75 MGD was completed in August 2005 at a cost of approximately $101,000,000. The current facility is designed to comply with the nutrient requirements of the 2007 Chesapeake Bay Act.

The County entered into a second consent order in January 2003 with the State Water Control Board that required the County to submit certain manuals and reports relating to the operation of the wastewater collection and treatment systems as well as setting a completion schedule for 30 infiltration and inflow removal projects. All manuals and reports were submitted and all projects in the January 2003 schedule were completed.

In March 2005, the consent order was amended to set the completion of the Water Reclamation Facility expansion to 75 MGD and to set a schedule for the completion of the Fourmile Creek Trunk Sewer Rehabilitation Project. The Water Reclamation Facility expansion to 75 MGD was completed, on time, in the fall of 2015 and the Fourmile Creek Trunk Sewer Rehabilitation Project was continued on a third consent order.

The County entered into a third consent order in December 2010 with the State Water Control Board that required the County to submit a standard operating procedure manual relating to the operation of the Wastewater Reclamation Facility and completion of the Fourmile Creek Trunk Sewer Rehabilitation Project as well as setting a completion schedule for 32 additional infiltration and inflow removal projects. The standard operating procedure manual and the Fourmile Creek project were completed on time. Funding for all of the 32 inflow and infiltration projects were included in the CIP and the final projects are on schedule for completion in mid-2018.

Water System

The County's decision to build the Water Treatment Facility began in August 1987, when a comprehensive study of the County's water system (the "Comprehensive Water Study") was completed by Wiley & Wilson, consulting engineers for the County. The Comprehensive Water Study evaluated existing facilities for water supply, storage and distribution, including an updating of a model for use in evaluating the County's existing facilities and projecting the need for future improvements.

The Comprehensive Water Study recommended that the County construct a water treatment facility to meet the long-term needs of the County. In 1988, the Board of Supervisors approved inclusion of the Water Treatment Facility in the CIP and in June 1988, the County submitted an application for the required permits from the U.S. Army Corps of Engineers (the "Corps of Engineers") and State Water Control Board to construct a water supply intake structure and to withdraw water from the James River for treatment at the Water Treatment Facility. The Corps of Engineers prepared an environmental impact statement and issued the required permit for the water supply intake structure in the James River on October 18, 1996.

The Water Treatment Facility was completed in April 2004. The total approximate cost of the plant and all related infrastructure was $185,000,000. Annual operating and maintenance costs are budgeted at approximately $7,488,000 for fiscal year 2018. Since the plant startup, the facility has met all State and Federal requirements.

The expansion of the Water Treatment Facility to 80 MGD was completed in May 2015 at an approximate cost of $13,800,000.

Cobbs Creek Reservoir

Spurred by a major state-wide drought in 2002, the Cobbs Creek Reservoir project is designed to create an environmentally sensitive way to provide a regional raw water supply that is expected to accommodate the projected growth of all three counties through the year 2055 and to decrease potential water usage restrictions.

The Cobbs Creek Reservoir Project is a river flow augmentation facility that will discharge up to 100 million gallons per day of raw water into the James River during periods of low flow in the river. Flow augmentation will have a beneficial impact on aquatic and finfish species that might be stressed during a low flow period. In return for augmentation of flow in the river, the Virginia Department of Environmental Quality has increased the water withdrawal permit by 30 MGD (to 75 MGD) from the James River for Henrico County and will issue withdrawal permits for up to 17 MGD more through future permitting to Henrico County and its regional partners. Through the 2010 Memorandum of Understanding, Cumberland County, as a regional partner, has essentially first rights of refusal of up to 10 MGD of this future capacity. Henrico County may develop other regional partnerships in the future for allocation of future capacity created by the Cobbs Creek Reservoir project to Powhatan and Cumberland Counties for water supply purposes.

With an estimated cost of $280,000,000, the reservoir is owned and will be operated by Henrico County while located adjacent to the James River in Cumberland County. The reservoir will be designed to provide 14.8 billion gallons of raw water storage within 1,117 acre normal pool area. The project consists of several major components: a river intake structure, raw water pump station, transfer pipeline lines, inlet/outlet tower and one major and one saddle dam. With this system, raw water will be pumped from the James River into the reservoir when river flow is adequate. Controlled releases from the reservoir during low flow periods in the James River will benefit aquatic resources and recreation.

Design and Schedule

The County has acquired all of the land necessary for the Cobbs Creek Reservoir project. The first phase of construction is on the utility realignment corridor. Relocation of overhead electric utility and underground gas lines has been completed. Construction on the reservoir and associated facilities began in 2017, with an anticipated completion date in 2021. It is anticipated that it will take approximately 2 years to fill the reservoir, accordingly the reservoir should be completed and ready for use by 2023.

Budget and Expenditures

Through February 2018, approximately $111,900,000 has been expended for payments for engineering, legal assistance, permits, staff time, land acquisitions, relocating the utilities, construction of the communication tower, and beginning construction of the dams and reservoir.

Other Water and Sewer CIP Projects

The projects set forth in the CIP are needed to address system rehabilitation requirements and to provide services for future growth. These projects are defined in the Department's master plan titled <u>2007 Water and Sewer Facilities Plan</u> dated December 2007. The projects can be summarized in the following categories with their projected five year appropriation estimates:

FY 2018 to FY 2022 Capital Improvement Plan	
Project	**Appropriation**
Water Transmission and Distribution	$9,350,000
Water System Rehabilitation	$23,275,000
SCADA System Replacement	$15,000,000
Sewer Treatment	$60,500,000
Sewer Collection and Pumping	$71,525,000
Sewer Rehabilitation	$50,300,000

Water Transmission and Distribution projects provide for improvements to water pumping and storage facilities, extension of water distribution mains, and construction of planned water transmission pipelines. Water System Rehabilitation addresses needed replacement of aging infrastructure necessary to insure reliability of the water supply system. SCADA System Replacement will provide state of the art supervisory control and data acquisition system to manage the water and sewer systems and allow remote operation of water and sewer facilities. Sewer Treatment provides for improvements and upgrades to the Water Reclamation Facility to ensure compliance with federal and state requirements for this facility. Sewer Collection and Pumping includes pumping station upgrades and improvements, construction of flow equalization basins and provision of collector and trunk sewers to provide capacity to serve growth needs of the County. Sewer Rehabilitation implements a Wet Weather Control Plan for rehabilitation and replacement of existing sewers necessary to reduce wet weather overflows and ensure capacity for service to existing and future customers.

Projects to be Financed with Series 2018 Bonds

Proceeds of the Series 2018 Bonds will be used to finance improvements, additions and extensions to the System, including the Cobbs Creek Reservoir Project described above, and certain other projects included in the CIP, including, but not limited to, water and sewer line rehabilitation, construction, improvements and repairs to the water reclamation facilities of the System, renovations and improvements to the Strawberry Hill Basin, Gillies Creek Basin, Gambles Mill and Upham Brook.

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE WATER AND SEWER FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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COUNTY OF HENRICO, VIRGINIA
WATER AND SEWER REVENUE FUND
(An Enterprise Fund of the County of Henrico, Virginia)

Financial Statements and
Required Supplementary Information and Statistical Information

June 30, 2017

(With Independent Auditors' Report Thereon)

COUNTY OF HENRICO, VIRGINIA
WATER AND SEWER REVENUE FUND
(An Enterprise Fund of the County of Henrico, Virginia)

Financial Statements

June 30, 2017

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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 Water and Sewer Revenue Fund (the Fund), an enterprise fund of the County of Henrico, Virginia (the County), as of and for the year ended June 30, 2017, and the related notes to the 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 an opinion 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Water and Sewer Revenue Fund, an enterprise fund of the County of Henrico, Virginia, as of June 30, 2017, and the changes in its financial position and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

KPMG

Emphasis of Matter

As discussed in note 1 to the financial statements, the Fund's financial statements present only the Fund and do not purport to, and do not, present fairly the financial position of the County of Henrico, Virginia as of June 30, 2017, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 3 through 9 and the Schedules of Required Supplementary Information, including the Schedule of the Fund's Proportionate Share of the Net Pension Liability, Schedule of Contributions, and Notes to Required Supplementary Information on pages 31 through 33 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.

Statistical Information

Our audit was conducted for the purpose of forming an opinion on the Fund's financial statements. The accompanying supplementary information listed as Statistical Information in the table of contents included in Exhibits I through VIII is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Statistical Information has 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

November 27, 2017
Richmond, Virginia

The following discussion and analysis of the County of Henrico, Virginia (the County) Water and Sewer Revenue Fund's (the Fund) financial performance provides an overview of the Fund's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the Fund's financial statements and related notes to the financial statements which follow this discussion and analysis.

Financial Highlights for FY 2017

The Fund's Statement of Revenues, Expenses and Changes in Fund Net Position reported an increase in total net position of $32.2 million in fiscal year 2017 compared to an increase of $24.2 million in fiscal year 2016.

The Fund's total net capital assets were $1,282.8 million at June 30, 2017, compared to $1,234.7 million at June 30, 2016. The Fund's total net position was $1,130.1 million as of June 30, 2017, up from $1,097.9 million as of June 30, 2016.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Fund's basic financial statements. The Fund's basic financial statements are comprised of the following three statements, as well as the notes to the financial statements: (1) balance sheet; (2) statement of revenues, expenses and changes in fund net position; and (3) statement of cash flows.

The balance sheet presents information on all of the Fund's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as net position. The Fund's net position is one way to measure the Fund's financial position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Fund is improving or deteriorating. Nonfinancial factors should also be considered when evaluating the Fund's financial condition, such as the physical condition of the Fund's infrastructure, potential for growth of the customer base, and the stability of the local economy.

The statement of revenues, expenses and changes in fund net position presents information on revenues, expenses, and how the Fund's total net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the changes occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods. The increase or decrease in net position may serve as an indicator of the effect of the Fund's current-year operations on its financial position.

The statement of cash flows summarizes all of the Fund's cash flows into three categories: cash flows from operating activities; cash flows from capital and related financing activities; and cash flows from investing activities. The statement of cash flows, along with the related notes and information in the other financial statements, can be useful in assessing the following:

- The Fund's ability to generate future cash flows,
- The Fund's ability to pay its debt as it matures,
- Reasons for the difference between the Fund's operating cash flows and operating income, and

- The effect on the Fund's financial position from cash and noncash transactions from investing, capital, and financing activities.

The notes to the financial statements provide additional information that is essential to a full understanding of the information provided in the financial statements.

Financial Analysis of the Water and Sewer Fund

The following table reflects the condensed balance sheet information for the Fund as of June 30, 2017 and 2016 (in millions):

		2017	2016	Dollar Change	Percentage Change
Current assets – unrestricted	$	127.4	108.4	19.0	17.5 %
Restricted assets		60.3	112.2	(51.9)	(46.3)
Capital assets, net		1,282.8	1,234.7	48.1	3.9
Other assets		8.0	8.4	(0.4)	(4.8)
Total assets		1,478.5	1,463.7	14.8	1.0
Deferred outflows of resources:					
Deferred loss on debt refunding, net		10.1	10.8	(0.7)	(6.5)
Projected and actual pension earnings		3.3	—	3.3	100.0
Pension contributions after the measurement date		1.8	2.0	(0.2)	(10.0)
Total deferred outflows of resources		15.2	12.8	2.4	18.8
Total assets and deferred outflows of resources	$	1,493.7	1,476.5	17.2	1.2 %
Current liabilities	$	27.8	33.3	(5.5)	(16.5)%
Unearned revenues		17.6	18.5	(0.9)	(4.9)
Net pension liability		14.9	12.2	2.7	22.1
Long-term liabilities		300.6	312.2	(11.6)	(3.7)
Total liabilities		360.9	376.2	(15.3)	(4.1)
Deferred inflows of resources:					
Change in pension proportionate share allocation		0.1	0.1	—	—
Difference between actual and expected experience		0.8	0.8	—	—
Difference between projected and actual earnings		1.8	4.2	(2.4)	(57.1)
Total deferred inflows of resources		2.7	5.1	(2.4)	(47.1)

(Continued)

		2017	2016	Dollar Change	Percentage Change
Fund net position:					
Net investment in capital assets	$	1,048.1	1,044.0	4.1	0.4 %
Restricted		21.5	21.5	—	
Unrestricted		60.5	29.7	30.8	103.7
Total fund net position		1,130.1	1,095.2	34.9	3.2
Total liabilities, deferred inflows of resource and fund net position	$	1,493.7	1,476.5	17.2	1.2 %

The Fund’s total net position increased to $1,130.1 million from $1,095.2 million as a result of the change in net position of $32.2 million comprised mainly of: $13.5 million from operations, $9.5 million from connection fees, $14.9 million from capital contributions-donated infrastructure assets, $1.6 million contribution from the general fund for debt service and $1.0 million from investment income, offset by $8.9 million in interest expense, $0.6 million in other nonoperating income mostly the net of the loss on the retirement of assets, offset by the amortization of the premium on debt issued.

The following table shows the revenues and expenses of the Fund’s activities for the years ended June 30, 2017 and 2016 (in millions):

		2017*	2016	Dollar Change	Percentage Change
Revenues:					
Operating revenues:					
Water system	$	54.8	51.2	3.6	7.0 %
Sewer system		54.6	53.4	1.2	2.2
Other		1.2	1.3	(0.1)	(7.7)
Nonoperating income:					
Connection fees		9.5	12.6	(3.1)	(24.6)
Debt service contributions		1.6	1.6	—	—
Investment income		1.0	1.0	—	—
Total revenues		122.7	121.1	1.6	1.3
Expenses:					
Water system operating expenses		33.1	34.3	(1.2)	(3.5)
Sewer system operating expenses		29.7	31.7	(2.0)	(6.3)

(Continued)

		2017*	2016	Dollar Change	Percentage Change
Depreciation and amortization expense	$	34.3	33.4	0.9	2.7
Interest expense, net of capitalized interest		8.9	7.1	1.8	25.4
Other nonoperating (income) expense		(0.6)	1.4	(2.0)	(142.9)
Total expenses		105.4	107.9	(2.5)	(2.3)
Capital contributions – donated assets		14.9	11.0	3.9	35.5 %
Change in fund net position		32.2	24.2	8.0	33.1 %
Total fund net position, beginning		1,097.9	1,071.0		
Total fund net position, ending	$	1,130.1	1,095.2		

* Beginning net position has been corrected for immaterial errors in the prior year related to the overstatement of deferred inflows of resources and pension expense. See footnote 1(p) for further details.

Revenues

For fiscal year 2017, operating revenues from the sale of water and sewer services totaled $110.6 million. This is an increase in water and sewer operating revenues of $4.7 million, or approximately 4.4%, from fiscal year 2016. Revenues have increased for fiscal year 2017 due to a 5% rate increase, and a relatively normal overall year of rain fall. Fiscal year 2017 had a wet late spring and a dry mid-summer.

For fiscal year 2017, nonoperating income, including capital contributions-donated assets, net was $27.6 million, an increase of $2.8 million, or 11.3%. This increase is mainly due to a $3.1 million decrease in connection fees, the connection fees were reduced for FY 2017 based on a new rate study, being offset by a $3.9 million increase in donated assets as a result of the continued rebound in the construction industry. Also, the loss on the retirement of assets was lower by $1.0 for FY 2017 when compared to FY 2016 due to the mix of assets being retired and their age.

Expenses

For fiscal year 2017, operating expenses totaled $62.8 million, a $3.2 million or 4.8% decrease from the prior fiscal year. This decrease is mainly due to the $2.0 million decrease in VRS costs due to the GASB 68 calculation of pension expense. Added to this decrease, is a decrease in the costs of water purchased from the City, as the City completed their annual reports that were delayed, therefore, the Fund has paid actual cost of service instead of recording accruals which were estimates for 2015 and 2016. The actual cost of water was approximately $1.0 million less than the estimates.

Depreciation expense increased $0.9 million or 2.7% based on the $59.9 million in asset additions for the fiscal year. Interest expense, net of capitalized interest, increased $1.8 million due to $123.0 million of new debt that was issued in June, 2016.

(Continued)

Budgetary Analysis of the Water and Sewer Revenue Fund

For fiscal year 2017, the Fund reflects a total fund net position of $1,130.1 million. Included in the fund net position are $32.2 million of revenues in excess of expenses. The primary reason for the Fund's increase in fund net position mirrors those highlighted in the financial analysis:

Water and Sewer Revenue Fund Budget

		Original	Revised (in millions)	Actual
Revenues:				
Water system operating revenues	$	51.6	51.6	54.8
Sewer system operating revenues		52.7	52.7	54.6
Other operating revenues		1.9	1.9	1.2
Nonoperating income, net		10.9	10.9	27.6
Total revenues		117.1	117.1	138.2
Expenses:				
Operating expenses		62.4	67.4	62.8
Depreciation		—	—	34.3
Interest expense, net of capitalized interest		22.3	21.3	8.9
Total expenses		84.7	88.7	106.0
Change in fund net position	$	32.4	28.4	32.2

Donated assets and connection fees are not budgeted in nonoperating income; however, they are included in actual revenues ($24.4 million for 2017). The entire debt service payment including principal is budgeted in expenses; however, only interest expense less capitalized interest costs were included in the actual expenses. Also, the Fund does not budget for depreciation but it is included in the actual expenses.

Water and Sewer Revenue Fund Budgetary Highlights

Revenue and other income exceeded expenditures by $32.2 million for fiscal year 2017. Actual Fund revenues exceeded original budgeted revenues by $21.1 million during fiscal year 2017. This increase is attributable in part to the rate increase. Combined water and sewer operating revenues increased $4.4 million or 4.1% as a result of the 5% rate increase offset by a wet spring which reduced irrigation revenue. The Fund does not budget for donated assets as they are noncash transactions; however, developers donated $14.9 million in assets. Fiscal year 2017 operating expenses of $62.8 million which approximated the originally budgeted expenses of $62.4 million. The revised budget was higher as it includes purchase orders that are carried forward into the next fiscal year. See the Expenses section for specifics on the changes in operating and maintenance actual expenses.

(Continued)

Capital Assets

At the end of fiscal year 2017, the Fund had net capital assets totaling $1,282.8 million, which represents a net increase of $48.1 million or 3.9% over the fiscal year 2016. The majority of this increase is due to capital spending on construction projects, the majority of which were completed during the year, but some remain in construction in progress in various stages of completion. One of the largest projects in construction in progress is the Cobbs Creek Reservoir project that is estimated to be completed in FY2021 or FY2022 at a cost of approximately $280,000,000. The fiscal year 2017 additions to capital assets include capitalized interest costs of $3.5 million, improvements and upgrades to pump stations and the plants, construction of mains and basins, and water and sewer pipe rehabilitation project costs. The Fund recognized $14.9 million in donated infrastructure from developers. The increase in accumulated depreciation is a result of depreciation expense of $34.3 million, partially offset by retirements. For more detailed information on the Fund’s capital assets, see note 3 of the notes to the financial statements.

The following table shows a summary of the changes in capital assets during fiscal year 2017 (in millions):

		Balance June 30, 2016	Net Dollar Change	Balance June 30, 2017
Nondepreciable capital assets:				
Land	$	18.8	—	18.8
Construction in progress		136.9	25.5	162.4
Depreciable capital assets:				
Building		380.2	2.3	382.5
Infrastructure		1,090.0	47.0	1,137.0
Equipment		155.0	6.1	161.1
Improvements other than buildings		1.4	—	1.4
Accumulated depreciation		(547.6)	(32.8)	(580.4)
Total	$	1,234.7	48.1	1,282.8

Long-Term Debt and Restriction on Resources

At the end of fiscal year 2017, the Fund had total revenue bonds payable outstanding of approximately $275.8 million.

(Continued)

Economic Factors

Over the last three years, the Fund has added approximately 2,500 water and 2,400 sewer customers with the total water and sewer customers being just over 97,550 and 94,540, respectively, as of June 30, 2017. Most of this gain is attributable to residential customers. Growth in customers for fiscal years 2017 and 2016 was approximately 0.8% each year and for fiscal years 2015, 2014 and 2013 it was approximately 1.1% each year and for fiscal year 2012 was 0.8%, all of which are low compared to the pre-recession annual increases of approximately 2%-2.5%. These recent steady increases in customers reflect the improvements in residential and commercial growth in the County. This growth is also supported by the increases in donated assets from developers $14.9 million for 2017, $11.0 million for 2016, and $10.2 for fiscal year 2015. The Fund anticipates that the moderate growth trend will continue as new construction is ongoing in all area of the county.

Contacting the Fund's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Fund's finances and to demonstrate the Fund's accountability for the revenues it collects. Questions concerning this report or requests for additional financial information should be directed to the Director of Public Utilities, P.O. Box 27032, Henrico, VA 23273-7032.

