

**NEW ISSUE/BOOK-ENTRY ONLY**

**RATINGS: Fitch: “AAA”  
Moody’s: “Aaa”  
S&P: “AAA”**

*In the opinion of Bond Counsel, under current law and assuming continuing compliance with certain tax covenants and requirements of the Internal Revenue Code of 1986, as amended (the “Code”), as described herein, interest on the Series 2020A Bonds will not be includable in the gross income of the owners thereof for federal income tax purposes. Under existing law, the interest on the Series 2020A Bonds is excluded from Virginia taxable income for purposes of the individual income tax and the income taxation of corporations by the Commonwealth of Virginia under Sections 58.1-322 and 58.1-402 of the Code of Virginia of 1950, as amended, to the extent that such interest is excludable from gross income for federal income tax purposes. See “TAX MATTERS – SERIES 2020A BONDS” herein for further information. Under current law, interest on the Series 2020B Bonds will be includable gross income of the owners thereof for federal income tax purposes. See “TAX MATTERS – SERIES 2020B BONDS” herein for further information.*

**\$24,465,000**  
**Prince William County, Virginia**  
**General Obligation Public Improvement Refunding Bonds, Series 2020A**  
**and**  
**\$72,220,000**  
**Prince William County, Virginia**  
**Taxable General Obligation Public Improvement Refunding Bonds, Series 2020B**

**Dated: Date of Delivery**

**Due: August 1, as shown on the inside cover page**

The General Obligation Public Improvement Refunding Bonds, Series 2020A (the “Series 2020A Bonds”), and the Taxable General Obligation Public Improvement Refunding Bonds, 2020B (the “Series 2020B Bonds” and together with the Series 2020A Bonds, the “Bonds”) are general obligations of Prince William County (the “County”), Virginia. Subject to favorable market conditions, the Bonds are being issued to refund certain outstanding bonds of the County.

The Prince William Board of County Supervisors is authorized and required, unless other funds are lawfully available and appropriated for timely payment of the Bonds, to levy and collect annually on all locally taxable property in the County an *ad valorem* tax, over and above all other taxes authorized or limited by law and without limitation as to rate or amount, sufficient to pay when due the principal of, and interest on the Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.”

The Bonds will be issued in fully registered form, in denominations of \$5,000 and integral multiples thereof, and will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Bonds. Individual purchases of beneficial ownership interests in the Bonds will be made in book-entry form only, and individual purchasers will not receive physical delivery of bond certificates.

The Bonds will bear interest from their date of delivery, payable on each February 1 and August 1, commencing August 1, 2020. Payments of principal of and interest on the Bonds will be made by U.S. Bank National Association, as paying agent and registrar, by wire transfer to Cede & Co., for disbursement to DTC participants to be disbursed subsequently to the beneficial owners of Bonds, as described in “DESCRIPTION OF THE BONDS.” The Bonds are subject to redemption prior to maturity as described in the section “DESCRIPTION OF THE BONDS.”

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

*The Bonds are offered for delivery when, as, and if issued, subject to the approving opinion of Norton Rose Fulbright US LLP, Washington, D.C., Bond Counsel. Certain legal matters also will be passed upon for the County by the County Attorney, Michelle R. Robl, Esquire, and for the Underwriters of the Series 2020B Bonds by Haneberg Hurlbert PLC, Richmond, Virginia. The Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about June 18, 2020.*

May 27, 2020

WELLS FARGO SECURITIES

RAYMOND JAMES

*(Underwriters of Series 2020B Bonds only)*

**PRINCE WILLIAM COUNTY, VIRGINIA**

**MATURITY DATES, PRINCIPAL AMOUNTS, INTEREST RATES AND PRICES/YIELDS**

**Base CUSIP<sup>†</sup> Number 741751**

**\$24,465,000 GENERAL OBLIGATION PUBLIC IMPROVEMENT  
REFUNDING BONDS SERIES 2020A**

<u>Maturity Date</u> <u>August 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Priced to</u> <u>Yield</u>	<u>CUSIP<sup>†</sup></u> <u>Suffix</u>
2021	\$7,675,000	5.00%	0.13%	Z20
2022	6,775,000	5.00	0.16	Z38
2023	4,925,000	5.00	0.24	Z46
2024	710,000	5.00	0.30	Z53
2025	715,000	5.00	0.38	Z61
2026	725,000	5.00	0.51	Z79
2027	730,000	5.00	0.61	Z87
2028	735,000	5.00	0.69	Z95
2029	735,000	5.00	0.75	2A8
2030	740,000	5.00	0.85	2B6

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<sup>†</sup> CUSIP<sup>®</sup> is a registered trademark of the American Bankers Association. The CUSIP numbers listed above are being provided solely for the convenience of bondholders only, and Prince William County, Virginia, does not make any representation with respect to such numbers or undertake any responsibility for their accuracy. The CUSIP numbers are subject to change after the issuance of the Bonds.

**PRINCE WILLIAM COUNTY, VIRGINIA**

**MATURITY DATES, PRINCIPAL AMOUNTS, INTEREST RATES AND PRICES**

**Base CUSIP<sup>†</sup> Number 741751**

**\$72,220,000 TAXABLE GENERAL OBLIGATION PUBLIC IMPROVEMENT  
REFUNDING BONDS SERIES 2020B**

<u>Maturity Date</u> <u>August 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u>	<u>CUSIP<sup>†</sup></u> <u>Suffix</u>
2021	\$940,000	0.628%	100%	2C4
2022	945,000	0.728	100	2D2
2023	950,000	0.815	100	2E0
2024	960,000	0.937	100	2F7
2025	2,380,000	1.087	100	2G5
2026	2,350,000	1.308	100	2H3
2027	2,325,000	1.408	100	2J9
2028	5,355,000	1.572	100	2K6
2029	5,255,000	1.622	100	2L4
2030	6,185,000	1.722	100	2M2
2031	5,060,000	1.772	100	2N0
2032	13,955,000	1.822	100	2P5
2033	9,625,000	1.872	100	2Q3
2034	8,040,000	1.922	100	2R1
2035	7,895,000	1.972	100	2S9

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No dealer, broker, salesman or other person has been authorized to give any information or to make any representation other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is not lawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the date hereof. This Official Statement is not to be construed as a contract or agreement between the County and the purchasers or owners of any the Bonds. An electronic reproduction of this Official Statement may contain computer generated errors or other deviations from the printed Official Statement, in which case the printed Official Statement controls.

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

NEITHER THE BONDS NOR THE RESOLUTION (AS DEFINED HEREIN) HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION BY REASON OF THE PROVISIONS OF SECTION 3(A)(2) OF THE SECURITIES ACT OF 1933, AS AMENDED, AND SECTION 304(A)(4) OF THE TRUST INDENTURE ACT OF 1939, AS AMENDED. THE REGISTRATION OR QUALIFICATION OF THE BONDS AND THE RESOLUTION IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE JURISDICTIONS IN WHICH THE BONDS AND THE RESOLUTION HAVE BEEN REGISTERED OR QUALIFIED, AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER JURISDICTIONS, SHALL NOT BE REGARDED AS A RECOMMENDATION THEREOF.

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.

References to website 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 websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, SEC Rule 15c2-12.

The underwriters of the Series 2020B Bonds have provided the following sentence for inclusion in this Official Statement. The underwriters of the Series 2020B Bonds have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but such underwriters do not guarantee the accuracy or completeness of such information.

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. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Bonds shall under

any circumstances create any implication that there has been no change in the affairs of the County since the date hereof.

*Forward-looking statements.* Certain statements contained in this Official Statement that are not historical facts are forward looking statements, which are based on the County's beliefs, as well as assumptions made by, and information currently available to, them. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. The words "anticipate," "assume," "estimate," "expect," "objective," "projection," "forecast," "goal," "budget" or similar words are intended to identify forward looking statements. The words "now," "to date," "currently" and the like are intended to mean as of the date of this Official Statement.

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**PRINCE WILLIAM COUNTY, VIRGINIA**  
**BOARD OF COUNTY SUPERVISORS**

Ann B. Wheeler, *Chair*

Victor S. Angry, *Vice Chair*

Andrea O. Bailey

Kenny A. Boddye

Pete K. Candland

Margaret Angela Franklin, *Chair Pro-Tem*

Jeanine M. Lawson

Yesli Vega

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**CERTAIN COUNTY OFFICIALS**

Christopher E. Martino, *County Executive*

Michelle A. Casciato, *Deputy County Executive*

Rebecca Horner, *Deputy County Executive*

Elijah Johnson, *Deputy County Executive*

Michelle L. Attreed, *Director Of Finance*

Michelle R. Robl, *County Attorney*

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(571) 527-5124

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FOR ADDITIONAL INFORMATION CONTACT:  
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Prince William, Virginia 22192  
(703) 792-6700