COUNTY OF HENRICO, VIRGINIA
WATER AND SEWER REVENUE FUND
(An Enterprise Fund of the County of Henrico, Virginia)

Balance Sheet

June 30, 2017

Assets and Deferred Outflows of Resources

Current assets – unrestricted:	
Equity in County cash and cash equivalents	$ 101,851,492
Accounts and notes receivable:	
Water and sewer	23,101,139
Due from other County funds	320,632
Other	1,110,861
Less allowance for doubtful accounts	(283,900)
Net accounts and notes receivable	24,248,732
Inventory – materials and supplies	1,284,951
Total current assets – unrestricted	127,385,175
Current assets – restricted:	
Equity in County cash and cash equivalents restricted for:	
Maximum annual debt service	21,532,272
Current debt service	21,897,605
Total current assets – restricted	43,429,877
Total current assets	170,815,052
Restricted asset – unspent bond proceeds	16,889,329
Capital assets:	
Depreciable capital assets:	
Buildings	382,480,505
Improvements other than buildings	1,410,152
Infrastructure	1,136,989,518
Equipment	161,058,017
Less accumulated depreciation	(580,375,378)
Net depreciable capital assets	1,101,562,814
Nondepreciable capital assets:	
Construction in progress	162,432,031
Land	18,838,931
Total capital assets, net	1,282,833,776
Other assets:	
Capacity rights, net	3,367,433
Due from other County funds	2,885,697
Other	1,649,335
Total assets	1,478,440,622
Deferred outflows of resources:	
Change in pension proportionate share allocation	6,573
Difference between projected and actual earnings	3,323,049
Pension contributions after the measurement date	1,765,588
Deferred loss on debt refunding, net	10,117,553
Total deferred outflows of resources	15,212,763
Total assets and deferred outflows of resources	$ 1,493,653,385

(Continued)

COUNTY OF HENRICO, VIRGINIA
WATER AND SEWER REVENUE FUND
(An Enterprise Fund of the County of Henrico, Virginia)

Balance Sheet

June 30, 2017

Liabilities, Deferred Inflows of Resources and Fund Net Position

Current liabilities payable from current assets:	
Accounts payable and accrued liabilities	$ 13,965,001
Deposits payable	1,077,226
Compensated absences – current portion	1,142,966
Capital lease obligation – current portion	12,582
Total current liabilities payable from current assets	16,197,775
Current liabilities payable from restricted assets:	
Long-term debt – current portion	9,460,000
Accrued interest payable	1,971,472
Total current liabilities payable from restricted assets	11,431,472
Unearned revenues	17,642,572
Long-term liabilities:	
Net pension liability	14,873,647
Capital lease obligation – noncurrent portion	13,303
Compensated absences – noncurrent portion	128,592
Long-term debt – noncurrent portion	300,580,991
Total liabilities	360,868,352
Deferred inflows of resources:	
Change in pension proportionate share allocation	96,849
Difference between actual and expected experience	776,525
Difference between projected and actual earnings	1,779,494
Total deferred inflows of resources	2,652,868
Net position:	
Net investment in capital assets	1,048,136,543
Restricted from debt service	21,532,272
Unrestricted	60,463,350
Total fund net position	1,130,132,165
Total liabilities, deferred inflows of resources and fund net position	$ 1,493,653,385

See accompanying notes to financial statements.

COUNTY OF HENRICO, VIRGINIA
WATER AND SEWER REVENUE FUND
(An Enterprise Fund of the County of Henrico, Virginia)

Statement of Revenues, Expenses and Changes in Fund Net Position

Year ended June 30, 2017

Operating revenues:	
Water system	$ 54,814,946
Sewer system	54,563,383
Other	1,208,146
Total operating revenues	110,586,475
Operating expenses:	
Water system:	
Source of supply	11,250,861
Pumping and treatment	9,042,609
Transmission and distribution	6,209,969
Customer billings and services	1,286,591
General and administrative	5,290,711
Total water system operating expenses	33,080,741
Sewer system:	
Treatment and disposal	11,832,563
Collection	3,590,487
Pumping	7,758,898
Customer billings and services	1,246,918
General and administrative	5,303,751
Total sewer system operating expenses	29,732,617
Operating income before depreciation expense	47,773,117
Depreciation expense	34,255,095
Operating income	13,518,022
Nonoperating income:	
Connection fees	9,480,779
Debt service contribution by County General Fund	1,607,988
Investment income	975,513
Other income	671,521
Total nonoperating income, net	12,735,801
Income before interest expense	26,253,823
Interest expense – net of capitalized interest	8,850,359
Income before capital contributions	17,403,464
Capital contributions – donated assets	14,864,433
Change in fund net position	32,267,897
Total fund net position – June 30, 2016, see footnote 1(p)	1,097,864,268
Total fund net position – June 30, 2017	$ 1,130,132,165

See accompanying notes to financial statements.

COUNTY OF HENRICO, VIRGINIA
WATER AND SEWER REVENUE FUND
(An Enterprise Fund of the County of Henrico, Virginia)

Statement of Cash Flows

Year ended June 30, 2017

Operating activities:	
Receipts from customers	$ 108,037,060
Payments to suppliers	(50,165,195)
Payments to employees	(16,103,582)
Net cash provided by operating activities	41,768,283
Capital and related financing activities:	
Interest payments	(11,590,889)
Principal payments	(9,740,000)
Debt service contribution by County General Fund	1,928,620
Contractors – connection fees	9,274,758
Purchase of capital assets	(67,945,102)
Proceeds from sale of capital assets	179,515
Virginia Nutrient Removal Credits	498,936
Net cash used in capital and related financing activities	(77,394,162)
Investing activities – investment income received	975,513
Net decrease in cash and cash equivalents	(34,650,366)
Total equity in County cash and cash equivalents – June 30, 2016	196,821,064
Total equity in County cash and cash equivalents – June 30, 2017	$ 162,170,698
Reconciliation to cash and cash equivalents on the balance sheet:	
Equity in County cash and cash equivalents	$ 101,851,492
Restricted equity in County cash and cash equivalents, including unspent bond proceeds	60,319,206
Total equity in County cash and cash equivalents – June 30, 2017	$ 162,170,698
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 13,518,022
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	34,255,095
Increase in accounts and notes receivable	(1,924,727)
Decrease in inventory	256,238
Decrease in deferred outflows of resources	1,356,567
Decrease in accounts payable and accrued liabilities	(2,787,560)
Decrease in deferred inflows of resources	(4,237,042)
Decrease in deposits and payables	(688,807)
Increase in compensated absences	11,841
Increase in net pension liability	2,663,547
Decrease in unearned revenues	(654,891)
Net cash provided by operating activities	$ 41,768,283

Supplemental disclosure of noncash investing and capital and related financing activities:

The Water and Sewer Revenue Fund received donated assets in the form of water and sewer infrastructure provided by developers of new subdivisions throughout the County. The value of these capital assets and others received for the year ended June 30, 2017 was $14,864,433. The change in capital asset purchases accrued in accounts payable and accrued liabilities at June 30, 2017 was $2,930,955. The amount of interest costs capitalized for the year ended June 30, 2017 was $3,506,494. The Fund entered into 4 new capital leases for equipment totaling $18,016.

See accompanying notes to financial statements.

(1) Reporting Entity and Summary of Significant Accounting Policies

(a) Fund Structure and Purpose

The Water and Sewer Revenue Fund (the Fund) of the County of Henrico, Virginia (the County) is accounted for as an enterprise fund of the County. Enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the Fund is that the cost of providing services will be financed or recovered through charges to users of such services. The accrual basis of accounting is used for the enterprise fund wherein 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. The purpose of this Fund is to account for the construction, operations, and maintenance of the County-owned water and wastewater utility.

(b) Capital Assets and Depreciation

Capital assets are recorded at cost or estimated historical cost, net of accumulated depreciation. Cost of capital assets at the creation of the Fund was determined by an appraisal firm based on original documents when, such documents were available, and an appraised value adjusted for price levels at the date of purchase of the particular asset involved, when original documents were not available. Capital asset additions since that date have been recorded at original cost. Capital asset additions received through gifts or contributions are recorded as nonoperating income at their estimated fair value at the date of receipt. When capital assets are sold or retired, their cost and the related accumulated depreciation are removed from the accounts and any gains or losses are reflected in the statement of revenues, expenses and changes in fund net position. Depreciation expense is determined using the straight-line method over the estimated useful lives of the assets (ranging from 4 to 65 years). The Fund’s capitalization threshold is $5,000 for land and equipment and $25,000 for buildings, improvements, and infrastructure.

(c) Inventory – Materials and Supplies

Materials and supplies inventory consists mainly of supplies held for consumption, which are costed by methods that approximate average cost.

(d) Equity in County Cash and Cash Equivalents and Unspent Bond Proceeds

Certain cash balances of the Fund are pooled and invested with other County funds. Substantially all cash and cash equivalents represent investments in securities guaranteed by a United States government agency, bankers’ acceptances, certificates of deposit, commercial paper, and repurchase agreements, which have maturities of 90 days or less, which are stated at amortized cost, which approximates fair value. Unspent bond proceeds deposited in an interest earning account at a bank.

In accordance with U.S. generally accepted accounting principles (GAAP), a statement of cash flows has been presented for the Fund. For purposes of this statement, restricted cash, which meets the definition of cash and cash equivalents as noted above, has been included. Equity in County cash and cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and have original maturities of 90 days or less.

(Continued)

(e) Other Assets

During fiscal year 2006, the Fund purchased capacity in the Goochland Force Main and Pump Station. The carrying amount as of June 30, 2017 was $5,836,660, less $2,469,227 of accumulated amortization. The underlying assets are owned by the County of Goochland and the Fund has purchased the rights to a certain capacity based on an agreement dated June 11, 2002 that is in effect until June 30, 2032.

(f) Deferred Outflows/Inflows of Resources

The Fund reports deferred outflows of resources on its balance sheet. 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. Employer pension contributions made after the actuarial measurement date of June 30, 2016 but before the reporting date of June 30, 2017 have been reported as a deferred outflow of resources in the amount of $1,765,588 at June 30, 2017. The Fund also reported $6,573 as a deferred outflow of resources, which related to a change in the Fund's proportionate share allocation related to pensions at June 30, 2017 and $3,323,049 which was the difference between projected and actual earnings. The Fund also reports the deferred loss on debt refunding, net as a deferred outflow of resources in the amount of $10,117,553 at June 30, 2017. The deferred loss on refunding, net results from the net difference in the carrying value of refunded debt and its reacquisition price of the refunding debt. This net difference is deferred and amortized over the shorter of the life of the refunded debt or the refunding debt.

The Fund reports deferred inflows of resources on its balance sheet. 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. The Fund reports the difference between the projected and actual earnings on pension plan investments of $1,779,494, as a deferred inflow of resources at June 30, 2017. The change in proportionate share allocation from June 30, 2015 to June 30, 2016 of $96,849 is also reported as a deferred inflow at June 30, 2017. Finally, the difference between expected and actual experience of $776,525 is a deferred inflow of resources at June 30, 2017.

(g) Defined Benefit Pension Plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Fund's participation in the Virginia Retirement System (VRS) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are 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.

(h) Interest

In accordance with GAAP, the cost of fixed assets for the Fund includes net interest costs on funds borrowed to finance the acquisition or construction of major facilities. These net interest costs are capitalized during the period of construction only. The Fund incurred interest costs of $12,356,853 in fiscal year 2017, of which $3,506,494 was capitalized.

(i) Accrued Compensated Absences

Annual leave is granted to all permanent County employees. County 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. Accumulated annual leave vests and the County is obligated to make payment even if the employee terminates. The liability for unused and unpaid annual leave attributable to the Fund is charged to expense and the corresponding liability established in the Fund.

County employees can earn sick leave at the rate of 4 hours for every 80 standard hours worked. Sick leave is nonvesting, with the exception of employees retiring from County service. Retiring employees are vested at a rate of $2.50 for every hour of sick leave earned with a maximum payment of $5,000. In accordance with GASB No. 16 the liability has been recorded using the termination payment method.

The annual and sick leave accrued compensated absences payable at June 30, 2017 is $1,271,558.

(j) Unearned Revenues

This balance represents advance payments from current customers for future capacity to be used of the water treatment plant.

(k) Connection Fees

All new customers connecting to the Fund's water and wastewater system are required by Code to pay connection fees and local facilities fees before being connected to the system. These fees cover the cost of water and wastewater facilities to serve new customers. These fees are recorded as nonoperating income.

(l) Inspection and Engineering Costs

Certain inspection and engineering costs related to private development have been capitalized by the Fund in order to account for these costs in the same manner as the private development assets contributed to the County. The costs are capitalized based on an hourly rate for time spent by County employees on these projects. For the year ended June 30, 2017, the amount capitalized totaled $1,705,459.

(m) Operating Revenues

The Fund's operating revenues include charges for water and sewer services.

(Continued)

(n) Operating Expenses

The Fund's operating expenses include all expenses for providing water and sewer services to its customers.

(o) Estimates

The preparation of the 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 expenses during the reporting period. Actual results could differ from those estimates.

(p) Immaterial Correction of Error

During the year ended June 30, 2017, management determined that deferred inflows of resources and pension expense reported as of and for the year ended June 30, 2016 were overstated by approximately $2,652,000. To correct the immaterial error in the current period, the Fund increased the beginning net position balance by the same amount.

(2) Fair Value Measurement

In fiscal year 2016, the Fund implemented GASB Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly fashion between market participants at the measurement date. It requires a government to use valuation techniques that are appropriate under circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the following approaches: market approach, cost approach, or the income approach. The market approach uses prices and other relevant information generated by the market transactions involving identical or comparable assets, liabilities, or group of assets and liabilities. The cost approach reflects the amount that would be required to replace the present service capacity of an asset. The income approach converts future amounts (such as cash flows or income and expenses) to a single current (discounted) amount.

The statement establishes a hierarchy of inputs to valuation techniques used to measure fair value which has three levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs – other than quoted prices – included within Level 1 that are Observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs. The Fund does not value any of its investments using Level 3 inputs.

(3) Pooled Cash and Cash Equivalents with the County

The County pools the cash of the Fund with its cash and cash equivalents, and manages and invests all monies collectively based on the practice by the County of pooling cash and cash equivalents of all funds with the County Director of Finance, except for certain restricted cash and cash equivalents held by custodians in order to comply with the provisions of bond indentures. The County's pooled portfolio also excludes pension plan assets maintained by the Virginia Retirement System (VRS), and unspent bond proceeds are deposited in an interest earning bank account. As of June 30, 2017, the Fund's carrying value of cash and cash equivalents with the County totaled $162,170,698, based on the Fund's percentage ownership in the pooled assets.

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

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

The following table presents pooled cash and cash equivalents with the County on the fair value hierarchy basis at June 30, 2017:

	Total June 30 2017 Balance	Quoted prices in active market (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Unspent bond proceeds in SNAP funds, noncurrent-restricted	$ 16,889,329	16,889,329	—	—
	$ 16,889,329	16,889,329	—	—

(4) Capital Assets and Capacity Rights

A summary of changes in capital assets and capacity rights for the year ended June 30, 2017 follows:

		Balance 2016	Increases/ Transfers	Decreases/ Transfers	Balance 2017
Nondepreciable capital assets:					
Land	$	18,838,931			18,838,931
Construction in progress		136,874,540	67,853,341	(42,295,850)	162,432,031
Depreciable capital assets:					
Buildings		380,148,027	2,715,043	(382,565)	382,480,505
Equipment		155,025,486	7,117,939	(1,085,408)	161,058,017
Improvements other than buildings		1,410,152	—	—	1,410,152
Infrastructure		1,089,981,021	47,994,559	(986,062)	1,136,989,518
Total capital assets		1,782,278,157	125,680,882	(44,749,885)	1,863,209,154
Accumulated depreciation		(547,615,446)	(34,255,095)	1,495,163	(580,375,378)
Total – net of accumulated depreciation	$	1,234,662,711	91,425,787	(43,254,722)	1,282,833,776
Capacity rights, net	$	3,591,928	—	(224,495)	3,367,433

(Continued)

(5) Long-Term Debt and Other Long-Term Obligations

A summary of changes in long-term debt and other long-term obligations, including net pension liability for fiscal year 2017 and the individual components of long-term debt at June 30, 2017, follows:

	Balance June 30, 2016	Issuance (Refunding)	Payments	Balance June 30, 2017
2009 Refunding Issue, $70,360,000; 2.25% to 5.0%	8,970,000	—	(2,890,000)	6,080,000
2009B Recovery Zone Economic Development Bonds, New Money, $9,800,000; 5.853% to 6.153%	9,800,000	—	—	9,800,000
2009A Refunding Issue, $22,915,000; 2% to 5%	3,990,000	—	(1,290,000)	2,700,000
2013 Refunding Issue, $68,410,000; 2.0% to 5.0%	67,765,000	—	(2,230,000)	65,535,000
2014 Revenue Issue, New Money $74,165,000; 1.0% to 5.0%	71,345,000	—	(1,520,000)	69,825,000
2016, Revenue Issue, refunding and new money $123,625,000; 1.75% to 5.00%	123,625,000	—	(1,810,000)	121,815,000
Total bonds	285,495,000	—	(9,740,000)	275,755,000
Premium on debt issued	36,338,554		(2,052,563)	34,285,991
Current portion of long-term debt payable from restricted assets	(9,740,000)			(9,460,000)
	$ 312,093,554			$ 300,580,991

	Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017	Balance due within one year
Other long-term obligations:					
Compensated absences	$ 1,259,717	1,142,407	(1,130,566)	1,271,558	1,142,966
Net pension liability	12,210,100	2,663,547	—	14,873,647	—
Capital lease obligation	20,769	18,016	(12,900)	25,885	12,582
	$ 13,490,586	3,823,970	(1,143,466)	16,171,090	1,155,548

On May 17, 2016 the Fund issued $123,625,000 of Water and Sewer Revenue bonds. The Series 2016 Bonds were issued to provide $72,330,000 in new money (issued at a premium of $17,120,107) to finance improvements, additions, and extensions to the Water and Sewer System of the County and $51,295,000 in refunding bonds (issued at a premium of $10,903,051), which are refunding a portion of the Series 2009 and Series 2009A refunding issues. The true interest rate on the entire issue is 2.854%. The economic gain on the issue was $5,265,147. The interest rates range from 1.75% to 5.0% and the final maturity is on May 1, 2046. The annual principal payments range from $480,000 to $7,875,000.

On March 20, 2014, the Fund issued $74,165,000 of Water and Sewer Revenue bonds. The interest rate on these Series 2014 Bonds is between 1% and 5% and the final maturity will occur on May 1, 2044. The annual principal payments rage from $370,000 to $2,875,000. The Series 2014 Bonds were issued to provide the funds needed to finance improvements, additions and extensions to the Water and Sewer System of the County.

On February 20, 2013, the Fund issued $68,410,000 of Water and Sewer Refunding Bonds to refund a portion of the outstanding balance of the 2006A Refunding Bonds, $65,945,000. The interest rate on these Series 2013 Bonds is between 2.0% and 5.0% and the final maturity will occur on May 1, 2036. The annual principal payments range from $100,000 to $4,800,000.

On December 22, 2009, the Fund 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 Series 2009A Bonds is between 2% and 5% and the final maturity will occur on May 1, 2028. The annual principal payments range from $1,175,000 to $2,050,000.

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

On February 19, 2009, the Fund issued $70,360,000 of Water and Sewer Refunding Bonds to refund the entire outstanding balance of the Series 1999 Bonds. The interest rate on these Series 2009 Bonds is between 2.25% and 5% and the final maturity will occur on May 1, 2028. The annual principle payments range from $315,000 to $5,065,000.

(a) Defeased Debt

In the current and prior years, the Fund 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 included in the Fund’s financial statements. The remaining unamortized net deferred loss on this debt refunding activity totaled $10,117,553 at June 30, 2017 and is reflected as a deferred outflow of resources on the accompanying balance sheet. At June 30, 2017, $117,240,000 of Water and Sewer System Revenue and Refunding Bonds, which were considered defeased in prior years, remained outstanding.

(Continued)

(b) Debt Service and Covenants

The Fund's revenue is pledged as collateral for components of its long-term debt, including the Series 2016 Bonds, Series 2014 Bonds, Series 2013 Bonds, Series 2009 Bonds, Series 2009A Bonds, and Series 2009B Bonds (collectively, the Bonds).

The General Fund of the County assumed responsibility of certain project costs and was obligated to pay debt service in the amount of $23,101,314 or 72.19% of the $32 million revenue bond issue from 1997. Since the 1997 debt was refunded in December 2009, the General Fund is now paying 72.19% of the debt service on 2009A refunding bond issuance, which was $1,928,621 for fiscal year 2017. The General Fund transferred $1,928,621 to the Fund during the fiscal year ended June 30, 2017, to cover its portion of the debt service requirements. These transfers were recorded as other nonoperating income by the Fund and as an expenditure in the County's General Fund. Specifically, the $1,607,988 was recorded as a contribution from the General Fund and $320,633 was recorded as a principal payment on the loan amount due from County explained in note 8.

The covenants of the bonds require that in each year the net operating revenues of the Fund, as defined by the covenants, which in the opinion of Bond Counsel do not include depreciation expense or payments in lieu of taxes as an expense, be at least equal to 1.25 times the debt service requirements for the year (principal and interest on the bonds and interest on any outstanding Bond Anticipation Notes). In addition, the covenants prohibit the County from issuing any bonds, notes, certificates of indebtedness, or other evidences of indebtedness having in any way a lien and charge on the revenues of the Water and Sewer System prior to the lien and charge created by the covenants for the payment of and collateral for the outstanding bonds.

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 maximum annual debt service requirement on account of all bonds then outstanding and the proposed additional bonds.

Net operating revenues were 2.44 times the annual debt service requirement for the year ended June 30, 2017.

(Continued)

Also, the interest due on the bonds as of July 1, 2017 has been accrued as of June 30, 2017, as required by the related covenants. Equity in County cash and cash equivalents has been restricted for this accrual. In addition, fund net position has been restricted, and equity in County cash and cash equivalents has been restricted, in an amount equal to the maximum annual debt service requirements for the bonds.

Principal and interest payments on the bonds for the five fiscal years subsequent to June 30, 2017, and thereafter are as follows:

		Principal	Interest
Years ending June 30:			
2018	$	9,460,000	12,069,271
2019		9,790,000	11,742,271
2020		10,000,000	11,415,847
2021		10,285,000	11,017,047
2022		10,715,000	10,597,622
2023–2027		61,445,000	45,085,283
2028–2032		52,550,000	31,661,115
2033–2037		51,405,000	20,076,750
2038–2042		34,820,000	10,816,638
2043–2047		25,285,000	2,672,056
Total	$	275,755,000	167,153,900

(6) Nonmonetary Contributions

Nonmonetary contributions consist of contributions from developers for water and sewer infrastructure constructed by the developer and donated to the County. The value of $14,853,433 for fiscal year 2017 is calculated based on an average cost per foot of pipe donated. The County Inspector determines the footage of pipe. Cost of pipe is determined as the cost that the County would incur if the County had constructed the asset. The value of these donated capital assets is included in nonoperating income.

(7) Defined Benefit Pension Plan – Agent Multiple-Employer

The Fund employees participate in an agent multiple-employer defined benefit pension plan administered by the Virginia Retirement System (VRS) through the County of Henrico’s participation in the VRS. The County allocates net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense to the Fund for its proportionate share based on annual plan contributions by the Fund in relation to the County’s annual plan contributions.

All full-time, salaried permanent employees must contribute 5% of their annual salary to the VRS. Benefits vest after five years of service. Plan 1 employees (hired before July 1, 2010) are eligible for an unreduced retirement benefit at age 65 with five years of service, or at age 50 with at least 30 years of service if elected by the employer payable monthly for life in an amount equal to 1.7% of their average final salary (AFS) for each year of credited service. Plan 2 employees (hired on or after July 1, 2010) are eligible for an unreduced retirement benefit at the social security normal retirement age with five years of service, or at age 60 with at least 30 years of service if elected by the employer, payable monthly for life in an amount equal to 1.65% of their AFS for each year of credited service. 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% per year beginning in their second year of retirement. AFS is defined as the highest consecutive 36 months of salary for Plan 1 members and 60 months of salary for Plan 2 members. 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 System issues a publicly available CAFR that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by submitting a request to P.O. Box 2500, Richmond, VA 23218-2500 or download from the VRS website at http://www.varetire.org/publications/index.asp.

The Fund's contributions to VRS for the fiscal years ended June 30, 2017 and 2016 were $1,765,588 and $1,997,796, respectively. As the Fund is a proprietary fund of the County, the employees of the Fund are paid through the County's payroll system. Information concerning the County's participation in the VRS agent-multiple employer defined benefit pension plan can be reviewed in the County's CAFR. A copy of that report may be obtained by writing the County Director of Finance at P.O. Box 90775, Henrico, VA 23273-0775 or download from the County's website at http://henrico.us/finance/divisions/accounting/.

A. Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Discount rate	7.0 %
Inflation	2.5 %
Payroll growth	3.0 %
Projected salary increases	3.50% to 5.35% 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

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA to 2020. The mortality tables are adjusted forward and/or back depending on the plan and the group covered.

(Continued)

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. The actuarial cost method used was the Entry Age Method and the amortization method used was the Level dollar closed method. The remaining amortization period is 30 years and the asset valuation method used was the 5-year smoothed market.

The long-term expected rate of return on pension 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 VRS for use in the last actuarial experience study for the four-year period ending June 30, 2012 are summarized in the following table:

Asset class	Target allocation	Arithmetic long-term expected real rate of return	Weighted average long-term expected real rate of return
U.S. equity	19.50 %	6.46 %	1.26 %
Developed non-U.S. equity	16.50	6.28	1.04
Emerging market equity	6.00	10.00	0.60
Fixed income	15.00	9.00	0.01
Emerging debt	3.00	3.51	0.11
Rate sensitive credit	4.50	3.51	0.16
Nonrate sensitive credit	4.50	5.00	0.23
Convertibles	3.00	1.81	0.14
Public real estate	2.25	6.12	0.14
Private real estate	12.75	7.10	0.91
Private equity	12.00	10.41	1.25
Cash	1.00	(1.50)	(0.02)
Total	100.00 %		5.83
Inflation			2.50
* Expected arithmetic nominal return			8.33 %

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.3% but also has a high standard deviation, which means there is high volatility. Over larger time horizons, the median return does not change much but the volatility declines significantly. The median return is 7.44%.

B. Discount Rate

The discount rate used to measure the total pension liability was 7%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. The rates contributed by the employer will be subject to the portion of the Board rates as adopted by the Virginia legislature through the fiscal year ending June 30, 2018. From July 1, 2018 on, it is assumed 100% of the actuarially determined contribution rates will be payable for all the VRS plans. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

C. Net Pension Liability, Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2017, the Fund reported a net pension liability of $14,873,647 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 that was rolled-forward to that date. The Fund's proportion of the collective net pension liability was based on a projection of the Fund's long-term share of contributions to the pension plan relative to the projected contributions for all participating political subdivisions, actuarially determined. At June 30, 2017, the Fund's proportion of the County of Henrico was 5.64%, which was a decrease of 0.03% over the prior measurement date.

For the year ended June 30, 2017, the Fund recognized pension expense of $1,548,659. At June 30, 2017, the Fund reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		Deferred outflows of resources	Deferred inflows of resources
Difference between actual and expected experience	$	—	776,525
Difference between projected and actual earnings on pension plan investments		3,323,049	1,779,494
Change in pension proportionate share allocation		6,573	96,849
Pension contributions after the measurement date		1,765,588	—
Total	$	5,095,210	2,652,868

Deferred outflow of resources of $1,765,588 resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2018. The net difference between actual and expected experience, projected and actual earnings on pension plan investments, and change in pension proportionate share allocation will be recognized in pension expense as follows:

Year ending June 30:		
2018	$	(339,656)
2019		(346,228)
2020		759,866
2021		602,772
Total	$	676,754

D. Sensitivity of the Fund's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

		1% Decrease (6.0%)	Discount rate (7.0%)	1% Increase (8.0%)
Fund's proportionate share of the net pension liability	$	24,109,474	14,873,647	6,914,009

(8) Other Postemployment Benefits

(a) Plan Description

The County provides two types of other postemployment health care benefits (OPEB) for retired employees through a single-employer defined benefit plan (Plan). The benefit levels, employee contributions and employer contributions are governed by the County and can be amended by the County.

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 benefits other than pensions. 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.

(b) Plan Provisions

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.

Eligible retires 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.

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 plan is not capped; therefore, all VRS service will be recognized for the supplement.

(c) Membership

At June 30, 2017, membership consisted of:

	Number of members
Retirees and beneficiaries	1,219
Active employees	10,685
Total participants	11,904

(d) Funding Policy

The County currently plans to contribute amounts to the Virginia Pooled OPEB Trust Fund sufficient to fully fund the Annual Required Contribution (ARC), the actuarially determined contribution amount.

(Continued)

An actuarial study was prepared calculating the County's postemployment health care cost as of June 30, 2017. The actuarial study estimated a $50,041,301 million Unfunded Actuarial Accrued Liability (UAAL) and a $7,788,672 million Annual Required Contribution (ARC) for the County. This calculation was based on a discount rate of 7.0% and a 30-year amortization of the unfunded actuarial liability. The actuarial evaluation reflects that the "Employer Contribution as a Percent of OPEB Cost" was 100% as of June 30, 2017. The County has a Net OPEB Asset of $2,365,877 million at June 30, 2017.

(9) Related-Party Transactions

The County furnishes the Fund with data processing services, accounting services, vehicle maintenance services, risk management, office space, and the use of certain County-owned vehicles by the Fund. For these services, the County charged the Fund approximately $5,089,000 in fiscal year 2017.

The Fund received $2,220,599 in fiscal year 2017 from the County for water and sewer services provided at established billing rates.

The Fund loaned the County $9,618,989 to be repaid over a 30-year term with interest equal to the average rate paid on the bonds to mature on June 30, 2028. The County pays 1/30 of the loan principal annually with interest applied to the remaining principal balance. Since the note plus interest was to cover the debt service on the 1997 bond issuance and the 1997 bonds were refunded in December 2009, the General Fund will continue to pay principal on this note. The remainder of the debt service on the refunding 2009B bonds will be paid as stated in note 4, Long Term Debt. At June 30, 2017, the principal balance was $3,206,329. The County recognized the principal payment of $320,633 as an expenditure, and the Fund recognized the principal as a reduction to notes receivable.

(10) Commitments and Contingencies

Commitments

At June 30, 2017, the Fund had commitments of $161,156,624 for engineering and construction of the Cobbs Creek Reservoir. The Fund had commitments of $2,672,946 for the Lakeside to Strawberry Hill Flow Equalization Pipeline project. The Fund's commitments for the Strawberry Hill Sewer Pump Station Capacity Improvement project and the Strawberry Hill Basin Sewer Rehabilitation project, at June 30, 2017 were $3,543,965 and $5,832,123, respectively. Also, the Fund had contractual commitments for the Gambles Mill Sewer Pump Station and Flow Equalization Basin Modification project of $2,615,005 and for the SCADA Information Technology project of $3,789,653. Finally, the fund at June 30, 2017 had contractual commitments for the Gillies Creek Basin Sewer Rehabilitation project of $7,081,194.

Risk Management

The County maintains 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. 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.

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 Fund has recorded $42,129 for health care claims incurred but not reported in the Health Care Fund at June 30, 2017.

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

Other than Management's Discussion and Analysis (Unaudited)

Year Ended June 30, 2017

COUNTY OF HENRICO, VIRGINIA
WATER AND SEWER REVENUE FUND

Schedule of the Fund's Proportionate Share of the Net Pension Liability (unaudited)

Last 10 Fiscal Years*

June 30, 2017

		2017	2016	2015
Proportion of the net pension liability		5.69%	5.67%	5.71%
Proportionate share of the net pension liability	$	14,873,647	12,210,100	12,079,717
Covered – employee payroll	$	15,289,887	14,843,378	14,320,370
Proportionate share of the net pension liability as percentage of covered-employee payroll		97.28%	82.26%	84.35%
Plan's fiduciary net position as a percentage of the total pension liability		80.25%	83.17 %	82.81 %

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

COUNTY OF HENRICO, VIRGINIA
WATER AND SEWER REVENUE FUND

Schedule of Contributions (unaudited)

Last 10 Fiscal Years*

June 30, 2017

		2017	2016	2015
Actuarially determined contribution of employer	$	1,765,588	1,997,796	1,954,902
Contributions in relation to the actuarially determined contributions		1,765,588	1,997,796	1,954,902
Contribution deficiency (excess)	$	—	—	—
Covered – employee payroll	$	15,289,887	14,843,378	14,279,221
Contributions as a percentage of covered-employee		11.55%	13.46%	13.69%

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

Changes of Assumptions – The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012.

Largest 10 – Non-Laws Enforcement Officers (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

STATISTICAL INFORMATION

(Unaudited)

Year Ended June 30, 2017

Exhibit I

HENRICO COUNTY WATER AND SEWER RATES (unaudited)

(Effective July 1, 2016)

Single-Family Residential Customers

Water and sewer customers are billed every two months and pay both a *service* charge and a *volume* charge for water and sewer services.

		Water	Sewer
Bi-monthly service charge:			
Service charge for residences:			
(5/8" meter)	$	13.50	27.25
(*If water is not metered there is a flat charge of $71.60 for sewer service*)			
Volume charge:			
The charge for each hundred cubic feet:			
CCF[1] of water used	$	3.10	3.29
If 6 CCF or less		1.93	2.01

Commercial and Industrial Customers

		Water	Sewer
Bi-monthly service charge:			
5/8" meter	$	13.50	27.25
1" meter		31.95	45.10
1½" meter		58.70	66.10
2" meter		90.20	95.45
3" meter		148.70	161.45
4" meter		238.90	255.30
6" meter		471.30	508.25
8" or 10" meter		924.20	870.05
Volume charge per CCF:			
First 10,000 CCF	$	3.10	3.29
Next 70,000 CCF		2.12	2.35
Over 80,000 CCF		1.52	2.12

(1) Hundred cubic feet. One hundred cubic feet is approximately 748 gallons.

Industrial customers are subject to surcharges for discharge of strong wastes in addition to sewer service and volume charges listed above.

HENRICO COUNTY WATER AND SEWER CONNECTION FEES (unaudited)

(Effective October 1, 2016)

		Water			Sewer		
		Connection fees		Local facilities fees(A)	Connection fees		Local facilities fees(A)
Single Family Residential with existing well and/or septic system	$	2,205+		2,500	2,670+		3,000
Single Family Residential including semi-detached dwellings		4,415+		2,500	5,340		3,000
Multifamily Dwellings		4,065	(per unit)	(A)	4,925	(per unit)	(B)
Motel and Hotel		2,240	(per room)	(A)	2,715	(per room)	(B)
Hospital		5,170	(per bed)	(A)	6,260	(per bed)	(B)
Nursing Facility		3,450	(per bed)	(A)	4,170	(per bed)	(B)
Assisted Living Facility		1,725	(per bed)	(A)	2,085	(per bed)	
Dormitory		1,295	(per bed)		1,565	(per bed)	
Facilities providing permanent housing for elderly or handicapped persons and operated by charitable, nonstock, nonprofit organizations which are exempted by § 501(c)(3) of the Internal Revenue Code		1,725	(per unit)	(A)	2,085	(per unit)	(B)
All other business, industrial & public buildings based on meter size as follows:							
5/8"	$	4,415		(A)	5,340		(B)
1"		15,780		(A)	19,095		(B)
1-1/2"		31,485		(A)	38,110		(B)
2"		62,490		(A)	75,635		(B)
3"		124,985		(A)	151,265		(B)
4"		195,285		(A)	236,355		(B)
6"		390,575		(A)	472,705		(B)
8"		624,915		(A)	756,330		(B)
10"		898,315		(A)	1,087,225		(B)

(A) Local facilities fee will be due where local facilities are available to connector’s property and the costs have not been previously assessed against the property. This fee is to be $2,500 for 5/8" meter, $3,200 for 1" meter, $5,200 for 1½" meter and $5,200 for 2" meter. The Director of Public Utilities will determine this fee for meter size in excess of 2".
Local facilities are those portions of the County’s water and sewer systems which are used to, respectively, deliver water to or collect wastewater from individual users in local areas, subdivisions and developments. Included are local water distribution mains and valves, local wastewater collection mains, water service lines, meter setters, meter boxes, wastewater lateral lines to the user’s premises and fire hydrants.

(B) Local facilities fee is $3,000 for sewer when applicable.

Exhibit III

HENRICO COUNTY WATER AND SEWER INSTALLATION CHARGES (unaudited)

(Effective October 1, 2016)

Water Installation Charge Table
(Not including cost of meter)

Meter size	Service size	Installation charge
5/8"	¾"	2,500
5/8"	1"	2,500
5/8"	1-1/2"	3,200
1"	1"	2,640
1"	1-1/2"	3,200
1"	2"	3,200
1-112"	1-1/2"	5,200
1-1/2"	2"	5,200
2"	2"	5,200

Sewer Installation Charge Table

1) 4" or 6" sewer lateral installation charge = $3,000
2) County sewer and water main extension costs:
   Sewer: $50 per foot for vacant lot or $25 per foot for existing single family residence, plus sewer installation charge for each connection, plus basic connection fee.
   Water: $30 per foot for vacant lot or $15 per foot for existing single family residence, plus water installation charge for each connection, plus basic connection fee.

HENRICO COUNTY WATER AND SEWER LARGEST ACCOUNTS

June 30, 2017

(Unaudited)

The following table lists the 10 largest accounts of the System (excluding Hanover County and Goochland County, which purchase water and sewer service from the County on a wholesale basis, and excluding the County government) during the fiscal year ended June 30, 2017.

Customer		Fiscal year 2017 billings	% of total system operating revenue [1]
US Residential	$	655,727	0.60%
Essex VA Investors LLC DBA Essex Apartments		480,863	0.44%
CCBCC Operations LLC		404,074	0.37%
Parham Road Apartment Association		411,018	0.38%
Crofton Square Association		528,819	0.48%
Fareva Richmond, Inc.		359,768	0.33%
St Mary's Hospital		323,402	0.30%
Forest City Development (Short Pump Town Center)		335,127	0.31%
Quality Technology Services		269,331	0.25%
Henrico Doctor's Hospital		291,803	0.27%
Total	$	4,059,932	3.73%

[1] System operating revenue does not include other revenue.

HENRICO COUNTY WATER AND SEWER AGREEMENTS WITH THE CITY OF RICHMOND

June 30, 2017

(Unaudited)

The County purchases some of the System's water requirements from the City of Richmond. Approximately 63% of the County's current demand is met by the newly expanded 80 million gallons per day (MGD) water treatment facility. The expansion from 55 MGD to 80 MGD was substantially complete in March 2015. In FY 2017 the County purchased an average of 12.5 MGD from the City of Richmond and treated an average of 21.4 MGD at the County's plant. The City also treats a limited quantity of wastewater originating from the System. Both water supply and wastewater treatment are provided by the City pursuant to agreements with the County described below.

Water Supply

On September 28, 1994 (effective as of September 29, 1994), the Board of Supervisors approved a water supply contract (the Contract) under which the City supplies the County with treated water, which replaced a contract which was effective July 1, 1985, between the City and the County. The Contract provides that the City will supply the County with water from the City's distribution system at various points around the City, and that the County will distribute the water to the customers of its System. The Contract also provides that the County may resell the water to customers of the System located outside the County (e.g., Hanover County and Goochland County). The Contract required the County to purchase substantially all of its water requirements from the City until the Henrico water treatment plant opened, which occurred contractually on July 1, 2004. The Contract allowed the County to construct a water treatment facility to begin operation on or after January 1, 2003 to meet increased County demands. The County has exercised its option under the Contract requesting, after January 1, 2007, the City provide the County up to 35 MGD of capacity. Pursuant to the Contract, the County must provide the City with an annual projection of its water requirements for the next 10 years and the City must advise the County within 90 days of any modifications or improvements to its water system necessary to supply the County's projected requirements. The County must concur with the making of any modifications or improvements if the costs of such modifications or improvements are to be borne by the County. The Contract provides that the County shall be responsible for providing water distribution facilities within the County and that the County will maintain water storage and pumping facilities adequate to provide service in the County under the Contract.

The volume of water supplied by the City to the County is measured by meters and the City renders a monthly bill to the County. Charges payable by the County are determined as set forth in the Contract, based on a mutually agreed upon cost of service study which is updated each year. The Contract is for a term until July 1, 2040 and, thereafter, until canceled upon five years' notice by either party.

In 2012, the Virginia Department of Environmental Quality (DEQ) authorized the County's withdrawal from the James River to increase from 45 to 75 MGD based upon development of the Cobbs Creek flow augmentation reservoir to be located in Cumberland County, VA. Construction of the reservoir is scheduled for completion in 2021.