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## **OFFICIAL STATEMENT**

**\$24,465,000**

**Prince William County, Virginia**

**General Obligation Public Improvement Refunding Bonds, Series 2020A**

**and**

**\$72,220,000**

**Prince William County, Virginia**

**Taxable General Obligation Public Improvement Refunding Bonds, Series 2020B**

### **INTRODUCTION**

The purpose of this Official Statement, which includes the cover and inside cover pages and the appendices hereto, is to furnish information in connection with the sale by Prince William County, Virginia (the “County”), of its \$24,465,000 General Obligation Public Improvement Refunding Bonds, Series 2020A (the “Series 2020A Bonds”), and its \$72,220,000 Taxable General Obligation Public Improvement Refunding Bonds, 2020B (the “Series 2020B Bonds” and together with the Series 2020A Bonds, the “Bonds”). This introduction is qualified in its entirety by information found elsewhere in the Official Statement. This Official Statement speaks only as of its date, and the information herein is subject to change.

The Bonds are general obligations of the County for the payment of which the County’s full faith and credit are irrevocably pledged to the payment of principal of and interest on the Bonds. Payment of the principal of and interest on the Bonds is not limited to a particular fund or revenue source. The security for the Bonds is more fully described in “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.”

Financial and other information contained in this Official Statement has been prepared by the County from its records, except where other sources are noted. The information is not intended to indicate future or continuing trends in the economic or financial condition of the County.

Certain information with respect to the County is included as Appendix A. The County’s general purpose financial statements and the independent auditors’ report thereon are set forth as Appendix B.

Certain financial and operating data contained herein and in particular in Appendices A and B are as of the dates and for the periods indicated, which were prior to the outbreak of the COVID-19 pandemic. Such historical financial and operating data have not been updated to reflect any potential impacts of the COVID-19 pandemic on the County’s general economic and financial condition.

Inquiries on this Official Statement may be directed to Ms. Michelle L. Attreed, Director of Finance, Prince William County, 1 County Complex Court, Prince William, Virginia, 22192, telephone (703) 792-6700, or to Ms. Sarah Frey, PFM Financial Advisors LLC, 4350 North Fairfax Drive, Suite 580, Arlington, Virginia 22203-1547, telephone (571) 527-5124.

### **AUTHORIZATION AND PURPOSE**

The Bonds are issued pursuant to Article VII, Section 10(b) of the Constitution of the Commonwealth of Virginia (the “Commonwealth”), the Public Finance Act of 1991, Chapter 26, Title 15.2 of the Code of Virginia of 1950, as amended (the “Virginia Code”), and a resolution adopted by the

Prince William Board of County Supervisors (the “Board of County Supervisors”) on April 28, 2020 (the “Resolution”).

The Bonds are authorized to be issued to provide funds, with other available funds, to refund and to redeem prior to their respective maturities certain outstanding bonds of the following outstanding bonds of the County, referred to hereafter as the “2010A Refunded Bonds,” the “2010B Refunded Bonds,” the “2011 VPSA Refunded Bonds,” the “2013 Refunded Bonds,” the “2014 VPSA Refunded Bonds,” the “2015 Refunded Bonds,” and the “2015 VPSA Refunded Bonds,” and collectively as the “Refunded Bonds.”