Exhibit V

HENRICO COUNTY WATER AND SEWER AGREEMENTS WITH THE CITY OF RICHMOND

June 30, 2017

(Unaudited)

Wastewater Treatment

Prior to July 1, 1976, wastewater originating in the County was treated by the City pursuant to an agreement dated July 1, 1968, between the County and the City. Such agreement was to have been effective for a term of 20 years.

Between 1976 and November 1989, the County undertook the development of the Wastewater Treatment Facility (Facility) in the County which opened in November 1989 with a capacity of 30 MGD. Since then, the County and the City have operated under the terms of an agreement effective November 1, 1989. This agreement provides for the City to treat limited flows from the County and for the County to treat limited flows from the City. The County Facility was expanded to 45 MGD in March 1997. As part of the expansion, nutrient removal facilities were added to meet the then new permit limits for phosphorus, ammonia and nitrogen. The Facility was expanded to 75 MGD in May 2011. The current Facility is designed to comply with the nutrient requirements of the 2007 Chesapeake Bay Act.

Exhibit VI

HENRICO COUNTY WATER AND SEWER SYSTEM STATISTICS (unaudited)

	Fiscal years ended June 30							
	2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Water:								
Number of customers	91,776	92,243	92,946	94,006	95,097	95,994	96,811	97,549
Miles of water mains	1,528.4	1,547.7	1,558.3	1,572.1	1,581.8	1,594.8	1,607.4	1,622.0
Hydrants in service	11,846	12,091	12,242	12,399	12,529	12,692	12,880	13,142
Average daily flow (mgd)[1]	30.9	33.5	31.7	30.4	28.5	29.8	29.6	29.7
Wastewater:								
Number of customers	88,854	89,355	90,068	91,110	92,125	93,087	93,839	94,538
Miles of sewer mains	1,443.1	1,450.1	1,456.1	1,463.0	1,470.2	1,481.4	1,491.3	1,503.9
Average daily flow (mgd)[1]	26.0	25.3	25.7	26.2	24.1	23.6	27.0	23.5

[1] (mgd) million gallons/day. Average daily flow is based on metered consumption as billed. Wastewater flow is based on metered water consumption and calculated as provided by the County ordinance for billing. Calculation of residential sewer billing is based on a fixed charge, plus a volume charge. Additional allowance is made for increased consumption of water in the summer, which is not related to sewer service.

Exhibit VII

HENRICO COUNTY WATER AND SEWER FUND – CAPITAL IMPROVEMENT PROGRAM FY2017-18 THROUGH FY2021-22 (unaudited)

Enterprise Fund – Public Utility Requests by Fiscal Year and Priority Number

Project	Priority	Project type	Source	District	Approved FY17-18	Request FY17-18	Request FY18-19	Request FY19-20	Request FY20-21	Request FY21-22	Total five year
Public Utilities – Sewer:											
00782 New Sewer Connections	1	Sewer	Enterprise Fund	Countywide	150,000	150,000	150,000	150,000	150,000	150,000	750,000
00772 Sewer Line Extensions	2	Sewer	Enterprise Fund	Countywide	500,000	500,000	500,000	500,000	500,000	500,000	2,500,000
00732 Sewer Line Rehabilitation	3	Sewer	Enterprise Fund	Countywide	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	15,000,000
00743 Sewer Pump Station Improvements	4	Sewer	Enterprise Fund	Countywide	900,000	900,000	1,400,000	100,000	250,000	250,000	2,900,000
00737 Sewer Reloc., Adjustments & Crossings	5	Sewer	Enterprise Fund	Countywide	200,000	200,000	200,000	200,000	200,000	200,000	1,000,000
00725 Plan Review and Inspection	6	Sewer	Enterprise Fund	Countywide	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000	8,500,000
06492 Roof Replacement	7	Sewer	Enterprise Fund	Countywide	50,000	50,000	50,000	50,000	50,000	50,000	250,000
08172 Water Reclamation Facility Improvements	8	Sewer	Enterprise Fund	Varina	500,000	500,000	500,000	500,000	500,000	500,000	2,500,000
00735 Water Reclamation Facility Expansion	9	Sewer	Enterprise Fund	Varina	58,000,000	92,000,000	1,275,000	—	—	—	93,275,000
07024 Tuckahoe Creek 27" Sewer Replacement	10	Sewer	Revenue Bonds	Tuckahoe	1,500,000	1,500,000	—	—	—	—	1,500,000
06154 North Run Trunk Sewer	11	Sewer	Enterprise Fund	B, F	2,500,000	2,500,000	—	—	—	—	2,500,000
06723 Gambles Mill FM Improvements	12	Sewer	Revenue Bonds	Tuckahoe	2,100,000	2,100,000	—	—	—	—	2,100,000
06152 Gambles Mill SPS FEB Modification	1	Sewer	Enterprise Fund	Tuckahoe	—	—	5,500,000	—	—	10,000,000	15,500,000
06569 Upham Brook Storage Facilities	1	Sewer	Enterprise Fund	Fairfield	—	—	—	7,000,000	—	20,000,000	27,000,000
06838 Allens and Rooty Branch Force Main Upgrade	2	Sewer	Enterprise Fund	B, TC	—	—	—	1,500,000	—	7,150,000	8,650,000
01076 Strawberry Hill Basin Sewer Rehab	1	Sewer	Revenue Bonds	B, F, T, TC	—	—	—	—	3,000,000	11,000,000	14,000,000
06666 Horsepen Br Sew - Broad Street to Rte 33	2	Sewer	Enterprise Fund	Brookland	—	—	—	—	5,750,000	—	5,750,000
06131 Gambles Mill Basin Sewer Rehabilitation	1	Sewer	Enterprise Fund	Tuckahoe	—	—	—	—	—	1,150,000	1,150,000
06449 White Oak SPS Improvements	2	Sewer	Enterprise Fund	Varina	—	—	—	—	—	800,000	800,000
06667 Tuckahoe Creek Trunk Sewer Rehab	3	Sewer	Enterprise Fund	TC, T	—	—	—	—	—	5,000,000	5,000,000
07026 Rooty Branch SPS Replacement	4	Sewer	Enterprise Fund	Three Chopt	—	—	—	—	—	3,000,000	3,000,000
07027 Rooty Branch Sewers	5	Sewer	Enterprise Fund	Three Chopt	—	—	—	—	—	1,500,000	1,500,000
07029 Gillies Creek SPS FEB	6	Sewer	Enterprise Fund	Varina	—	—	—	—	—	1,200,000	1,200,000
Sewer Subtotal					71,100,000	105,100,000	14,275,000	14,700,000	15,100,000	67,150,000	216,325,000
Public Utilities – Water:											
00771 New Water Connections	1	Water	Enterprise Fund	Countywide	100,000	100,000	100,000	100,000	100,000	100,000	500,000
00770 Water Line Extensions	2	Water	Enterprise Fund	Countywide	300,000	300,000	300,000	300,000	300,000	300,000	1,500,000
00768 Water Line Rehabilitation	3	Water	Enterprise Fund	Countywide	2,000,000	2,000,000	3,000,000	3,000,000	3,000,000	6,000,000	17,000,000
00769 Water Pumping Station Improvements	4	Water	Enterprise Fund	Countywide	3,400,000	3,400,000	1,100,000	775,000	500,000	500,000	6,275,000
00780 Water Meters	5	Water	Enterprise Fund	Countywide	350,000	350,000	350,000	350,000	350,000	350,000	1,750,000
00767 Water Reloc., Adjustments & Crossings	6	Water	Enterprise Fund	Countywide	200,000	200,000	200,000	200,000	200,000	200,000	1,000,000
08171 Water Treatment Facility Improvements	7	Water	Enterprise Fund	Three Chopt	100,000	100,000	100,000	100,000	100,000	100,000	500,000
00811 Information Technology Projects	1	Water	Enterprise Fund	Countywide	—	—	15,000,000	—	—	—	15,000,000
06118 Sadler Road 12" Water Line	1	Water	Enterprise Fund	Three Chopt	—	—	—	—	—	1,800,000	1,800,000
08162 Woodman Road Water Line	2	Water	Enterprise Fund	B,F	—	—	—	—	—	1,500,000	1,500,000
06119 Laburnum Ave & Carolina Water Pump Station	3	Water	Enterprise Fund	Fairfield	—	—	—	—	—	800,000	800,000
Water Subtotal					6,450,000	6,450,000	20,150,000	4,825,000	4,550,000	11,650,000	47,625,000
Grand Total – Enterprise Fund – Water and Sewer					77,550,000	111,550,000	34,425,000	19,525,000	19,650,000	78,800,000	263,950,000

Exhibit VIII

HENRICO COUNTY WATER AND SEWER
2017 REVENUE ISSUE BOND RATING

June 30, 2017

(Unaudited)

Bond Ratings

To the Series 2016 Bonds, which were issued on May 17, 2016 in the amount of $123,625,000, Fitch assigned a rating of “AAA” (with a stable outlook), Moody’s Investors Service assigned a rating of “Aa1” (with a stable outlook) and Standard & Poor’s Corporation assigned a rating of “AAA” (with a stable outlook).

APPENDIX C

INFORMATION REGARDING THE COUNTY

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APPENDIX C

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 was estimated at 332,368 for 2016.

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 re-election limit.

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

Frank J. Thornton, Chair, was elected to the Board of Supervisors in 1995 and re-elected in 1999, 2003, 2007, 2011, and 2015 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.

Tyrone E. Nelson, Vice-Chairman, was elected from the Varina Magisterial District in November of 2011 and reelected in 2015. 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.

Courtney D. Lynch was elected in November of 2017, to fill an unexpired term as the Brookland District representative. She is a founding partner of Lead Star; a New York Times best-selling author; and an attorney. Ms. Lynch graduated from William & Mary Law School and earned her Bachelor of Arts degree in Political Science from North Carolina State University. She also attended Cambridge University and served as a Captain in the U.S. Marine Corps.

Thomas M. Branin was elected from the Three Chopt Magisterial District in November of 2015. 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.

Patricia S. O'Bannon was elected from the Tuckahoe Magisterial District in 1995 and re-elected in 1999, 2003, 2007, 2011, and 2015. 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.

Certain County Staff Members

John A. Vithoulkas 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. Vithoulkas served Chesterfield County, Virginia, as the Lead Analyst in the Department of Budget and Management. Mr. Vithoulkas holds a bachelor's degree from Virginia Commonwealth University and a Master's of Public Administration from the University of North Carolina at Charlotte.

W. Brandon Hinton was appointed Deputy County Manager for Administration effective February 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 over 13 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.

Anthony J. Romanello was appointed Deputy County Manager for Community Services effective February 2018. Mr. Romanello previously served as the Deputy County Manager for Administration from July 2016 until February 2018. He previously served as County Administrator of Stafford County from January 2008 to July 2016. Prior to 2008, he served as a Deputy County Administrator of Stafford, Town Manager of West Point and held several positions with the City of Richmond, including deputy director of human services administration, deputy director of administration of public health and assistant to the City Manager. He earned a bachelor's degree in history and American government from the University of Virginia and a master's degree in public administration from Virginia Commonwealth University.

Douglas A. Middleton was appointed Deputy County Manager for Public Safety in February of 2016. Mr. Middleton previously served as the Chief of Police for five years. Since being sworn in as a police officer in 1972, Mr. Middleton has served in Patrol, the Special Action Force, as a Pilot in the Aviation Unit, Police Personnel Investigator and Unit Commander, Inspectional Services, Police Planning Unit Commander, Commanding Officer of Communications & Records Section, and Assistant Chief of Police over Support Operations. Prior to his service with Henrico County, Mr. Middleton served in the United States Army 229th assault helicopter battalion. Mr. Middleton holds an Associate's of Science degree in Criminal Justice and a Bachelor's of Science in Organizational Management.

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 Law School. 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 have been audited and reported on by independent certified public accountants for over 30 fiscal years. The County's Water and Sewer Revenue Fund's General Purpose Financial Statements as of and for the year ended June 30, 2017 are included in Appendix B to this Official Statement. 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 27 fiscal years.

Description of Funds

The accounts of the County are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for 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 tax, license and permit fees, and revenues received from the Commonwealth. A significant part of the General Fund's revenues is 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.

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 bonds or bond anticipation notes.

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

The annual budgeting process for a fiscal year begins early in the second quarter of the previous fiscal year with the issuance by the County Manager to all department heads and other key officials of the pertinent guidelines to be observed. Each department or division 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.

Appropriations are then made on an annual basis to the various departments, offices, and agencies based on annual requests reviewed by the Department of Finance for conformity with the approved annual plan.

SELECTED FINANCIAL INFORMATION

General Fund Revenues and Disbursements

The General Fund is maintained by the County to account for revenue derived from County wide ad valorem taxes, other local taxes, licenses, fees, permits, 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 2017. Please refer to the County's audited General Purpose Financial Statements for a detailed review of General Fund revenues and expenditures for the fiscal year ended June 30, 2017. The County's audited financial statements are available within the County's Comprehensive Annual Financial Report ("CAFR") at https://henrico.us/pdfs/finance/pdfs/CAFR2016-2017.pdf.

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% in the case of real property, and varies for the several classes of personal property, but generally is 100%. Both real and personal property taxes are collected on June 5 and December 5. There is no limit at the present time on the property tax rates which may be established by the County. In the fiscal year ended June 30, 2017, property taxes (including penalties for late payment of prior years' taxes) represented approximately 40.3% of total General Fund and 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, motor vehicle and other vehicle taxes. These receipts represented 17.7% of total General Fund and School Operating receipts in the fiscal year ended June 30, 2017. On February 28, 2014 the Board of Supervisors approved a 4% meals tax, which was authorized by Henrico voters in the November 2013 referendum.

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 38.4% of total General Fund and School Operating receipts in the fiscal year ended June 30, 2017.

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 3.6% of total General Fund and School Operating revenue for the fiscal year ended June 30, 2017.

Disbursements

Costs of Education. The County pays from the General Fund 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 54.0% of the total General Fund and School Operating expenditures for the fiscal year ended June 30, 2017.

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 46.0% of total estimated General Fund and School Operating expenditures in the fiscal year ended June 30, 2017.

Transfer to Debt Service Funds. 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 $57.5 million of total General Fund and School Operating expenditures in the fiscal year ended June 30, 2017.

Transfer to Capital Projects Funds. 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 $26.4 million of total General Fund expenditures in the fiscal year ended June 30, 2017.

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 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, 2013 through June 30, 2017 and should be read in connection with the financial statements and notes for those years.

	Fiscal Year Ended June 30				
	2013	2014	2015	2016	2017
Revenues:					
General Property Taxes	$349,424,833	$364,605,079	$374,188,737	$386,469,951	$402,026,386
Other Local Taxes	123,489,491	122,666,775	155,950,527	165,195,195	176,154,233
Permits, Fees & Licenses	3,636,462	4,164,815	6,496,071	5,171,549	5,770,212
Fines & Forfeitures	3,414,841	2,649,202	2,522,510	1,944,848	2,110,351
Revenues from Use of Money & Property	2,037,514	2,919,631	2,937,232	3,594,408	2,704,902
Charges for Services	4,178,419	4,192,535	4,054,682	4,217,634	6,335,049
Miscellaneous	7,505,338	7,690,620	7,001,475	9,136,550	11,993,095
Recovered Costs	5,791,310	5,593,209	5,550,640	5,222,751	7,348,657
Intergovernmental	359,111,642	366,365,853	365,372,763	375,574,472	383,126,865
Total Revenues	$858,589,850	$880,847,719	$924,074,637	$956,527,358	$997,569,750
Expenditures:					
General Govt. Admin.	$64,070,896	$63,416,972	$65,415,131	$65,892,539	$76,851,414
Judicial Admin.	9,900,571	9,997,137	10,139,649	10,193,458	10,544,635
Public Safety	163,376,659	164,736,112	168,642,858	173,373,191	182,526,762
Public Works	40,941,464	47,341,324	52,474,492	49,605,071	54,049,122
Health & Social Services	19,098,636	19,729,503	1,902,174	1,950,496	2,219,894
Education	415,092,488	452,057,997	428,762,395	442,943,598	463,298,932
Parks, Recreation & Cultural	30,496,493	30,022,207	30,510,203	32,425,368	35,945,000
Community Development	20,561,422	20,555,421	22,022,280	23,743,014	24,810,373
Miscellaneous	15,066,313	15,885,331	16,638,773	18,673,602	7,993,395
Total Expenditures	$778,604,942	$823,742,004	$796,507,955	$818,800,337	$858,239,527
Excess of Revenue over Expenditures	79,984,908	57,105,715	127,566,682	137,727,021	139,330,223
Other Financing Sources (Uses):					
Issuance of Cap. Lease Obligation	$4,051,212	$43,060,674	$71,907	$5,463,059	$12,905,998
Operating Transfers In					
To Debt Service Fund	(58,644,890)	(58,747,033)	(57,676,779)	(56,105,548)	(57,507,646)
To Capital Project Fund	(31,950,366)	(10,997,490)	(35,685,101)	(54,967,362)	(48,642,178)
To Other Funds	(17,539,956)	(17,394,060)	(20,259,359)	(23,906,111)	(24,507,268)
Total Other Financing Sources (Uses)	($104,084,000)	($44,077,909)	($113,549,332)	($129,515,962)	($117,751,094)
Excess (deficiency) Revenue & Other Sources Over Expend. & Other Uses	($24,099,092)	$13,027,806	$14,017,350	$8,211,059	$21,579,129
Fund Balance, July 1	221,638,614	197,539,522	210,567,328	224,204,825	232,415,884
Fund Balance, June 30	$197,539,522	$210,567,328	$224,584,678	$232,415,884	$253,995,013
Fund Balances:					
Reserved & Designated	$83,364,219	$93,945,413	$104,259,061	$111,166,702	$129,679,362
Undesignated	114,175,303	116,621,915	119,945,764	121,249,182	124,315,651
TOTAL	**$197,539,522**	**$210,567,328**	**$224,204,825**	**$232,415,884**	**$253,995,013**

Source: County of Henrico Comprehensive Annual Financial Reports, Fiscal years ended 2013-2017.

Summary of Annual Fiscal Plan for the Fiscal Year Ending June 30, 2018

The FY18 Approved Budget for Henrico County, which is balanced within the current real estate tax rate of $0.87 cents/$100 of assessed value, marks the 39th consecutive year that Henrico 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. The County believes that this focus on maintaining a low real estate tax rate will continue to yield positive results for Henrico County for the foreseeable future.

The FY18 budget reflects the third consecutive year of positive economic growth, allowing Henrico to continue to provide the highest level of customer service at the lowest possible cost – a concept known within the Metropolitan Area as "the Henrico Way."

The FY18 budget accomplished three things:

- Provides additional resources to the core responsibilities of County government – Education, Public Safety, and Public Works;
- Maintains the County's practice of forward-looking budgeting by making sure every cost increase can be covered in FY18 and every reduction made is sustainable in the future; and
- Rewards employees for their cost-cutting efforts over the past six years.

The FY18 Approved Budget is the second consecutive year that reflects positive economic growth, and incremental growth in the County's local resources. The budget allocates additional resources for the County's most pressing needs – Schools, Public Safety, and Roads – while addressing long-term structural priorities in the County's budget. What follows is a short list of structural issues addressed within the FY18 budget:

- Salary increase to all employees- General Government and Education in the amount of 2.5% effective July 1, 2017.
- Includes funding for ten new police officers – the fifth and final year of a five-year staffing plan.
- Also includes funding for 24 new firefighter positions for the opening of the Short Pump Firehouse (Fire station #19) and three additional firefighters, the second year of a three-year staffing plan.
- Provides funding for the first of the 26 projects overwhelmingly approved by voters in the County in the November 2016 General Obligation Bond Referendum. These include the renovation of 6 schools, classroom additions to Glen Allen Elementary School, construction of an expanded training facility for the Division of Fire, and the renovation of all 9 high school football fields.
- Provides funding to Schools in the amount of $469.9 million, an increase of $14.8 million or a 3.3% increase over the current fiscal year, including $1.3 million for the first year of the Achievable Dream Academy.
- Funds several initiatives to counteract the growing heroin epidemic within our community. This includes $200,000 to Mental Health to support initiatives determined by the Heroin Task Force.
- Funding for $2.5 million in sidewalk and pedestrian improvements and $2.3 million for stormwater management projects.
- Includes positions and operating dollars necessary for the opening of Phase I of Greenwood Park to expand sports tourism.
- Also includes $8.7 million to replace and expand the Mental Health East Center which will create a cost savings by replacing a leased facility with a County-owned facility.

The FY18 budget allocated over three-fifths of all incremental General Fund revenue growth to Henrico County Public Schools. Part of the spending plan for local schools was made possible through the citizens' support of the Meals Tax Referendum in November 2013. Every dollar of meals tax receipts anticipated in FY18 has been allocated to Schools. Of the $23 million budgeted meals tax revenue, $9.0 million is dedicated to Schools' operating budget and the remainder has been dedicated for school facility maintenance projects within the capital budget. Within the General Fund operating budget, the Henrico County School Board has a high accountability and outcome threshold it must adhere to with the significant County resources being allocated to the K-12 function. Overall, General Fund expenses are increasing $14.8 million over FY17.

Total estimated General Fund revenues for FY18, prior to transfers to other funds, are $964.1 million, which represents an increase of $30.0 million when compared to FY17. Of the $30.0 million increase in FY18, the largest local revenue source - real estate tax collections - reflects an overall increase of $13.5 million or 4.6% and assumes a continuation of the current real estate tax rate of $0.87/$100 of assessed valuation. An additional $3.0 million of the increase is associated with the County's 4.0% meals tax implemented on June 1, 2014, of which every dollar has been dedicated to Schools. After transfers to other funds, the overall increase in the General Fund is budgeted to be 3.6%.

All other local revenues in Henrico County are increasing $8.6 million, or 3.1% in the FY18 Budget. Of this amount, personal property tax revenues are increasing $4.1 million. All other individual local revenue sources are estimated to increase $4.5 million. The following highlights are offered:

- Personal property tax revenues, which include Personal Property Tax Relief Act ("PPTRA") reimbursements from the State, are projected to increase slightly in FY17 to $120.0 million, an increase of $4.1 million or 3.6%.

- Local sales and use tax revenues are projected to increase $3.3 million, or 5.3%, representing stronger signals regarding economic strength in Henrico.

- Business, professional and occupational license ("BPOL") receipts are anticipated to grow $0.5 million, a 1.6% increase over the prior year estimates.

- Hotel and motel tax revenues – all of which is dedicated in the budget to the Greater Richmond Convention Center – are projected to increase to $12,000,000, a 7.1% increase.

In FY18, $4.9 million in increased State and Federal aid is anticipated. Of this amount, $1,100,000 reflects increased Gasoline Tax revenues. In FY16, the Virginia General Assembly recognized a lane mile calculation that more closely reflects actual costs, which has led to significantly more Gasoline Tax funds for Henrico each year. State revenues for Schools reflect an increase of $3.7 million or 1.5% increase as compared to the current fiscal year.

The budget utilizes both new resources and makes further reductions to reestablish budgetary structure, allocates funds in the core areas of our local government, maintains our forward-looking approach to budgeting, and rewards the County's hard-working employees with a performance-based salary increase. This strategic approach would not be possible if it was not for the continued efforts of County staff to do more with less and, of course, the support of the County's citizens, the Board of Supervisors and the School Board.

While the County must remain cautious, the positive local economic signs are welcome - real estate assessments are growing for the fourth consecutive year and the business community continues to be a strength in Henrico. While there is always uncertainty regarding future economic conditions, Henrico is committed to cultivating an environment that encourages positive economic growth. Maintaining the lowest real estate tax rate among the 10 largest localities in Virginia is a key component of Henrico's planning and strategy. As the County continues to operate as a high-performance organization, it will continue to strive to find efficient and innovative ways to accomplish its core mission of providing exceptional services to the citizens and residents of Henrico County.

The adopted FY2017-18 Annual Fiscal Plan (available online at henrico.us/assets/ApprovedBudgetFY18.pdf) was approved with the following expectations for General Fund revenues, expenditures and transfers.

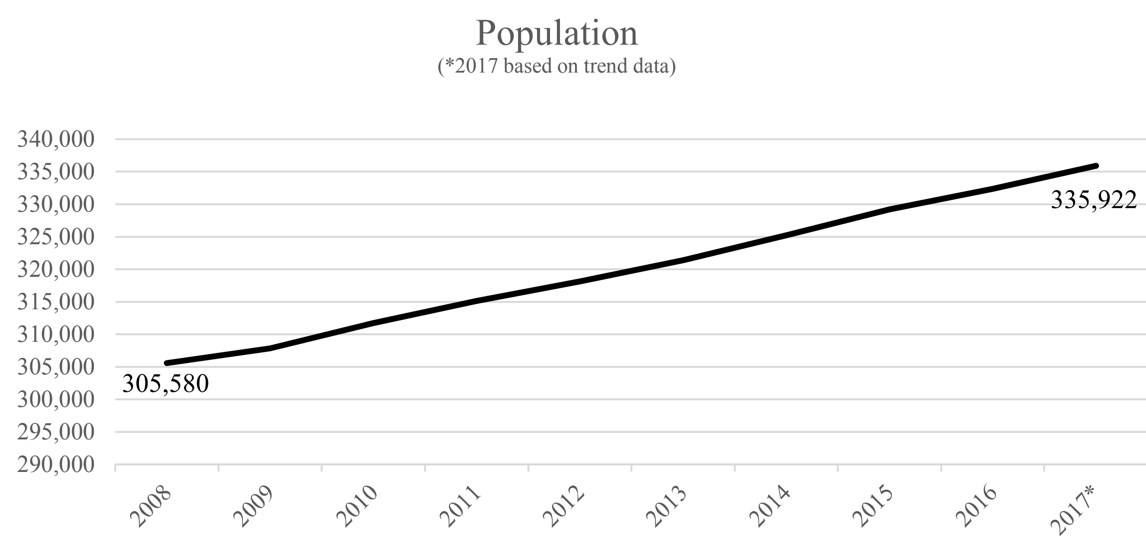
FY2017-18 Annual Fiscal Plan (General Fund)

Revenues and Transfers		Expenditures	
General property taxes	439,375,000	General government administration	44,223,793
Other local taxes	151,248,000	Financial administration	13,647,914
Revenue from use of money and Property	7,925,600	Public safety	177,239,282
Intergovernmental revenue	346,727,567	Public works	50,555,927
Permits, fees & licenses	4,741,100	Health and welfare	2,219,895
Fines and forfeitures	2,090,000	Education	469,907,245
Charges for services	3,832,850	Parks, recreation and cultural	37,549,926
Miscellaneous	8,222,970	Judicial administration	8,500,620
Transfers	(124,488,007)	Community development	24,121,923
		Miscellaneous	11,708,555
Total Projected Revenues and Transfers	839,675,080	Total Budgeted Expenditures	839,675,080

Source: County of Henrico Approved Budget, Fiscal Year ending June 30, 2018.

Population

The County's population has increased steadily since 1995. Increases since 2008 are shown in the following chart:



Source: FY 2017 Comprehensive Annual Financial Report

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.

Year	Population [1]	Calendar Year Taxable Retail Sales (000) [2]	Fiscal Year Local Sales Tax Revenue (000) [4]	Calendar Year Taxable Retail Sales Per Capita
2007	302,518	$5,074,052[3]	$57,794	$16,773
2008	305,580	4,928,864	57,400	16,130
2009	307,832	4,632,418	56,101	15,049
2010	311,726	4,672,111	54,677	14,987
2011	315,157	4,864,242	57,222	15,434
2012	318,158	5,041,671	57,694	15,846
2013	321,374	5,117,598	57,736	15,924
2014	325,283	5,214,320	57,663	16,030
2015	328,890	5,430,593	58,095	16,512
2016	332,538	5,479,745	62,286	16,479

[1] Continuing, Comprehensive, and Coordinated Transportation Data for Henrico County, Virginia, by Traffic Zone (3-C Report), 2001 – 2016.
[2] Commonwealth of Virginia, Department of Taxation. Data excludes automobile and prescription drug sales.
[3] Estimate from Department of Finance due to computer error at State Department of Taxation.
[4] Reflects actual revenue received.

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, with declines during economic downturns. The general recessionary economic environment in the U.S. impacted the level of construction activity in the County during the last several fiscal years. However, in the most recent fiscal year that ended June 30, 2017, the number of permits issued, and the value of these permits have increased, indicative of the recovering market.

Building Permits and Values

Fiscal	Total Dwelling Units (1)		Total Permits Issued (2)	
Year	No.	Value	No.	Value
2008	1,122	$226,276,115	18,218	$913,437,876
2009	602	115,162,605	12,819	450,517,382
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	119,761,275	13,577	582,961,941
2016	757	132,494,528	13,693	520,972,529
2017	789	146,268,102	15,603	596,817,908

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)

	2013	2014	2015	2016	2017
Single Family	$127,095	$141,892	$120,816	$132,495	$146,269
Multi-Family	17,862	1,874	25,437	7,093	22,829
Office	800	8,972	40,818	9,104	16,591
Institutional	0	18,186	0	0	11,018
Commercial & Etc.	133,053	138,829	196,491	231,387	229,116
Total	$278,810	$309,753	$383,562	$380,079	$425,823

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 November 2016, single family housing units represented approximately 65.5% of all residential housing. The percentage of housing stock consisting of multifamily units has remained fairly constant throughout the period.

	2013		2014		2015		2016		2017	
	Units	% of Housing	Units	% of Housing	Units	% of Housing	Units	% of Housing	Units	% of Housing
Single Family	86,817	65.59%	87,249	65.59%	87,902	65.52%	88,291	65.52%	89,032	65.68%
Multi-Family	45,546	34.41%	45,771	34.41%	46,251	34.48%	46,456	34.48%	46,530	34.32%
Total	132,363	100.00%	133,020	100.00%	134,153	100.00%	134,747	100.00%	135,562	100.00%

Source: Continuing, Comprehensive, and Coordinated Transportation Data for Henrico County, Virginia by Traffic Zone (3 C Report), 2013 – 2016, 2017 figures reflect Finance Department estimates.

Commerce, Industry and Employment

After successfully navigating through several years of economic hardship brought upon by the national and global recession, there are several positives being observed that indicate the worst of the downturn may be behind the County. Real estate assessments have grown for four consecutive years, local consumer spending is robust, and our business community continues to be a strength in Henrico.

However, despite 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 only 46 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, 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 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. 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; ranked among the top ten best citys to live in the South by Southern Living Magazine; 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 30 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 eleven 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. In addition to these companies, Henrico County is also home to Phillip Morris U.S.A. (a subsidiary of Altria), Alfa Laval, Hamilton Beach-Proctor Silex, Southern States Cooperative, along with over fifty companies based in twelve nations outside the United States that maintain offices in Henrico County. All of these companies have invested heavily in the County, and the Richmond Metropolitan Area has benefitted 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.

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% of the country's population 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.

While employment statistics are improving, the depth and severity of the national recession attributed to a significant number of job losses locally. However, despite these job losses, Henrico County's employment statistics continue to compare favorably relative to national and state averages. According to the Virginia Employment Commission, as of December 2017 the County's unemployment rate (not seasonally adjusted) of 3.3% is less than the Virginia rate of 3.4% and considerably lower than the National rate of 4.1%. 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.

While the national economic downturn had a significant impact on the real estate market in Henrico in both the residential and commercial sectors, recently there have been signs of improvement. As of January 1, 2017, the total taxable assessed value for real property of the County was approximately $35.7 billion, representing an increase of about $1.5 billion, or 4.6% compared to January 1, 2016. The January 2017 real estate reassessment reflected an increase for the fourth consecutive year. With an increase of 4.6% in the tax base, real estate reassessments saw its strongest growth since 2008. Both residential and commercial reassessments increased exactly as the county expected. The commercial assessments over the past two years have grown to $11.2 billion, a 4.4% increase over January 1, 2016.

Residential foreclosures increased each year from 2008 to 2010 as compared to the average for the previous seven years, which has had a direct impact on residential values. Beginning in 2011, foreclosures began to decline slightly, and in 2013 totaled 738, representing 8.1% of total transactions. In 2016, the number of foreclosures as a percentage of total sales transactions has continued to drop, representing about 5.0% of total transactions. In fact, the 2016 figure of 474 is 30.2% (205 foreclosures) below the prior five year average of 679. As evidenced by these statistics, foreclosures have caused distress in the local residential housing market, but Henrico is making a strong recovery in this area.

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, as well as decreases in inventory and the number of units sold, recognized through December 2017. The average sale price for a single-family home was $299,700 in 2017. Henrico statistics indicate an increase in the average sale price of homes for 2017 of $16,400 or 5.8%. The 2016 median price was $283,300, decreasing from $289,300 in 2015.

In addition, for the fiscal year ended June 30, 2017, total construction permit data, including permits for the construction of single family, residential and commercial dwellings, is continuing to show signs of stability and is increasing. The County's business friendly environment, combined with a well-educated workforce, should position it well for continued growth.

In 2017, 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 2017 were approximately $5.7 billion, almost a 3.0% increase from 2016. In addition, Henrico continues to be one of the strongest economically performing localities in the Commonwealth. These statistics are another indication that the County has grown to be 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, 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 is also the lowest taxing metropolitan locality in Virginia when compared to the 10 largest localities. 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.

Area Total Employment by Place of Residence, 2007- 2016

Year	Henrico County	Unemployment Rate (%)	Chesterfield County	Unemployment Rate (%)	City of Richmond	Unemployment Rate (%)	Hanover County	Unemployment Rate (%)	Goochland County	Unemployment Rate (%)
2007	158,125	2.8	161,332	2.6	94,548	4.4	53,387	2.5	10,860	2.4
2008	159,993	3.6	163,728	3.7	95,650	5.8	53,918	3.4	11,074	3.3
2009	153,042	6.9	156,218	6.6	91,416	9.6	51,015	6.5	10,644	6.5
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	164,343	5.6	164,768	5.7	102,934	6.8	52,594	5.1	18,310	5.2
2014	167,403	5.1	168,488	5.1	105,568	6.2	53,301	4.6	10,044	4.8
2015	169,108	4.3	170,080	4.3	106,690	5.2	53,986	3.9	10,159	4.1
2016	172,258	3.8	173,141	3.8	108,599	4.6	54,896	3.5	10,293	3.7

Source: Virginia Employment Commission, Local Area Unemployment Statistics, and Bureau of Labor Statistics. 2016 labor statistics represent most recent data available.

Employment by Industry Type

Industry	2015 Richmond MSA (1),(2)	2015 Henrico County (1)	2015 Henrico as a % of Richmond MSA	2016 Richmond MSA (1),(2)	2016 Henrico County (1)	2016 Henrico as a % of Richmond MSA	2017 Richmond MSA (1),(2)	2017 Henrico County (1)	2017 Henrico as a % of Richmond MSA
Agriculture, Forestry, Fishing & Hunting	1,053	66	6.3%	1,160	60	5.2%	1,366	59	4.3%
Mining	565	10	1.8%	468	11	2.4%	463	10	2.2%
Utilities	3,017	585	19.4%	2,998	573	19.1%	2,951	595	20.2%
Construction	37,825	8,298	21.9%	37,884	8,143	21.5%	39,161	8,675	22.2%
Wholesale Trade	24,871	7,404	29.8%	24,625	7,340	29.8%	24,659	7,333	29.7%
Information	8,330	3,458	41.5%	8,245	3,475	42.1%	8,243	3,560	43.2%
Finance and Insurance	39,077	18,554	47.5%	38,643	17,765	46.0%	40,159	18,595	46.3%
Real Estate and Rental and Leasing	8,629	3,937	45.6%	8,736	4,016	46.0%	8,859	3,983	45.0%
Professional and Technical Services	38,929	15,304	39.3%	39,471	16,032	40.6%	40,678	16,463	40.5%
Management of Companies and Enterprises	21,649	7,852	36.3%	21,742	8,087	37.2%	21,671	8,068	37.2%
Administrative and Waste Services	42,342	17,362	41.0%	44,209	17,520	39.6%	44,949	18,454	41.1%
Educational Services	50,288	10,279	20.4%	50,067	10,085	20.1%	50,756	10,651	21.0%
Health Care and Social Assistance	90,693	28,435	31.4%	91,026	28,023	30.8%	92,744	28,576	30.8%
Arts, Entertainment, and Recreation	14,577	2,844	19.5%	15,117	2,932	19.4%	14,786	3,101	21.0%
Accommodation and Food Services	51,583	16,872	32.7%	52,635	16,827	32.0%	54,054	17,098	31.6%
Other Services, Ex. Public Admin	21,435	6,347	29.6%	21,954	6,679	30.4%	23,126	6,856	29.6%
Public Administration	39,478	5,621	14.2%	39,940	5,784	14.5%	39,794	5,904	14.8%
Manufacturing	30,788	6,334	20.6%	31,541	6,902	21.9%	32,103	7,088	22.1%
Retail Trade	67,665	22,722	33.6%	66,924	22,810	34.1%	66,950	23,194	34.6%
Transportation and Warehousing	26,189	5,164	19.7%	26,411	4,988	18.9%	26,634	5,018	18.8%
Unclassified Establishments	615	207	33.7%	1,191	371	31.2%	1,349	382	28.3%
Total, All Industries	619,598	187,655	30.3%	624,987	188,423	30.1%	635,455	193,663	30.5%

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

(1) Data represents total employment in each locality as of third quarter of each year.

(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 the City of Richmond.

Median Household Income

	Calendar Year 2011	Calendar Year 2012	Calendar Year 2013	Calendar Year 2014	Calendar Year 2015	Calendar Year 2016
Henrico County	$61,206	$60,069	$61,048	$62,446	$61,934	$63,699
Commonwealth of Virginia	63,302	65,571	63,907	64,923	65,015	66,149
United States	52,762	51,758	53,046	53,657	53,889	55,322

Source: Virginia Employment Commission, U.S. Census Bureau, and Virginia Workforce Connection. 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 accounts for approximately 26.6% of total employment in the County in 2017.

	2017[(1)]			2016[(1)]		
Employer	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Henrico County School Board	5,000-9,999	1	3.5%	5,000-9,999	1	3.6%
County of Henrico	1,000-4,999	2	2.1%	1,000-4,999	2	2.1%
Bon Secours Richmond Health System	1,000-4,999	3	1.6%	1,000-4,999	3	1.6%
Anthem (Blue Cross & Blue Shield)	1,000-4,999	4	1.6%	1,000-4,999	4	1.6%
Henrico Doctors' Hospital (HCA)	1,000-4,999	5	1.6%	1,000-4,999	5	1.6%
Capital One Bank	1,000-4,999	6	1.6%	1,000-4,999	6	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%
Kroger	1,000-4,999	10	1.6%	1,000-4,999	12	1.6%
Bank of America	1,000-4,999	11	1.6%	1,000-4,999	11	1.6%
Capital One NA	1,000-4,999	12	1.6%	1,000-4,999	10	1.6%
Apex Systems, Inc.	1,000-4,999	13	1.6%	1,000-4,999	14	1.6%
GNA Corporation	1,000-4,999	14	1.6%	1,000-4,999	13	1.6%
Markel Service, Inc	500-999	15	0.4%	1,000-4,999	15	1.6%
Abacus Corporation	500-999	16	0.4%	-	-	-
Virginia Department of Social Services	500-999	17	0.4%	500-999	18	0.4%
T Mobile USA, Inc.	500-999	18	0.4%	500-999	19	0.4%
Source4Teachers	500-999	19	0.4%	500-999	16	0.4%
Dominion Resources	500-999	20	0.4%	500-999	20	0.4%
Martin's Food Market	-	-	-	500-999	17	0.4%
Total Employment[(2)]	193,395		26.6%	190,467		27.7%

Source: Virginia Employment Commission
Employees and percentage of employment based on size code as published by VEC
(1) 2016 and 2017 Data as of 2nd Quarter
(2) VEC Labor Market Information: Average Employment

Economic Development

As the County, like the rest of the nation, continues to rebound from the recession, many companies have sought to position themselves in Henrico County to take advantage of its low tax burden, high quality infrastructure, talented and diverse workforce and overall business friendly atmosphere. For example, Facebook will build its eighth U.S. data center in Henrico's White Oak Technology Park. The 1 million square foot facility will eventually span 328 acres and will employ over 100 full time positions. The project will also include three additional future buildings totaling 1.5 million square feet with associated support facilities.

Topgolf, a multi-level driving range and entertainment complex, has been approved to build. The 55,000 square foot facility will boast three stories of technology filled driving bays, an arcade, and a large restaurant. Similar Topgolf locations employ more than 500 jobs.

In addition, several new, large scale retail and mixed-use projects are in various stages of development throughout the County. Among these is the Greengate development in Short Pump is a 67-acre mixed-use development which includes townhomes, single family homes, and commercial, office, and retail components. Greengate continues to grow the Short Pump area with plans for 300 residential units including luxury townhomes, restaurants such as Mellow Mushroom and The Daily Kitchen, and a Lidl grocery store with more than 36,000 square feet of retail space.