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<u>Series of Refunded Bonds</u>	<u>Principal Amount</u>	<u>Maturities</u>	<u>Redemption Date</u>	<u>Redemption Price</u>	<u>CUSIP<sup>†</sup> Number</u>
2010A	\$1,700,000	August 1, 2021	August 1, 2020	100%	741751 P96
2010A	3,100,000	August 1, 2021	August 1, 2020	100	741751 Q79
2010A	3,830,000	August 1, 2022	August 1, 2020	100	741751 Q20
2010A	1,930,000	August 1, 2023	August 1, 2020	100	741751 Q38
2010B	4,820,000	August 1, 2025	August 1, 2020	100	741751 N49
2010B	4,850,000	August 1, 2030	August 1, 2020	100	741751 N56
2011 (VPSA)	2,320,000	July 15, 2021	July 15, 2020	100	92817T CB0
2011 (VPSA)	2,320,000	July 15, 2022	July 15, 2020	100	92817T CC8
2011 (VPSA)	2,320,000	July 15, 2023	July 15, 2020	100	92817T CD6
2013	1,430,000	August 1, 2025	August 1, 2023	100	741751 V40
2013	1,430,000	August 1, 2026	August 1, 2023	100	741751 V57
2013	1,430,000	August 1, 2027	August 1, 2023	100	741751 V65
2013	1,430,000	August 1, 2028	August 1, 2023	100	741751 V73
2013	1,430,000	August 1, 2029	August 1, 2023	100	741751 V81
2013	1,430,000	August 1, 2030	August 1, 2023	100	741751 V99
2013	1,430,000	August 1, 2031	August 1, 2023	100	741751 W23
2013	1,430,000	August 1, 2032	August 1, 2023	100	741751 W31
2013	1,430,000	August 1, 2033	August 1, 2023	100	741751 W49
2014 (VPSA)	4,125,000	July 15, 2030	July 15, 2024	100	92817T EV4
2014 (VPSA)	4,125,000	July 15, 2032	July 15, 2024	100	92817T EX0
2015	3,090,000	August 1, 2028	August 1, 2024	100	741751 X97
2015	3,090,000	August 1, 2029	August 1, 2024	100	741751 Y21
2015	3,090,000	August 1, 2031	August 1, 2024	100	741751 Y47
2015	3,090,000	August 1, 2032	August 1, 2024	100	741751 Y54
2015	3,090,000	August 1, 2033	August 1, 2024	100	741751 Y62
2015	3,090,000	August 1, 2034	August 1, 2024	100	741751 Y70
2015	3,090,000	August 1, 2035	August 1, 2024	100	741751 Y88
2015 (VPSA)	4,925,000	August 1, 2032	August 1, 2024	100	92817T FS0
2015 (VPSA)	4,920,000	August 1, 2033	August 1, 2024	100	92817T FT8
2015 (VPSA)	4,920,000	August 1, 2034	August 1, 2024	100	92817T FU5
2015 (VPSA)	4,920,000	August 1, 2035	August 1, 2024	100	92817T FV3

<sup>†</sup>The County shall not be responsible for the accuracy of the CUSIP numbers provided above. The CUSIP numbers are provided solely for the convenience of bondholders, and the County does not make any representation with respect to such numbers or undertake any responsibility for their accuracy. The CUSIP numbers are subject to being changed after the issuance of the Bonds.

Upon delivery and issuance of the Bonds by the County, proceeds thereof will be used to provide for the payment and redemption of the Refunded Bonds by depositing with U.S. Bank National Association, pursuant to one or more escrow deposit agreements, cash and non-callable, direct obligations of the United States of America, the maturing principal of and interest on which, together with such cash, will be sufficient to pay all principal and interest on the Refunded Bonds to their respective redemption dates, except in the case of the 2010B Refunded Bonds, which are “Build America Bonds” the escrow for which is not sufficient to legally defease such 2010B Refunded Bonds. The arithmetical computations of the sufficiency of the cash and securities deposited with U.S. Bank National Association, to pay the principal of and interest on the Refunded Bonds will be verified by Bingham Arbitrage Rebate Services, Inc.

### **SOURCES AND USES OF FUNDS**

The following table sets forth the anticipated application of the proceeds of the Bonds for the purposes described above:

#### **Sources**

Par amount of the Series 2020A Bonds .....	\$24,465,000.00
Par amount of the Series 2020B Bonds.....	72,220,000.00
Offering premium on Series 2020A Bonds...	<u>3,383,843.65</u>
Total Sources.....	<u>\$100,068,843.65</u>

#### **Uses**

Deposit for payment of Refunded Bonds.....	\$99,439,605.14
Underwriters’ discount-Series 2020A Bonds	34,865.90
Underwriters’ discount-Series 2020B Bonds	172,026.32
Other issuance expenses.....	<u>422,346.29</u>
Total Uses.....	<u>\$100,068,843.65</u>

### **DESCRIPTION OF THE BONDS**

#### **General**

The Series 2020A Bonds will be dated the date of their delivery, will bear interest from their date, payable on each February 1 and August 1, commencing August 1, 2020, at rates, and will mature in amounts on August 1 in each of the years 2021 through 2030, inclusive, as set forth on the inside cover page of this Official Statement.

The Series 2020B Bonds will be dated the date of their delivery, will bear interest from their date, payable on each February 1 and August 1, commencing August 1, 2020, at rates, and will mature in amounts on August 1 in each of the years 2021 through 2035, inclusive, as set forth on the inside cover page of this Official Statement.

Principal and interest on the Bonds will be paid by U.S. Bank National Association, as registrar (the “Registrar” or the “Paying Agent”), by wire transfer to the Depository Trust Company (“DTC”) or its nominee, Cede & Co., for disbursement to DTC Participants to be distributed to the Beneficial Owners of the Bonds as described below.