West Broad Marketplace development, which opened in 2016. The 97,000 square foot Cabela's, a Nebraska based retail chain specializing in outdoor hunting, fishing and camping related gear opened in April 2016. Cabela's employs approximately 150 people and is an anchor tenant of the West Broad Marketplace. In addition, the development includes an upscale grocer, Wegman's, whose presence is entirely new to the central Virginia region. The 140,000 square foot Wegman's location in Short Pump employs 550 to 600 people in full and part-time positions.

The Libbie Mill development, located at the intersections of Staples Mill Road, Bethlehem Road and Libbie Avenue in the County's near-West End is an 80 acre mixed-use neighborhood that will feature approximately 160,000 square feet of commercial space, as well as over 2,000 housing units planned both for sale and luxury rental. The development includes the 60,000 square foot Libbie Mill Library, which opened October 29, 2015. The development also includes shopping and restaurants.

Altria is expanding its corporate headquarters with plans for a four-story 170,000 square-foot office building expansion with an above-ground parking deck. Altria is a multi-national corporation with an incredible array of business development opportunities going forward. The expansion shows Altria's confidence in Henrico and highlights the County as a favorable place for headquarters for companies of all sizes.

McKesson Medical-Surgical, Inc., a subsidiary of the McKesson Corporation, opened a new expanded headquarters in the County in September 2015. The healthcare services and information technology company spent more than $10 million to relocate and lease a 168,500 square foot office space near Innsbrook in the western portion of the County, with plans to add 225 new jobs. Business expansions such as these have contributed to reduced vacancy rates and increased rental rates for Class A office space in the area.

The business friendly environment in Henrico is not only attracting new and expanding businesses, but redevelopment continues to be an important component of strengthening the local economy. Eastgate Town Center is an example of the County's focus on redevelopment. First opened in 1961, Eastgate Center, later known as Fairfield Commons Mall, was a dilapidated and unsafe structure. After significant redevelopment, the 288,000 square foot Eastgate Town Center, which includes a 189,000 square foot Wal-Mart Supercenter has brought new life to the area. Eastgate Town Center is now home to a variety of retail business and will soon include a free-standing urgent care center. The County's commitment to the redevelopment of the property, as well as the area's attractive demographics has contributed to the commercial success of Eastgate Town Center, as well as the revitalization of the surrounding area.

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

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 $35.7 billion in taxable real estate in 2017, 31.1% is classified as commercial.

	Assessed Value (000s)				
	Residential & Commercial		Public Service Corp (1)		Total Taxable Assessed
Year	Real Property	Personal Property	Real Property	Personal Property	Value
2008	$34,740,075	$4,022,204	$851,142	$3,803	$39,617,224
2009	34,975,868	3,789,013	913,716	2,763	$39,681,360
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

Source: Henrico County Department of Finance.
(1) State Corporation Commission and Henrico County Comprehensive Annual Financial Reports for the fiscal years ended 2008 through 2017.

Property Tax Rates

Tax Rates
(per $100 of Assessed Value)

Calendar Year	Real Property	Tangible Personal Property	Machinery and Tools	Aircraft	Semi-Conductor
2008	$0.87	$3.50	$1.00	$1.60	$0.40
2009	0.87	3.50	1.00	1.60	0.40
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

Source: Henrico County Director 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 [1]:

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

		Collections within the Fiscal Year of Levy			Total Collections to Date	
Year	Original Fiscal Year Levy	Amount	Percentage of Original Levy	Collections in Subsequent Years	Amount	Percentage of Adjusted Levy
2008	$369,929,993	$364,474,006	98.5%	$4,881,310	$369,355,316	99.8%
2009	380,661,375	371,078,746	97.5%	9,345,791	380,424,537	99.9%
2010	365,521,825	357,859,027	97.9%	7,479,652	365,338,679	99.9%
2011	349,268,894	336,136,985	96.2%	7,256,666	343,393,651	98.3%
2012	347,803,213	341,709,567	98.2%	5,359,194	347,068,761	99.8%
2013	357,613,295	351,926,258	98.4%	5,368,128	357,294,386	99.9%
2014	361,689,033	358,676,284	99.2%	2,067,461	360,743,745	99.7%
2015	373,457,423	357,897,136	95.8%	9,705,192	367,602,328	98.4%
2016	376,051,530	370,592,134	98.5%	5,220,897	375,813,031	99.9%
2017	389,341,072	384,815,669	98.8%	N/A (2)	384,815,669	98.8%

Source: County of Henrico Comprehensive Annual Financial Report, Fiscal year ended 2017.

(1) PPTRA amounts are no longer included in Levy or Collections as of FY2007.
(2) Fiscal year 2017 collections in subsequent years will be available as of the next reporting period.

Vehicle and Business License Receipts
Last Ten Fiscal Years

Fiscal Year	Vehicle Receipts	Business Receipts	Fiscal Year	Vehicle Receipts	Business Receipts
2008	$6,234,901	$30,847,775	2013	$6,472,365	$29,640,707
2009	6,171,378	29,848,568	2014	6,714,426	29,827,991
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

Source: County of Henrico Comprehensive Annual Financial Report, Fiscal years ended 2008-2017 Exhibit of Revenues.

Principal Taxpayers as of June 30, 2017

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, 2017. The estimated assessed value of real and personal property of these large entities in the County represents approximately 6.58% of the projected total assessed value of all real property and personal property of $40,960,861,608. This total also includes Public Service Corporation properties assessed by the State Corporation Commission.

Taxpayer	Type of Business	Real/Personal Assessed value	Rank	% of Valuation
Virginia Power Company	Utility	$680,426,188	1	1.66%
Forest City (Short Pump TC, White Oak, etc)	Retail and Offices	390,530,900	2	0.95%
General Services Corporation	Apartments	261,536,800	3	0.64%
The Wilton Companies	Office, Retail & Warehouses	246,760,900	4	0.60%
Highwoods Properties	Offices and Warehouses	228,577,100	5	0.56%
Verizon	Utility	208,535,908	6	0.51%
Weinstein Family	Apartments	204,748,500	7	0.50%
HCA Health Services of VA	Hospital	171,526,544	8	0.42%
Gumenick	Apartments and Retail	156,369,700	9	0.38%
Breeden Companies	Apartments and Retail	147,634,000	10	0.36%
Totals		$2,696,646,540		6.58%

Source: County of Henrico Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017.

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, 2017, the County's audited outstanding bonded indebtedness was as follows*:

General Obligation Bonds	$419,105,000
Water and Sewer Revenue Bonds	310,040,991
Subtotal	$729,145,991
Less: Water and Sewer Revenue Bonds	(310,040,0991)
Total Net Debt	$419,105,000

*Excludes Economic Development Authority Lease Revenue Bonds issued for the benefit of the County and subject to annual appropriation by the County.

General Obligation Bond Amortization Requirements

Principal and interest payments on the outstanding general obligation bonded indebtedness of the County as of June 30, 2017 are presented in the following table:

Total General Obligation Bonds

Fiscal Year Ending June 30	Principal	Interest	Total
2018	$33,115,000	$15,962,944	$49,077,944
2019	37,710,000	16,543,347	54,253,347
2020	37,700,000	14,774,696	52,474,696
2021	35,960,000	13,001,240	48,961,240
2022	33,125,000	11,295,360	44,420,360
2023	31,740,000	9,817,135	41,557,135
2024	29,095,000	8,499,285	37,594,285
2025	29,125,000	7,152,185	36,277,185
2026	27,280,000	5,808,610	33,088,610
2027	23,455,000	4,593,816	28,048,816
2028	19,870,000	3,552,635	23,422,635
2029	18,380,000	2,663,791	21,043,791
2030	11,750,000	1,997,648	13,747,648
2031	11,730,000	1,495,085	13,225,085
2032	8,410,000	1,110,410	9,520,410
2033	5,110,000	896,805	6,006,805
2034	5,110,000	740,950	5,850,950
2035	5,110,000	587,650	5,697,650
2036	5,110,000	434,350	5,544,350
2037	5,110,000	268,275	5,378,275
2038	5,110,000	89,425	5,199,425
Total	$419,105,000	$121,285,642	$540,390,642

Source: Henrico County Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017.

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, 2017 are presented in the following table:

Total Leases with the Economic Development Authority

Fiscal Year Ending June 30	Principal	Interest	Total
2018	$6,730,000	$1,151,719	$7,881,719
2019	6,065,000	940,103	7,005,103
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	$45,425,000	$4,302,358	$49,727,358

Source: Henrico County Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017. Debt service payments with respect to EDA Lease Revenue Bonds are subject to annual appropriation by the County.

Debt Ratios

The following data are 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, its estimated population and the trend of debt service requirements as a percentage of General Fund and School Operating disbursements. In addition to General Obligation bonds, the total long term indebtedness shown below includes the County's subject to appropriation EDA lease obligations as of the fiscal year ended June 30, 2017 (audited), bringing the total to $464,530,000.

Fiscal Year Ending June 30	Net Long-term Indebtedness[(1)]	Assessed Value	Percentage
2008	$386,627,916	$39,617,223,674	0.98
2009	492,123,456	39,681,360,000	1.24
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

Source: Henrico County Department of Finance.

(1) Includes general obligation bonds and the County's subject to appropriation EDA lease obligations.

Fiscal Year Ending June 30	Debt Service Requirements [1]	Disbursements [2]	Percentage
2008	$51,678,822	$927,989,584	5.57
2009	52,623,443	953,967,019	5.52
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

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 obligations.

(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 County. 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, 2017 under these capital and operating leases for fiscal years ending June 30 are as follows:

Fiscal Year Ending June 30	Amount
2018	$19,740,784
2019	12,881,236
2020	12,063,235
Thereafter	33,036,663
Total Minimum Lease Payments	$77,721,918
Less Amount Representing Interest	4,858,771
Present Value of All Future Minimum Lease Payments	$72,507,046

The amounts shown above include lease payments due from the County with respect to the financing of regional jail facilities through the Economic Development Authority of Henrico County, Virginia. See "EDA Lease Revenue Bond Amortization Requirements" herein.

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 is there 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 as a separate political subdivision, with four participating member jurisdictions, that operates independently, 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	9.12%
	100.00%

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

Complete financial statements for the Capital Region Airport Commission can be obtained from its administrative office at 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% transient occupancy tax imposed and collected by the localities. The County recorded an expenditure of $13,433,169 for transient occupancy tax to the Convention Authority during the year ended June 30, 2017.

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.

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 accordance with Generally Accepted Accounting Principles ("GAAP"), an actuarial study was prepared calculating the postemployment healthcare cost as of June 30, 2017. The actuarial evaluation estimated the Unfunded Actuarial Accrued Liability ("UAAL") for both County and Schools combined to be $50.04 million and the Annual Required Contribution ("ARC") to be $7.79 million. The postemployment healthcare cost was determined under the Projected Unit Credit Actuarial Cost Method. The calculation was based on a 7.0% discount rate and the amortization of the UAAL over 30 years. This represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and the amortization of the UAAL over 30 years. The current ARC of $7.79 million is 1.45% of annual covered payroll. The County has fully funded its Government Accounting Standards Board ("GASB") Statement No. 45 obligations, and as of June 30, 2017 had a Net Other Post-Employment Benefits ("OPEB") Asset of $2.36 million. It should be noted that during FY2007-08 Henrico County became a founding member of the OPEB Trust Fund established by the Virginia Municipal League. In FY2016-17, the County funded $2.75 million for GASB 45 obligations.

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 2018 is $232,686,800 and includes funding for projects that allows the County to continue to provide existing service levels to the citizens. All fiscal year 2018 projects have a known funding source. This budget is part of the County's Annual Fiscal Plan for FY2017-18, which is available online at: https://henrico.us/assets/ApprovedBudgetFY18.pdf. Shown below on the following pages is a summary of the approved CIP for fiscal year 2018 and proposed expenditures for the five-year plan, in addition to a summary of projected funding sources:

Capital Improvement Program Summary
Fiscal Year 2017-18 through Fiscal Year 2021-22

By Department	Approved FY2017-18	Requested FY2018-19	Requested FY2019-20	Requested FY2020-21	Requested FY2021-22	Total Requested
Capital Projects Fund						
Education	$111,100,000	$26,500,000	$81,500,000	$53,500,000	$57,500,000	$330,100,000
Fire	3,080,000	3,903,109	17,323,266	2,456,711	9,252,796	35,435,882
General Services	2,955,000	7,236,481	18,783,697	26,725,327	22,444,429	87,104,855
Information Technology	1,697,000	1,000,000	1,000,000	1,000,000	1,000,000	6,196,855
Information Technology - GIS	150,000	150,000	150,000	150,000	150,000	750,000
Mental Health	8,700,000	8,000,000	9,831,820	0	0	18,531,820
Police	458,000	0	0	0	0	5,882,886
Public Library	0	24,000,000	0	22,068,483	0	46,068,483
Public Utilities - Landfill	600,000	0	0	0	0	600,000
Public Works - Drainage	0	2,928,197	8,550,777	14,376,488	13,200,609	39,056,071
Public Works - Roadway	3,850,000	28,524,000	16,850,000	8,850,000	12,850,000	76,424,000
Public Works - Stormwater	2,348,000	2,348,000	2,348,000	2,348,000	2,348,000	11,740,000
Recreation	13,266,000	24,453,535	10,367,980	15,335,123	23,386,333	86,809,065
Sheriff	0	3,243,827	26,780,647	4,670,670	12,773,693	47,907,485
Total	**$148,204,000**	**$132,287,149**	**$193,486,187**	**$151,480,802**	**$154,905,860**	**$792,607,402**
Vehicle Replacement Fund						
Education	$2,500,000	$0	$0	$0	$0	$0
Fire	1,750,000	0	0	0	0	0
Police	2,324,800	0	0	0	0	0
Total	**$6,574,800**	**0**	**0**	**0**	**0**	**0**
Enterprise Fund - Water and Sewer						
Public Utilities - Sewer	$71,100,000	$14,275,000	$14,700,000	$15,100,000	$67,150,000	$216,325,000
Public Utilities - Water	6,450,000	20,150,000	4,825,000	4,550,000	11,650,000	47,625,000
Total	**$77,550,000**	**$34,425,000**	**$19,525,000**	**$19,650,000**	**$78,800,000**	**$263,950,000**
Enterprise Fund						
Recreation	$358,000	$429,731	$441,834	$883,253	$627,018	$2,739,712
Total	**$358,000**	**$429,731**	**$441,834**	**$883,253**	**$627,018**	**$2,739,712**
Grand Total	**$232,686,800**	**$167,141,880**	**$213,453,021**	**$172,014,055**	**$234,332,878**	**$1,059,297,114**

Capital Improvement Program Summary
Fiscal Year 2017-18 through Fiscal Year 2021-22

By Revenue Source	Approved FY2017-18	Requested FY2018-19	Requested FY2019-20	Requested FY2020-21	Requested FY2021-22	Total Requested
Capital Projects Fund						
2016 G.O. Bonds - Education	$99,600,000	$15,000,000	$70,000,000	$42,000,000	$46,000,000	$272,600,000
2016 G.O. Bonds - General Gov't	15,000,000	48,000,000	12,200,000	14,000,000	31,700,000	120,900,000
General Fund	18,284,580	12,930,225	15,902,850	15,393,666	11,288,305	71,146,959
General Fund - Education Meals Tax	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000	45,000,000
General Fund - Public Works	850,000	850,000	850,000	850,000	850,000	4,250,000
Landfill Revenue	600,000	0	0	0	0	600,000
Other Local Revenue	4,869,420	0	0	0	0	0
No Funding Source	0	46,506,924	85,533,337	70,237,136	56,067,555	278,110,443
Total	**$148,204,000**	**$132,287,149**	**$193,486,187**	**$151,480,802**	**$154,905,860**	**$792,607,402**
Vehicle Replacement Fund						
General Fund	$6,574,800	$0	$0	$0	$0	$0
Total	**$6,574,800**	**$0**	**$0**	**$0**	**$0**	**$0**
Enterprise Fund - Water and Sewer						
Enterprise Fund	$77,550,000	$34,425,000	$19,525,000	$19,650,000	$78,800,000	$263,950,000
Total	**$77,550,000**	**$34,425,000**	**$19,525,000**	**$19,650,000**	**$78,800,000**	**$263,950,000**
Enterprise Fund						
Enterprise Fund	$0	$429,731	$441,834	$883,253	$627,018	$2,739,712
General Fund	358,000	0	0	0	0	0
Total	**$358,000**	**$429,731**	**$441,834**	**$883,253**	**$627,018**	**$2,739,712**
Grand Total	**$232,686,800**	**$167,141,880**	**$213,453,021**	**$172,014,055**	**$234,332,878**	**$1,059,297,114**

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS

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SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS

The following statements are brief summaries of certain provisions of the Resolutions. Such statements do not purport to be complete, and reference is made to the Resolutions, copies of which are on file and available at the office of the Clerk of the Board of Supervisors.

Construction Fund

The proceeds of any Additional Bonds and Bond Anticipation Notes issued for the purpose of financing the acquiring, constructing, reconstructing, improving, extending or enlarging of the System are to be deposited into the Water and Sewer System Construction Fund (the "Construction Fund").

Moneys in the Construction Fund shall be used only in carrying out the acquiring, constructing, reconstructing, improving, extending or enlarging of the System and shall be so applied by the County, including the reimbursement of any advances made by the County from its General Fund or other available funds of the County for such purposes. If, after payment of all such costs, any moneys remain in the Construction Fund, the balance shall be applied to other improvements, extensions and enlargements of the System. All earnings derived from investments made from moneys in the Construction Fund shall be credited to that fund and shall be applied as are other moneys to the credit of such fund.

Collection and Disposition of Revenues

The Bonds, together with the interest thereon, shall be payable solely from the Revenues of the System, which are pledged to the payment of the principal of and interest on the Bonds and to the security thereof in accordance with the Bond Resolution. The County has covenanted that it will pay into the Water and Sewer Revenue Fund (the "Revenue Fund") all Revenues of the System and that all Revenues shall be trust funds in the hands of the County and shall be applied only as provided in the Bond Resolution.

"Revenues" under the Bond Resolution shall mean and include all income, revenues and moneys derived by the County from the ownership, possession, operation, management or control of the Water and Sewer System, and without limiting the generality of the foregoing, shall include all income, revenues and moneys derived by the County from the rates, charges, fees and rentals established and collected for the sale, furnishing or supplying of the services, facilities and commodities of the Water and Sewer System; income, revenues and moneys derived by the County from rates, charges, fees and rentals established for the privilege of connecting to the Water and Sewer System; to the extent provided in Section 10 of the Bond Resolution, earnings on the investment of moneys held under the Bond Resolution; the proceeds of the sale or other disposition of all or any part of the Water and Sewer System; the proceeds of insurance and condemnation awards received with respect to the Water and Sewer System; any income, revenues and moneys derived by the County pursuant to the Water and Sewer System Unification Agreement; and contributions from any source, including contributions from the County

The Revenues shall be applied and expended for the following purposes and in the following order of priority (except as otherwise permitted by the Bond Resolution and as provided for in the Supplemental Resolution) to the following accounts, heretofore created, in the Revenue Fund:

1. *Operation and Maintenance Account:* On the first business day of each month there shall be credited to the Operation and Maintenance Account in the Revenue Fund such moneys as are determined to be necessary to pay the expenses of operating and maintaining the System during such month. Such expenses of operation and maintenance shall include (a) salaries, wages, employee benefits, costs of materials and supplies, costs of water, costs of power, costs of routine repairs, renewals, replacements and alterations occurring in the usual course of business, costs of billings and collections, costs of insurance, costs of audits, taxes, if any, a properly allocable share of County administrative and overhead expenses, and any other costs with respect to any services, facilities or commodities which are required for operating and maintaining the System and

(b) payments for water, water supply, water treatment and water transmission for water distributed by the System or for the transmission, treatment and disposal of sewage collected by the System (i) made to other governmental bodies or (ii) made for the use, services and facilities of or commodities supplied by plants and properties of the County which are acquired, constructed or operated as separate utility systems. The moneys credited to the Operation and Maintenance Account shall be applied to the payment of the expenses of operating and maintaining the System.

2. *Interest Account, Principal Account and Sinking Fund Account:* For the purpose of providing for the payment of the interest on the Series 2018 Bonds, not later than November 1, 2018 and on or before each May 1 and November 1 thereafter, there shall be credited to the Interest Account an amount such that, if the same amount were so paid and credited to the Interest Account on each May 1 and November 1 thereafter and prior to the next date upon which an installment of interest falls due on the Series 2018 Bonds, the aggregate of the amounts so credited to the Interest Account, would on such date be equal to the installment of interest then falling due on the Series 2018 Bonds. The County has provided or shall provide in the Supplemental Resolutions authorizing the Bonds or Bond Anticipation Notes for such credits to be made in such amounts and at such times sufficient to pay when due each such installment of interest. The Supplemental Resolutions providing for the Series 2018 Bonds provide for such credits in such amounts and at such time sufficient to pay when due each such installment.