Purchases of the Bonds may be made in principal amounts of \$5,000 and integral multiples thereof. Purchasers of the Bonds will not receive physical delivery of bond certificates. Registration of transfer of the Bonds and payment of the principal of and interest on the Bonds will occur as described below in this section. If the book-entry system is discontinued, bond certificates will be delivered as described in the Resolution, and Beneficial Owners will become registered owners of the Bonds. So long as Cede & Co. is the registered owner of all the Bonds, references to the registered owners of the Bonds shall mean Cede & Co. and not the Beneficial Owners.

### **Book-Entry Only System**

The following description of the procedures and recordkeeping with respect to beneficial ownership interests in the Bonds, payments of principal of and interest on the Bonds to DTC, its nominee, Direct Participants (as defined below) or Beneficial Owners (as defined below), confirmation and transfer of beneficial ownership interests in the Bonds and other bond-related transactions by and between DTC, the Direct 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 securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond certificate will be issued for each principal amount of Bonds of each maturity bearing interest at a specified interest rate, each in the aggregate principal amount of such quantity of Bonds, and will be deposited with DTC.

DTC, the world's largest depository, is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized 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"). 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](http://www.dtcc.com).

Purchases of the 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 the Bonds ("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 interest 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 bond certificates representing their ownership interests in the Bonds, unless 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 the 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. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County 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, premium, if any, and interest payments on 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 detailed information from the County, on a 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 or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, interest and principal payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC), is the responsibility of the County, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificates for the Bonds will be printed and delivered.

Neither the County nor the Registrar can give any assurances that DTC, Direct Participants, Indirect Participants or others will distribute payments of the principal, premium, if any or interest on the Bonds paid to DTC or its nominee, as the registered owner of the Bonds, or any redemption or other notices, to the Beneficial Owners or that they will do so on a timely basis or that DTC will serve and act in the manner described in this Official Statement.

## **Certificated Bonds**

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the County. In addition, the County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository) with respect to any or all of the Bonds. If for either reason the Book-Entry Only System is discontinued, definitive Bonds will be printed and delivered. Thereafter Bonds may be exchanged for an equal aggregate principal amount of Bonds in other authorized denominations and of the same maturity and interest rate, upon surrender thereof at the principal corporate trust office of the Registrar. The transfer of any Bond may be registered on the books maintained by the Registrar for such purpose only upon the surrender thereof to the Registrar with a duly executed assignment in form satisfactory to the Registrar. For every exchange or registration of transfer and exchange of Bonds, the County and the Registrar may make a charge sufficient to reimburse them for any tax, fee or other governmental charge required to be paid with respect to such transfer or exchange.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but the County takes no responsibility for the accuracy thereof. For further information, prospective purchasers should contact DTC in New York, New York.

## **No Optional Redemption – Series 2020A Bonds**

The Series 2020A Bonds are not subject to optional redemption prior to maturity.

## **Make-Whole Optional Redemption – Series 2020B Bonds**

*“Make-Whole” Optional Redemption.* The Series 2020B Bonds are not subject to optional redemption other than Make-Whole optional redemption.

The Series 2020B Bonds are subject to redemption at the option of the County, in whole or in part, at any time, at the Make-Whole Redemption Price (as defined herein). The “Make-Whole Redemption Price” is the greater of (i) 100% of the principal amount of the Series 2020B Bonds to be redeemed and (ii) the sum of the present value of the remaining scheduled payments of principal and interest on the Series 2020B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2020B Bonds are to be redeemed, discounted to the date on which the Series 2020B Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (defined below) plus 0.25%; plus in each case, accrued and unpaid interest on the Series 2020B Bonds to be redeemed on the redemption date.

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

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

(i) the yield to maturity as of such redemption date of the United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to maturity; provided, however, that if the period from the redemption date to maturity is less than

one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used; all as will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the County at the County's expense and such determination shall be conclusive and binding on the owners of the Series 2020B Bonds, and

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

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

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

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

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

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

Any Make-Whole Redemption Price of Series 2020B Bonds to be redeemed pursuant to the provisions described under this section will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the County to calculate such redemption price. The County may conclusively rely on the determination of such redemption price by such independent accounting firm, investment banking firm or financial advisor and will not be liable for such reliance.

#### *Defeasance of Series 2020B Bonds*

Persons considering the purchase of a Series 2020B Bond should be aware that a defeasance of a Series 2020B Bond by the County prior to maturity could result in the realization of gain or loss by the beneficial owner of the Series 2020B Bond for federal income tax purposes, without any corresponding receipt of money by the beneficial owner. Such gain or loss generally would be subject to recognition for the tax year in which such realization occurs, as in the case of a sale or exchange. Owners are advised to

consult their own tax advisers with respect to the tax consequences resulting from such events. See “TAX MATTERS – SERIES 2020B BONDS – Defeasance of Series 2020B Bonds” herein.

### **Notice of Redemption**

Upon being satisfactorily indemnified with respect to expenses, the Registrar is to send notice of the call for redemption, identifying the Bonds or portions thereof to be redeemed, by first class mail, not less than 30 days nor more than 60 days prior to the redemption date, to the registered bondholders. In addition, the Registrar is to cause notice of the call for redemption to be sent to all registered securities depositories and to the Electronic Municipal Market Access (“EMMA”) system. So long as the Bonds are in book-entry form, any notice of redemption will be given only to DTC or its nominee. The County will not be responsible for providing any Beneficial Owner of the Bonds with any notice of redemption.

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

### **Manner of Redemption**

In the case of redemptions of Bonds at the option of the County, the County will select the maturities of the Bonds to be redeemed.

If less than all of the Bonds of a particular maturity are called for redemption and the Bonds are registered in book-entry only form, the Registrar shall select the Bonds to be redeemed within such maturity by lot.

Bonds may be redeemed only in increments of \$5,000 or whole multiples thereof. If a portion of a Bond is called for redemption, a new Bond in a principal amount equal to the unredeemed portion thereof will be issued to the bondholder upon the surrender thereof.

## **SECURITY AND SOURCES OF PAYMENT FOR THE BONDS**

### **General**

The Bonds are general obligations of the County, and the County’s full faith and credit are irrevocably pledged to the payment of principal of and interest on the Bonds. The Board of County Supervisors is authorized and required, in each year while any Bonds are outstanding, to levy and collect on all property in the County subject to local taxation, an annual *ad valorem* tax over and above all other taxes authorized or limited by law and without limitation as to rate or amount sufficient to pay when due the principal of and interest on the Bonds unless other funds are legally available and appropriated for timely payment of the Bonds.

### **Bondholders’ Remedies in Event of Default**

The County has never defaulted in the payment of either principal or interest on any indebtedness.

Section 15.2-2659 of the Virginia Code provides that upon an affidavit filed with the Governor by any holder of or paying agent for a general obligation bond in default as to payment of principal,

premium, or interest, the Governor shall conduct a summary investigation and if satisfied that such default has occurred, the Governor shall order the State Comptroller to withhold all funds appropriated and payable by the Commonwealth to the political subdivision so in default and apply such funds to payment of the defaulted principal, premium, and interest.

Section 15.2-2659 of the Virginia Code also provides for notice to the registered owners of the default and the availability of withheld funds. To date, no order to withhold funds pursuant to Section 15.2-2659 of the Virginia Code, or its predecessor provisions, Sections 15.1-227.61 of the Virginia Code and 15.1-225 of the Virginia Code, has ever been issued with respect to the County. Although neither Section 15.2-2659 of the Virginia Code nor its predecessor provisions have been implemented by a Commonwealth court, the Attorney General of the Commonwealth has opined that appropriated funds may be withheld pursuant to that section.

Neither the Bonds, nor the proceedings with respect thereto, specifically provide any remedies that would be available to a bondholder if the County defaults in the payment of principal or interest on the Bonds, nor do they contain any provision for the appointment of a trustee to protect and enforce the interests of the holders thereof upon the occurrence of such a default. Upon any default in the payment of principal or interest, a bondholder may, among other things, seek to obtain a writ of mandamus from an appropriate court requiring the Board of County Supervisors to levy and collect taxes as described above. The mandamus remedy, however, may be impracticable and difficult to enforce. Furthermore, the right to levy and collect taxes and to enforce payment of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws and by equitable principles, which may limit the specific enforcement of certain remedies.

Chapter 9 of the United States Bankruptcy Code (the “Bankruptcy Code”) permits a municipality such as the County, if insolvent or otherwise unable to pay its debts as they become due, to file a voluntary petition for the adjustment of debts, provided that such municipality is “specifically authorized, in its capacity as a municipality or by name, to be a debtor under [the Bankruptcy Code] by State law, or by a governmental officer or organization empowered by State law to authorize such entity to be a debtor under such chapter.” Bankruptcy Code § 109(c)(2). Current statutes of the Commonwealth do not expressly authorize the County or municipalities generally to file under the Bankruptcy Code. The Bankruptcy Code does not authorize the filing of involuntary petitions against municipalities such as the County.