For the purpose of providing for the payment of the principal of the Series 2018 Bonds issued as Serial Bonds, not later than May 1, 2019 and on or before May 1 thereafter, so long as any Series 2018 Bonds issued as Serial Bonds are Outstanding, there shall be credited to the Principal Account an amount such that, if the same amount were so credited to the Principal Account on May 1 of each succeeding year thereafter and prior to the next date upon which an installment of principal falls due on the Series 2018 Bonds issued as Serial Bonds, the aggregate of the amounts so credited to the Principal Account, together with any other moneys theretofore credited to the Principal Account, would on such date be equal to the installment of principal of such Bonds then falling due. For the purpose of providing moneys to retire any Series 2018 Term Bonds, not later than May 1 in the year of the first redemption date of Series 2018 Term Bonds, and on and before May 1 in each year thereafter, so long as any Series 2018 Term Bonds are Outstanding, there shall be credited to the Sinking Fund Account for the purpose of retiring the Series 2018 Term Bonds an amount such that, if the same amount were so paid and credited to the Sinking Fund Account to provide for the retirement of the Series 2018 Term Bonds on May 1 of each year thereafter and prior to the next date upon which a Sinking Fund Account installment falls due, the aggregate of the amounts so credited to such account would on such date be sufficient to redeem the Series 2018 Term Bonds in the principal amount as provided herein. The County has provided or shall provide in the Supplemental Resolutions authorizing the Bonds for such credits to be made in such amounts and at such times sufficient to pay when due each such installment of principal or sinking fund payment. The Supplemental Resolutions providing for the Series 2018 Bonds provide for such credits in such amounts and at such time sufficient to pay when due each such installment.

With respect to the Bonds issued in term form, moneys shall be credited monthly to the Sinking Fund Account in such amounts and at such times sufficient to redeem such term Bonds in the principal amounts and at the times specified in the supplemental resolution authorizing such term Bonds. The moneys credited to the Sinking Fund Account to provide for the retirement of any Bonds issued in term form shall be applied by the County's Director of Finance, without further authorization or direction, to the redemption of such Bonds on each date on which a Sinking Fund Account installment for such Bonds is due, in the respective principal amounts required to be credited to such account on such dates, or, if so directed by the County, semiannually on both such due date and the day six (6) months prior to such date (exclusive of the day which is six (6) months prior to the first of such due dates), in the respective principal amounts on credit to such account on such days so that the aggregate amount so applied in each calendar year will equal the respective principal amount required to be credited to such account on such Sinking Fund Account installment dates; *provided* that amounts to be applied on the stated maturity date of any such Bonds shall be applied to the payment on that date of such Bonds of that maturity without calling such Bonds for redemption on that date. The County's Director of Finance may apply the moneys credited to the Sinking Fund Account for the retirement of Bonds issued in term form to the purchase of such Bonds, in which event the principal amount of such Bonds required to be redeemed on the next respective ensuing Sinking Fund Account installment date shall be reduced by the principal amount of such Bonds so purchased. Any purchase of Bonds pursuant to the foregoing may be made with or without tenders of Bonds and at either public or private sale, but in any event at a purchase price (including accrued interest and any brokerage or other charge) not to exceed the then applicable redemption price of such Bonds, plus accrued interest. The Supplemental Resolution providing for the Series 2018 Bonds provide for such credits in such amounts and at such time sufficient to pay when due each such installment.

In the event of the issuance of Additional Bonds or Bond Anticipation Notes (as defined herein), the foregoing credits are required to be increased as may be necessary to provide for the payment of principal of and interest on such Additional Bonds and interest on such Bond Anticipation Notes.

The moneys credited to such accounts shall be transferred by the County's Director of Finance to the paying agents in such amounts and at such times as shall be necessary to pay the principal of and premium, if any, and interest on the Bonds and interest on the Bond Anticipation Notes as the same become due and payable.

3. *Reserve Account:* In order to provide a reserve for the payment of interest on the Bonds and Bond Anticipation Notes and the principal of and premium, if any, on the Bonds, there shall be maintained on deposit in the Revenue Fund for credit to the Reserve Account an amount equal to the maximum annual Debt Service Requirement (as defined in the Bond Resolution) for the Bonds. Subject to the provisions of the Bond Resolution with respect to the credits to the Reserve Account upon the issuance of Additional Bonds, the moneys on deposit in the Revenue Fund for credit to the Reserve Account shall always be maintained at an amount at least equal to the maximum annual Debt Service Requirement for any year for all Bonds at the time outstanding and if at any time the moneys in the Revenue Fund credited to the Reserve Account are less than such amount, there shall be credited to this account from the first moneys available therefor in the Revenue Fund, after all credits referred to in paragraphs (1) and (2) above have been met, such amounts as shall be necessary until there is again on credit to the Reserve Account an amount equal to the maximum annual Debt Service Requirement. In the event of the issuance of Additional Bonds, unless upon the delivery of such Additional Bonds there shall already be on deposit in the Revenue Fund for credit to the Reserve Account an amount equal to the maximum annual Debt Service Requirement to be in effect after the issuance of such Additional Bonds, (1) there shall be paid into the Revenue Fund for credit to the Reserve Account such amount, if any, of the proceeds of the sale of such Additional Bonds as the County may determine, so that there shall then be on deposit in the Revenue Fund for credit to the Reserve Account an amount equal to the maximum annual Debt Service Requirement to be in effect immediately after the issuance of such Additional Bonds, or (2) if there shall not be paid into the Revenue Fund for credit to the Reserve Account proceeds of such Additional Bonds in an amount so there shall then be on credit to the Reserve Account an amount equal to the maximum annual Debt Service Requirement to be in effect immediately after the issuance of such Additional Bonds, there shall be credited to the Reserve Account from time to time such amounts as the County may determine, of the moneys available therefor after all credits referred to in paragraphs (1) and (2) above have been met, so that no later than five (5) years from the date of such Additional Bonds there shall be on deposit in the Revenue Fund for credit to the Reserve Account an amount equal to the maximum annual Debt Service Requirement to be in effect after the issuance of such Additional Bonds. The moneys in the Revenue Fund to the credit of the Reserve Account shall be applied solely for the purpose of paying the interest on Bonds and Bond Anticipation Notes and the principal of and premium, if any, on the Bonds when due, whether at their maturity or upon the redemption or purchase thereof, and shall be so used and applied whenever there are insufficient moneys in the Revenue Fund on credit to the Interest Account, Principal Account and Sinking Fund Account for such purposes.

In lieu of the deposit of moneys into the Reserve Account, or in substitution therefor or any part thereof from time to time, the County may cause to be so credited a surety bond or an insurance policy, payable to the County for the benefit of the holders of the Bonds, or a letter of credit in an amount equal to the difference between the maximum Debt Service Requirement for such Bonds and the amounts then on deposit in the Reserve Account. The surety bond, insurance policy or letter of credit shall be payable (upon the giving of notice as required thereunder) on any interest payment due on which moneys will be required to be withdrawn from the Reserve Account, and applied to the payment of the principal or interest on any Bonds and such withdrawals cannot be made by amounts credited to the Reserve Account The insurer providing such surety bond or insurance policy shall be an insurer whose municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bond issues results in such issues being rated in the highest rating category by any of Fitch Investors Service, L.P., Standard & Poor's Corporation or Moody's Investors Service, Inc., or their successors, or any insurer who holds the highest policyholder rating accorded insurers by A.M. Best & Co. or any comparable service. If Fitch Investors Service, L.P., Moody's Investors Service or Standard & Poor's Corporation then rates the Bonds, the insurer shall be one whose municipal bond insurance policies are rated in the highest rating category by the respective rating agency rating the Bonds. The letter of credit issuer shall be a bank or trust company which is rated not lower than the second highest rating category by Fitch Investors Service, L.P., Standard & Poor's Corporation or Moody's Investors Service, Inc., or their successors, and the letter of credit itself shall be rated in the highest category of either such rating agency; *provided* that if any of Fitch Investor's Service, L.P., Moody's Investors Service or Standard & Poor's Corporation then rates the Bonds the letter of credit issuer and the letter of credit itself shall both be rated in the aforementioned categories of the respective agency rating the Bonds. If a disbursement is made pursuant to a surety bond, an insurance policy or a letter of credit provided pursuant to this paragraph, the County shall be obligated either (i) to reinstate the maximum limits of such surety bond, insurance policy or letter of credit or (ii) to deposit into the Revenue Fund for credit to the Reserve Account, funds in the amount of the disbursement trade under such surety bond, insurance policy or letter of credit, or a combination of such alternatives, as shall provide that the amount credited to the Reserve Account, equals the maximum Debt Service Requirement, such amounts to be provided from the first available moneys after payments to the Interest Account, Principal Account and Sinking Fund Account in the Revenue Fund. Any interest or fees shall be paid from available moneys after payment to the Interest Account, Principal Account and Sinking Fund Account in the Revenue Fund.

Any surety bond insurance policy or letter of credit must be unconditional and irrevocable. To the extent such surety bond, insurance policy or letter of credit expires prior to the final maturity of the Bonds, the County shall provide prior to termination of such bond policy or letter of credit a substitute surety bond, insurance policy or letter of credit complying with the provisions hereof or shall provide from Revenues, an amount such that there will be deposit on the Reserve Account, an amount equal to the maximum Debt Service Requirement.

If the issuer of a surety bond, insurance policy or letter of credit on deposit in the Reserve Account, shall cease to have a rating as described above, the County shall use reasonable efforts to replace such surety bond, insurance policy or letter of credit with one issued by an insurer having a rating so described, but shall not be obligated to pay, or commit to pay, increased fees, expenses or interest in connection with such replacement or to deposit Revenues in the Account, in lieu of replacing such surety bond, insurance policy or letter of credit with another.

4. *Accounts which may be created:* In the event any payments on hedge agreements, support agreements or other financial agreements, other than payments constituting principal of, premium, if any, and interest on, Bonds, shall be secured by a lien on and pledge of Revenues on a parity with the lien on and pledge of the Revenues created for the payment and security of the Bonds, a separate account shall be established in the Revenue Fund for the payment thereof and payments to such account shall be made from Revenues at the time and after Revenues are disbursed to the Interest, Principal and Sinking Fund Accounts in the Revenue Fund.

5. *Other purposes:* Money on deposit in the Revenue Fund not required to make the payments or credits referred to in paragraphs (1), (2), (3) and (4) above shall constitute surplus funds and may be used to make all renovations, replacements, renewals and repairs to the System as are necessary to maintain the System in good condition. Such moneys may, however, also be used for making up insufficiencies in any account in the Revenue Fund; for paying the costs of acquisition or construction of plants and properties to comprise part of the System; for paying the cost of reconstructions, improvements, enlargements or extensions to the System; for redeeming or purchasing Bonds; for accelerating the payments required to be made into the Reserve Account; for the making of advances, in anticipation of repayment from evidences of indebtedness or other moneys, for the purpose of acquiring and constructing plants and properties for the storage, supply and treatment of water or the treatment and disposal of sewage, including associated transmission facilities, which

the County has elected to acquire, construct and operate as separate utility systems; for the carrying out of any other provisions of the Bond Resolution; for the payment of the principal of and premium, if any, and interest on Bond Anticipation Notes; for the payment of bonds, notes, certificates of indebtedness or other evidences of indebtedness secured by a lien on and pledge of the Revenues of the System junior to the payment and security of the Bonds; for the payment of taxes, assessments or other governmental charges; or for any other lawful purpose of the County with respect to the System.

Covenant as to Rates and Charges

The County covenants to establish, maintain, revise and collect rates and charges for the services, facilities and commodities sold, furnished or supplied through the facilities of the System sufficient to provide the following:

A. Revenues to pay all costs of and expenses in connection with the proper operation and maintenance of the System, to pay the principal of and premium, if any, and interest on the Bonds and interest on any Bond Anticipation Notes, to pay all costs and expenses in connection with all necessary repairs, replacements or renewals of the System and all taxes, assessments or other governmental charges lawfully imposed on the System or on the Revenues therefrom or payments in lieu thereof, to make all credits to the Interest Account, Principal Account, Sinking Fund Account and Reserve Account required by the Bond Resolution and to pay all other amounts which the County may now or hereafter become obligated to pay from the Revenues of the System; and

B. Net Operating Revenues (as defined below) in each year to be at least equal to 1.25 times the aggregate of (a) the Debt Service Requirement during such year on all Bonds at the time outstanding and (b) the interest during such year on all Bond Anticipation Notes at the time outstanding.

"Net Operating Revenues" as used in the Bond Resolution means the Revenues of the System after deduction of the ordinary expenses of operation and maintenance of the System, but excluding from Revenues in such calculation any income, revenues or moneys derived from (i) rates, charges, fees and rentals for the privilege of connecting to the System, (ii) earnings on investments and the proceeds of the sale of investments, (iii) the proceeds of the sale or other disposition of all or any part of the System and (iv) the proceeds of insurance and condemnation awards received with respect to the System.

Issuance of Additional Obligations

The County shall not issue any bonds, notes, certificates of indebtedness or other evidences of indebtedness having in any way a lien and charge on the Revenues prior to the lien and charge created by the Bond Resolution for the payment and security for the Bonds.

Additional Bonds. The County may issue Additional Bonds payable and secured equally and ratably with the Bonds then outstanding for any purpose connected with or pertaining to the System, now or hereafter authorized by law, upon compliance with the following conditions:

1. The County shall not be in default of any provision of the Bond Resolution;

2. There shall not be any deficiency in any of the accounts in the Revenue Fund, including the Interest Account, the Principal Account, the Sinking Fund Account or the Reserve Account in the Revenue Fund; and

3. One-half of the Net Operating Revenues during any twenty-four (24) consecutive months (the "Base Period") out of the thirty (30) months immediately preceding the issuance of the Additional Bonds, shall have been not less than 1.25 times the maximum Debt Service Requirement to accrue during any year on the Bonds then outstanding and such Additional Bonds.

If any changes have been made and are in effect at the time of the issuance of the Additional Bonds in the rates and charges for the services, facilities and commodities of the System (exclusive of changes in the rates and charges for the privilege of connecting to the System) which were not in effect during all or any part of the Base Period, the Net Operating Revenues for the Base Period shall be adjusted by the Consulting Engineer to reflect the results which would have occurred in the Net Operating Revenues if such changes in the rates and charges had been in effect during all the Base Period; *provided, however,* that (i) unless the changes in the rates and charges shall result in a decrease in Net Operating Revenues or (ii) unless the changes in the rates and charges shall have been in effect at least six (6) months prior to the issuance of the Additional Bonds, the adjustment in the Net Operating Revenues for any part of the Base Period in which the changes in the rates and charges were not in effect, shall reflect not in excess of seventy-five percent (75%) of the changes in the Operating Revenues resulting from the changes in the rates and charges.

In the event the expenses of operation and maintenance of the System during the Base Period include payments to the City of Richmond, Virginia, for the treatment and disposal of sewage of the County, the acquisition and construction of facilities for the treatment and disposal of which the Additional Bonds are being issued (or for which Bond Anticipation Notes to be paid from the Additional Bonds have been issued), then the Net Operating Revenues during the Base Period may be increased by an amount equal to forty percent (40%) of such payments.

Net Operating Revenues during the first full fiscal year following the date upon which the project or undertaking for which the Additional Bonds are being issued, is anticipated to be completed and be ready for use, as estimated by a Consulting Engineer, shall be not less than one and twenty-five hundredths (1.25) times the maximum Debt Service Requirement to accrue during any year on the Bonds then outstanding and such Additional Bonds.

Bond Anticipation Notes. The County may issue bonds, notes, certificates of indebtedness or other evidences of indebtedness payable as to interest ("Bond Anticipation Notes") on a parity with the principal of and interest on Bonds issued under the Bond Resolution, upon compliance with the Bond Resolution, including the following conditions:

1. The County shall not be in default of any provision of the Bond Resolution;

2. There shall not be any deficiency in any of the accounts in the Revenue Fund, including the Interest Account, the Principal Account, the Sinking Fund Account or the Reserve Account in the Revenue Fund; and

3. Unless the proposed Bond Anticipation Notes are being issued solely for the purpose of extending or renewing other Bond Anticipation Notes, one-half of the Net Operating Revenues (as defined hereinbefore) during any consecutive twenty-four (24) months (the "Base Period") out of the thirty (30) months immediately preceding the issuance of the Bond Anticipation Notes shall have been not less than one and one-quarter (1.25) times the maximum aggregate in any year of (a) the Debt Service Requirement on the Bonds then outstanding and (b) that amount which would be required to pay the principal of and interest (unless capitalized) on any Bond Anticipation Notes then outstanding (if any) and the proposed Bond Anticipation Notes, on the assumptions that (i) the principal of all the Bond Anticipation Notes matured annually over thirty (30) years from the date of the proposed Bond Anticipation Notes, commencing with the first anniversary of the date of the proposed Notes, (ii) all the Bond Anticipation Notes bore interest at the rate on the Bond Anticipation Notes to be issued, with such interest being payable annually on each anniversary of the date of the proposed Bond Anticipation Notes and (iii) the totals in each year of the principal of and interest payable on all the Bond Anticipation Notes and the Debt Service Requirement on the Bonds then outstanding shall be substantially equal.

Refunding Bonds. The County may issue Additional Bonds without compliance with any other conditions for the purpose of refunding at any time within one year prior to maturity thereof any of the Bonds for the payment of which the County does not have sufficient funds. Any Additional Bonds issued for such purpose shall mature, and any sinking fund credit therefor shall commence, in a year later than the last stated maturity of any Bond then outstanding which is not so refunded.

The County may also issue Additional Bonds without compliance with any other conditions for the purpose of refunding prior to maturity any of the Bonds; *provided* that the Debt Service Requirement on account of the Refunding Bonds and the Bonds which are not refunded shall not be greater in any year in which the Bonds not refunded are to be outstanding than the Debt Service Requirement in such year if the Bonds to be refunded were not so refunded.

Subordinate Indebtedness. The Bond Resolution provides that nothing therein shall prohibit the County from issuing other bonds, notes, certificates of indebtedness or other evidences of indebtedness having a lien on the Revenues which is junior and subordinate to the lien on such Revenues created by the Bond Resolution for the payment and security of the Bonds.

Separate Utility System Indebtedness. The Bond Resolution provides that nothing contained therein shall prohibit the County from issuing bonds to acquire or construct water or sewer facilities, which the County has elected to acquire, construct or operate as utility systems separate from the System, and which bonds are payable solely from the revenues or other income derived from the ownership or operation of such separate utility system; *provided, however,* that the Consulting Engineer shall certify that the acquisition or construction or operation of such separate utility system will not result in a reduction of the Revenues or Net Operating Revenues below the amounts covenanted by the County in the Bond Resolution to be produced.

Hedge Agreements, Support Agreements or Other Financial Agreements; Variable Rate Bonds. The Bond Resolution provides that nothing shall prohibit or prevent, or be deemed or construed to prohibit or prevent, (i) the County from entering into hedge agreements, support agreements or other financial agreements under which payments (including but not limited to, fees, charges, expenses but excluding any termination, indemnification or other payments intended to pay any person for loss of benefits under such agreement) are payable from Revenues and secured by a lien on and pledge of Revenues on a parity with the lien on and pledge of the Revenues created for payment and security of the Bonds; *provided* such payments shall meet the requirements of the Resolutions and (ii) the County from issuing variable rate bonds.

Annual Budget

Prior to the commencement of each fiscal year there shall be filed with the Clerk of the Board of Supervisors a proposed budget of contemplated expenditures and estimated revenues of the System during such ensuing fiscal year (the "Budget"). The Budget shall contain an itemized plan of all such expenditures and revenues and such other information as may be required by law. Not later than seven (7) days prior to the commencement of such fiscal year, the Board of Supervisors shall hold a public hearing on the Budget at which any Bondholder or his representative may appear and present objections to the Budget. Notice of such hearing together with a copy of the Budget shall be mailed, at least seven (7) days prior to the hearing, to each Bondholder who has filed with the Board of Supervisors a written request therefor.

Investments of Moneys

Moneys in the Revenue Fund on credit to the Interest Account, the Principal Account and the Sinking Fund Account shall be invested in Investment Securities (as defined below) so as to mature in amounts and at times (as permitted by law) so that the principal of and interest and premium, if any, on the Bonds can be paid when due, whether at maturity thereof or upon the redemption or the purchase thereof.

Moneys in the Revenue Fund on credit to the Reserve Account shall be invested in Investment Securities of the types described in items (i) through (iv) of the definition of Investment Securities below so as to mature or be subject to redemption within such period as permitted by law but not to exceed twelve (12) years from the date of investment and in any event not later than the final maturity date of any Bonds then outstanding.

Income derived from investments made pursuant to the preceding two paragraphs shall be treated as Revenues of the System and used and applied as are all other Revenues but shall not be included in any calculation of Revenues for purposes of the rate covenant of the County. See "APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS – Covenant as to Rates and Charges".

The 2018 Supplemental Resolution provides for an amendment to the definition of "Investment Securities" set forth in the Bond Resolution to allow certain funds held under the Bond Resolution to be invested in investments permitted under the Virginia Investment of Public Funds Act (VA Code of 1950 §2.2-4500 *et seq*., as amended), the Virginia Government Non-Arbitrage Act (VA Code of 1950 §2.2-4700 *et seq*., as amended), and the Virginia Local Government Investment Pool Act (VA Code of 1950 §2.2-4600 et seq., as amended) to the extent such investments are permitted under the laws of the Commonwealth, including the Virginia Public Finance Act (VA Code of 1950 §15.2-2600 *et seq*., as amended) for funds of the type proposed to be invested. **The Amendment shall be applicable to the investment of amounts held under the Bond Resolution for the payment of, or amounts held under the Bond Resolution derived from the proceeds of, the Series 2018 Bonds and any Additional Bonds. The Amendment shall not be applicable to any investments relating to the Outstanding Parity Bonds unless and until the holders of the requisite 66 2/3% of Outstanding principal amount of the Bonds under the Bond Resolution shall have consented to the Amendment as required by the Bond Resolution. The holders of the Series 2018 Bonds, on and as of the date of issuance thereof, will constitute approximately 38% of the holders of all Bonds Outstanding under the Bond Resolution. By virtue of their purchase of the Series 2018 Bonds, the beneficial owners of the Series 2018 Bonds shall consent to, and shall be deemed to have consented to, the Amendment, and shall waive, and shall be deemed to have waived, all requirements of the Bond Resolution for the giving of written consent to the Amendment or for receipt of any formal notice of the Amendment.**

"Investment Securities", as amended by the 2018 Supplemental Resolution, shall mean any of the following which are legal investments under the laws of the Commonwealth of Virginia: (i) direct and general obligations of, or obligations unconditionally guaranteed by, the United States of America, (ii) obligations of the Federal Land Banks, Federal Home Loan Banks, Federal National Mortgage Association, Federal Intermediate Credit Banks, Federal Banks for Cooperatives, International Bank for Reconstruction and Development and Asian Development Bank and direct and general obligations of any agencies of the United States of America not included in the foregoing listing, (iii) (a) direct and general full faith and credit obligations of the Commonwealth of Virginia, and (b) any investments permitted under the Virginia Investment of Public Funds Act (VA Code of 1950 §2.2-4500 *et seq*., as amended), any investments permitted under the Virginia Government Non-Arbitrage Act (VA Code of 1950 §2.2-4700 *et seq*., as amended), and any investments permitted under the Virginia Local Government Investment Pool Act (VA Code of 1950 §2.2-4600 *et seq*., as amended) which are permitted under the laws of the Commonwealth, including the Virginia Public Finance Act (VA Code of 1950 §15.2-2600 *et seq*., as amended) for funds of the type proposed to be invested, (iv) unlimited tax direct and general obligations of any political unit in the Commonwealth of Virginia, to the payment of which the full faith and credit of such political unit is pledged; *provided* that such obligations are rated in either of the two highest rating categories by a nationally recognized bond rating agency, and (v) certificates of deposit secured as provided by law of national banking associations located in Virginia and banks and trust companies organized under Virginia law.

Reports and Audits

The County shall keep, separate from all other records and accounts, proper books and accounts showing correct and complete entries of all financial transactions pertaining to the System. The holders of any of the Bonds shall have the right to inspect such books, records and accounts and to inspect the System. Within one hundred eighty (180) days following the close of each fiscal year the County shall cause an audit of such books and accounts of the System to be made by an independent firm of certified public accountants, showing the receipts and disbursements for and on account of the System. Each such audit shall include, *inter alia,* (i) a statement of revenues, expenses and retained earnings of the System for such fiscal year, including operating and maintenance expenses in reasonable detail and a statement of cash flow, and (ii) a balance sheet as of the end of such fiscal year, showing separately the cash and investments credited to the funds and accounts required by the Bond Resolution.

A copy of each such audit report shall be sent to any Bondholder requesting in writing a copy thereof.

Insurance

The County shall carry insurance on the facilities comprising the System of the kinds which are usually carried upon similar water and sewer systems, including fire, extended coverage and general liability, and additional insurance as shall be determined by the County; *provided, however,* that the County may self-insure to the extent customary with utilities operating similar properties. The proceeds of any policies for general liability shall be paid into the Revenue Fund for credit to the Operation and Maintenance Account and be used in paying the claims on account of which they were received. All moneys received for other losses shall be paid into the Revenue Fund and used for making good the damage in respect to which they were paid; *provided, however,* that the County shall not be required to make good such damage, if in the judgment of the County, the property involved is no longer useful or profitable in the operation of the System or necessary to produce or maintain the Revenues thereof, or which is to be or has been replaced by other property so as not to impair the operation of the System

Additional Covenants of the County

The County (i) shall proceed with all reasonable dispatch with any acquisition, construction, reconstruction, improvement, extension or enlargement to be financed from the proceeds of any Additional Bonds or otherwise financed from the Revenues of the System, (ii) shall maintain all franchises, licenses and permits necessary to the operation of the System or as may be required by law, (iii) shall operate the System as a revenue-producing facility, (iv) shall maintain the System in good repair and working order, (v) shall retain management of, and control over, the System, including the rates, fees and charges and revenues thereof, (vi) shall fulfill all of its agreements, covenants and obligations contained in certain agreements between the County and the City of Richmond, Virginia, regarding wastewater facilities (see the section "THE SYSTEM – Agreements with the City of Richmond" in Appendix A), (vii) shall fulfill all of its agreements, covenants and obligations contained in the Unification Agreement (as defined in the section "THE SYSTEM – History and Development" in Appendix A), and shall not amend the same in any manner adverse to the interest of any Bondholder, (viii) shall not acquire and construct and operate plants and properties used for or pertaining to the storage, supply and treatment of water or the treatment and disposal of sewage, including associated transmission facilities, as separate utility systems, unless in the opinion of a consulting engineer such acquisition and construction and operation will not result in a reduction of the Revenues or Net Operating Revenues below the amounts covenanted in the Bond Resolution by the County to be produced, (ix) shall comply with the requirements of Section 103 and Sections 141 through 150 of the Internal Revenue Code of 1986 throughout the term of the Bonds, (x) shall not permit bonds to be issued by any sanitary district, if such bonds (a) shall be payable in any way from the Revenues prior to or on a parity with the payments to be made to the Operation and Maintenance Account, the Interest Account, the Principal Account, the Sinking Fund Account and the Reserve Account or (b) shall be secured by a lien on the Revenues equal or superior to the lien thereon of the Bonds, and (xi) shall not dispose of or encumber the System or property thereof or interest therein; *provided, however,* that nothing in the Bond Resolution shall prohibit the County from disposing of any property which in its judgment is no longer useful in the operation of the System, or necessary to produce the Revenues thereof, or which is to be replaced by other property so as not to impair the operations of the System Any moneys received from such disposition may be used to acquire or construct new properties to replace the properties disposed of or to acquire or construct new properties to constitute part of the System.

Events of Default, Bondholder Remedies

The Bond Resolution provides that each of the following shall constitute an Event of Default:

1. Failure to pay the principal of and premium, if any, on the Bonds when due;

2. Failure to pay interest on any Bond or Bond Anticipation Note or any sinking fund installment, when due;

3. Failure to perform any other covenant or agreement contained in the Bond Resolution, which failure shall have continued for sixty (60) days after notice thereof from the holders of not less than 20% of the outstanding Bonds; *provided, however*, that if any such failure shall be such that it cannot be cured or corrected within a sixty (60) day period, it shall not constitute an Event of Default if curative or corrective action is instituted within such period and diligently pursued until the failure or performance is cured or corrected;

4. Except as permitted by the Bond Resolution, the sale or transfer of any properties constituting a part of the System, or the voluntary forfeiture of any of its licenses, franchises, permits, privileges, easements or rights of way necessary in the operation of the System;

5. The instituting of any proceeding with the consent of the County for the purpose of effecting a composition between the County and its creditors, the claim of such creditors being payable from the Revenues of the System or for the purpose of adjusting the claims of such creditors pursuant to any federal or State statute;

6. The entering of an order or decree appointing a receiver of the System or any of the properties thereof or interests therein;

7. The assumption of control by a court, under the provision of any applicable bankruptcy laws of the System or any of the properties thereof, and such control shall not be terminated within 90 days from the date of such assumption, or the approval by a court of a petition for the reorganization of the System or rearrangement of the obligations of the County under the Bond Resolution; or

8. If the County shall for any reason be rendered incapable of fulfilling its obligations under the Bond Resolution.

Upon the occurrence of an Event of Default, the holders of not less than twenty-five percent (25%) in principal amount of the Bonds then outstanding may declare the principal of all the outstanding Bonds, and all accrued and unpaid interest thereon, to be due and payable immediately. That provision is subject to the condition that, if at any time after such declaration and before any further action has been taken, all arrears of interest on the Bonds and Bond Anticipation Notes and principal of the Bonds shall be paid and all other Events of Default, if any, which shall have occurred shall have been remedied, then the holders of a majority in principal amount of the outstanding Bonds may waive such default and annul such declaration.

If an Event of Default shall have occurred and be continuing, the holders of not less than 25% in principal amount of the outstanding Bonds may call a meeting of the holders of Bonds for the purpose of electing a bondholders' committee (the "Bondholders' Committee"). At such meeting the holders of not less than a majority in principal amount of the outstanding Bonds must be present in person or by proxy in order to constitute a quorum for the transaction of business. A quorum being present at such meeting, the Bondholders present may, by a majority of the votes cast, elect one or more persons, who may or may not be Bondholders, to the Committee. The Bondholders' Committee is empowered to exercise, as trustee for the Bondholders, all the rights and powers conferred on any bondholder in the Bond Resolution.

Upon the occurrence of an Event of Default the holders of not less than 25% in principal amount of the Bonds then outstanding or any committee or trustee therefor shall be entitled to the appointment of a receiver by any court of competent jurisdiction. Any such receiver may be appointed upon the application to the Circuit Court of the Fourteenth Judicial Circuit of the Commonwealth of Virginia, or to any other court of competent jurisdiction in the Commonwealth of Virginia. Any receiver so appointed may enter and take possession of the System, operate, maintain and repair the same, impose and prescribe rates, rentals, fees or charges and receive and apply all Revenues thereafter arising therefrom and in the same manner as the County itself might do.

In case an Event of Default shall occur, subject to the provisions referred to in the three next preceding paragraphs, the holder of any outstanding Bond shall have the right, for the equal benefit of all holders of the

Bonds, to protect the rights vested in such holders by the Bond Resolution by such appropriate judicial proceeding as such holder shall determine, either by suit in equity or by action at law.

Modification of Bond Resolution

The County may without consent of any Bondholder make any modification of or amendment to the Bond Resolution required to cure any ambiguity or error contained therein, make any amendments thereto to grant to the Bondholders additional rights, or make an amendment thereto for the purpose of providing for the issuance of Additional Bonds or Bond Anticipation Notes.

The holders of two-thirds in principal amount of the outstanding Bonds shall have power to authorize any modifications proposed by the County of the Bond Resolution; *provided* that without the consent of the holder of each Bond affected thereby, no modification shall be made which will (a) extend the time of payment of the principal of or the interest on any Bond or reduce the principal amount thereof or the rate of interest thereon or the premium payable upon the redemption thereof, (b) give to any Bond any preference over any other Bond secured equally and ratably therewith, (c) create any pledge prior to or on a parity with the pledge afforded by the Bond Resolution, (d) deprive any Bondholder of the security afforded by the pledge of the Bond Resolution or (e) reduce the percentage in principal amount of the Bonds required to authorize any modification to the Bond Resolution.

If payment of debt service on a series of Additional Bonds is insured or otherwise credit enhanced, the issuer of the policy or credit enhancement may, at the option of the County, be considered as the Bondholder of such series for purposes of consenting to amendments.

Defeasance

The obligations of the County under the Bond Resolution and liens, pledges and covenants of the County therein provided for, shall be fully discharged and satisfied as to any Bond and such Bond shall no longer be deemed to be outstanding thereunder when such Bond shall have been purchased by the County and cancelled or destroyed, or when principal of such Bond and redemption premium, if any, plus interest on such principal to the due date thereof, either (a) shall have been made or (b) shall have been provided for by irrevocably depositing with a paying agent for such Bond moneys sufficient to make such payment or direct and general obligations of, or obligations the principal of and interest on which are guaranteed by, the United States of America maturing in such amounts and at such times as will insure the availability of sufficient moneys to make such payment, as is more fully set forth in the Bond Resolution.

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APPENDIX E

DESCRIPTION OF THE DEPOSITORY TRUST COMPANY AND THE BOOK-ENTRY SYSTEM

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APPENDIX E

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 and interest on the Bonds to The Depository Trust Company ("DTC"), New York, New York, its nominee, Participants, defined herein, or Beneficial Owners, defined herein, confirmation and transfer of beneficial ownership interests in the Bonds and other bond-related transactions by and between 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 certificate will be issued in the aggregate principal amount of each maturity of the Bonds and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC is rated AA+ by Standard & Poor's. 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 interest in 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 may be 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 a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 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 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 (nor its nominee), 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 payments and payment of redemption proceeds 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 depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or 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 Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this Appendix E concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

APPENDIX F

PROPOSED FORM OF
CONTINUING DISCLOSURE CERTIFICATE

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APPENDIX F

PROPOSED FORM OF
CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Certificate"), dated May 9, 2018, is executed and delivered in connection with the issuance of $102,410,000 principal amount of Water and Sewer System Revenue Bonds, Series 2018 (the "Bonds"), of the County of Henrico, Virginia (the "County"), and pursuant to a resolution duly adopted by the Board of Supervisors of the County on November 23, 1977, as amended and supplemented, and a supplemental resolution adopted by the Board of Supervisors on March 13, 2018 (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) the financial information and operating data with respect to the County for each fiscal year as set forth in Appendix A to the Official Statement in the sections "THE SYSTEM – Rates and Charges", "THE SYSTEM – Largest Accounts", "THE SYSTEM – System Statistics", "SUMMARY OF REVENUES AND EXPENSES OF THE SYSTEM", "HISTORICAL DEBT SERVICE COVERAGE", "ANNUAL DEBT SERVICE REQUIREMENTS" and "WATER AND SEWER SYSTEM CAPITAL IMPROVEMENT PLAN" and (ii) information regarding amendments to this Certificate required pursuant to Sections 4.2(d) and (e) of this Certificate.

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 no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided in lieu of such information. 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) "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.

(5) "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.

(6) "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, and

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(7) "Official Statement" means the Official Statement, dated April 24, 2018, of the County relating to the Bonds.

(8) "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.

(9) "SEC" means the United States Securities and Exchange Commission.

(10) "State" means the Commonwealth of Virginia.

(11) "Unaudited Financial Statements" means the same as Audited Financial Statements, except the same shall not have been audited.

(12) "Underwriter" means the winning bidder of the Bonds.

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 beginning July 1, 2017, 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 relating to certain of its outstanding general obligation bonds 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. Although this Supplemental Information was not included in the Annual Reports, it was available in Official Statements of the County that were posted on EMMA during each of the last five years. 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.

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

APPENDIX G

PROPOSED FORM OF OPINION OF BOND COUNSEL

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APPENDIX G

PROPOSED FORM OF OPINION OF BOND COUNSEL

May 9, 2018

Board of Supervisors
of the County of Henrico
Henrico, Virginia

Dear Members of the Board of Supervisors:

$102,410,000
COUNTY OF HENRICO, VIRGINIA,
WATER AND SEWER SYSTEM REVENUE BONDS,
SERIES 2018

At your request we have examined into the validity of $102,410,000 aggregate principal amount of Water and Sewer System Revenue Bonds, Series 2018 (the "Bonds"), of the County of Henrico, Virginia (the "County"). The Bonds are dated the date of their issuance, are issuable in fully registered form in the denomination of $5,000 each or any integral multiple thereof, and are numbered from No. R-2018-1 upwards in order of issuance. The Bonds mature on May 1 in each of the years and in the principal amounts set forth below, with the Bonds maturing in a particular year bearing interest payable on November 1, 2018 and semiannually on each May 1 and November 1 thereafter at the interest rate per annum stated opposite such year, to wit:

Year	Principal Amount	Interest Rate	Year	Principal Amount	Interest Rate
2019	$1,840,000	5.000%	2033	$3,280,000	3.125%
2020	1,840,000	5.000	2034	3,380,000	3.250
2021	1,935,000	5.000	2035	3,490,000	3.250
2022	2,030,000	5.000	2036	3,605,000	3.375
2023	2,130,000	5.000	2037	3,725,000	3.375
2024	2,240,000	5.000	2038	3,850,000	3.375
2025	2,350,000	5.000	2039	3,980,000	3.500
2026	2,470,000	5.000	2040	4,120,000	3.500
2027	2,590,000	5.000	2041	4,265,000	3.500
2028	2,720,000	5.000	2042	4,415,000	3.500
2029	2,855,000	3.000	2043	4,570,000	3.500
2030	2,945,000	3.000	2046	14,765,000	4.000
2031	3,030,000	4.000	2048	10,835,000	3.625
2032	3,155,000	4.000			

The Bonds maturing on and after May 1, 2029 are subject to redemption prior to their stated maturities at the option of the County on or after May 1, 2028 upon the terms and conditions and at the prices set forth therein. The Bonds maturing on May 1, 2046 and May 1, 2048 are subject to mandatory sinking fund redemption on the dates and in the amounts set forth therein.

The Bonds recite that they are issued by the County under and pursuant to and in full compliance with the Constitution and statutes of the Commonwealth of Virginia, including Chapter 26 of Title 15.2 of the Code of Virginia, 1950 (the same being the Public Finance Act of 1991), a resolution duly adopted by the Board of Supervisors of the County on November 23, 1977 and a resolution supplemental thereto duly adopted by such Board on February 23, 2016 (collectively, the "Resolution"), for the purpose of financing the costs of acquisition, construction, reconstruction, improvement, extension and enlargement of the unified water supply and sanitary sewerage system in the County.

We have examined (i) the Constitution and statutes of the Commonwealth of Virginia, (ii) certified copies of the proceedings of the Board of Supervisors of the County authorizing the issuance, sale and delivery of the Bonds, (iii) such other papers, instruments, documents and proceedings as we have deemed necessary or advisable and (iv) a specimen Bond of such issue.

In our opinion, the Bonds have been duly authorized and issued in accordance with the Constitution and statutes of the Commonwealth of Virginia and constitute valid and legally binding special obligations of the County payable solely from and secured equally and ratably solely by a lien and charge on the revenues derived from the operation of the water and sewer system of the County on a parity with bonds heretofore issued on a parity with the Bonds, and any bonds, and interest on bond anticipation notes, which hereafter may be issued under the Resolution on a parity with the Bonds, subject, however, to the prior payment from such revenues of the expenses of operation and maintenance of the water and sewer system, all as set forth and provided in the Resolution.

It is to be understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to judicial discretion, to the exercise of the sovereign police powers of the Commonwealth of Virginia and the constitutional powers of the United States of America and to valid bankruptcy, insolvency, reorganization, moratorium and other laws affecting the relief of debtors.

In our opinion, under existing statutes and court decisions and assuming continuing compliance by the County with certain tax covenants described herein, interest on the 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 an item of tax preference for purposes of the alternative minimum tax imposed under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed for taxable years beginning prior to January 1, 2018. In rendering our opinion, we have relied on certain representations, certifications of fact and statements of reasonable expectations made by the County in connection with the Bonds, and we have assumed compliance by the County with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

We are further of the opinion that, for any Bonds having original issue discount (a "Discount Bond"), original issue discount that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Bonds.

It is also our opinion that under existing law of the Commonwealth of Virginia, such interest is not includable in computing the Virginia income tax.

We express no opinion regarding other federal or Commonwealth of Virginia tax consequences arising with respect to the Bonds. We are rendering our opinion under existing statutes and court decisions as of the issue date of the Bonds, and we assume no obligation to update our opinion after the issue date of the Bonds to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. We express no opinion on the effect of any action taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Bonds

Very truly yours,