Any bankruptcy proceedings initiated by the County could have adverse effects on holders of the Bonds, including, but not limited to, (a) delay in the enforcement of their remedies, (b) subordination of their claims to claims of those supplying goods and services to the County after initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings, and (c) imposition without their consent of a plan of adjustment reducing or delaying payments of the Bonds. The Bankruptcy Code contains provisions intended to ensure that, in any plan of adjustment not accepted by at least a majority of a class of creditors such as the holders of general obligation bonds, such creditors will have the benefit of their original claim or the “indubitable equivalent” thereof although such plan may not provide for payment of the Bonds in full. The effect of these and other provisions of the Bankruptcy Code cannot be predicted and may be significantly affected by judicial interpretations.

## **TAX MATTERS – SERIES 2020A BONDS**

### **Opinion of Bond Counsel**

In the opinion of Norton Rose Fulbright US LLP, Bond Counsel, under current law, and subject to the provisions of this section, interest on the Series 2020A Bonds will not be includable in gross

income of the owners of the Series 2020A Bonds for federal income tax purposes. Interest on the Series 2020A Bonds will be includable in the gross income of the owners thereof retroactive to the date of issue of the Series 2020A Bonds in the event of a failure by the County or the School Board of the County to comply with applicable requirements of the Internal Revenue Code of 1986, as amended (the “Code”), and their respective covenants regarding use, expenditure, and investment of the proceeds of the Series 2020A Bonds and timely payment of certain investment earnings to the United States Treasury. No opinion is rendered by Bond Counsel as to the effect on the exclusion from gross income of the interest on the Series 2020A Bonds for federal income tax purposes of any action taken or not taken without the approval of Bond Counsel or upon the advice or approval of counsel other than Bond Counsel.

Interest on the Series 2020A Bonds will not be an item of tax preference for purposes of the federal alternative minimum tax under the Code.

### **Original Issue Discount**

The excess, if any, of the amount payable at maturity of any maturity of the Series 2020A Bonds purchased as part of the initial public offering over the issue price thereof constitutes original issue discount. The amount of original issue discount that has accrued and is properly allocable to an owner of any maturity of the Series 2020A Bonds with original issue discount (a “Discount Bond”) will be excluded from gross income for federal income tax purposes to the same extent as interest on the Series 2020A Bonds. In general, the issue price of a maturity of the Series 2020A Bonds is the first price at which a substantial amount of Series 2020A Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers), which may differ from the price shown on the inside cover page of this Official Statement, and the amount of original issue discount accrues in accordance with a constant yield method based on the compounding of interest. A purchaser’s adjusted basis in a Discount Bond is to be increased by the amount of such accruing discount for purposes of determining taxable gain or loss on the sale or other disposition of such Discount Bonds for federal income tax purposes.

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

The accrual of original issue discount and its effect on the redemption, sale, or other disposition of a Discount Bond that is not purchased in the initial offering at the first price at which a substantial amount of such Series 2020A Bonds is sold to the public may be determined according to rules that differ from those described above. An owner of a Discount Bond should consult his or her tax advisors with respect to the determination for federal income tax purposes of the amount of original issue discount with respect to such Discount Bond and with respect to state and local tax consequences of owning and disposing of such Discount Bond.

### **Bond Premium**

The excess, if any, of the tax basis of Series 2020A Bonds purchased as part of the initial public offering to a purchaser (other than a purchaser who holds such Series 2020A Bonds as inventory, stock in trade, or for sale to customers in the ordinary course of business) over the amount payable at maturity is “Bond Premium.” Bond Premium is amortized over the term of such Series 2020A Bonds for federal

income tax purposes (or, in the case of a bond with bond premium callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). No deduction is allowed for such amortization of Bond Premium; however, Bond Premium is treated as an offset to qualified stated interest received on the Series 2020A Bonds. An owner of such Series 2020A Bonds is required to decrease his adjusted basis in such Series 2020A Bonds by the amount of amortizable Bond Premium attributable to each taxable year such Series 2020A Bonds are held. An owner of such Series 2020A Bonds should consult his or her tax advisors with respect to the precise determination for federal income tax purposes of the treatment of Bond Premium upon sale, redemption or other disposition of such Series 2020A Bonds and with respect to state and local income tax consequences of owning and disposing of such Series 2020A Bonds.

### **Backup Withholding**

Interest paid on the Series 2020A Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. While this reporting requirement does not by itself, affect the excludability of interest on the Series 2020A Bonds from gross income for federal income tax purposes, the reporting requirement causes the payment of interest on the Series 2020A Bonds to be subject to backup withholding if such interest is paid to beneficial owners who (i) are not “exempt recipients,” and (ii) either fail to provide certain identifying information (such as the beneficial owner’s taxpayer identification number) in the required manner or have been identified by the Internal Revenue Service as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or a credit against such beneficial owner’s federal income tax liability provided the required information is furnished to the Internal Revenue Service.

### **Other Tax Consequences**

Under existing law, the interest on the Series 2020A Bonds is excluded from Virginia taxable income for purposes of the individual income tax and the income taxation of corporations by the Commonwealth of Virginia under Sections 58.1-322 and 58.1-402 of the Code of Virginia of 1950, as amended (the “Virginia Code”), to the extent that such interest is excludable from gross income for federal income tax purposes.

The Code and the Virginia Code contain other provisions (some of which are noted below) that could result in tax consequences, upon which Bond Counsel expresses no opinion, as a result of ownership of the Series 2020A Bonds or the inclusion in certain computations of interest on the Series 2020A Bonds that is excluded from gross income for purposes of federal income taxation.

**PROSPECTIVE PURCHASERS OF THE SERIES 2020A BONDS SHOULD CONSULT THEIR TAX ADVISORS AS TO THE APPLICABILITY AND IMPACT OF ANY SUCH COLLATERAL TAX CONSEQUENCES.**

Ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S Corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers who may be eligible for the earned income tax credit.

## **Future Tax Developments**

Future or pending legislative proposals, if enacted, regulations, rulings or court decisions may cause interest on the Series 2020A Bonds to be subject, directly or indirectly, to federal income taxation or to state or local income taxation, or may otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. Legislation or regulatory actions and future or pending proposals may also affect the economic value of the federal or state tax exemption or the market value of the Series 2020A Bonds. Prospective purchasers of the Series 2020A Bonds should consult their tax advisors regarding any future, pending or proposed federal or state tax legislation, regulations, rulings or litigation as to which Bond Counsel expresses no opinion.

## **TAX MATTERS – SERIES 2020B BONDS**

### **In General**

Interest on the Series 2020B Bonds will be includable in the gross income of the owners thereof for purposes of federal income taxation. See “– Certain U.S. Federal Income Tax Considerations” below.

### **Certain U.S. Federal Income Tax Considerations**

The following summary of certain United States federal income tax consequences of the purchase, ownership and disposition of the Series 2020B Bonds is based upon laws, regulations, rulings and decisions now in effect, all of which are subject to change (including changes in effective dates), which change may be retroactive, or possible differing interpretations. No assurance can be given that future changes in the law will not alter the consequences described herein. It deals only with the Series 2020B Bonds held as capital assets and does not purport to deal with persons in special tax situations, including but not limited to financial institutions, insurance companies, regulated investment companies, dealers in securities or currencies, persons holding the Series 2020B Bonds as a hedge against currency risks or as a position in a “straddle” for tax purposes, or persons whose functional currency is not the U.S. dollar. It also does not deal with holders other than investors who purchase Series 2020B Bonds in the initial offering at the first price at which a substantial amount of such substantially identical bonds are sold to the general public (except where otherwise specifically noted). Persons considering the purchase of the Series 2020B Bonds should consult their own tax advisors concerning the application of U.S. federal income tax laws to their particular situations as well as any consequences of the purchase, ownership and disposition of the Series 2020B Bonds arising under the laws of any other taxing jurisdiction.

As used herein, the term “U.S. Holder” means a beneficial owner of a Series 2020B Bond that is for U.S. federal income tax purposes (i) a citizen or resident of the United States, (ii) a corporation (including an entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate, the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust if (a) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust, or (b) the trust was in existence on August 20, 1996, and properly elected to continue to be treated as a United States person. Moreover, as used herein, the term “U.S. Holder” includes any holder of a Series 2020B Bond whose income or gain in respect of its investment in a Series 2020B Bond is effectively connected with the U.S. trade or business. As used herein, the term “Non-U.S. Holder” means a beneficial Owner of a Series 2020B Bond (other than an entity that is classified as a partnership) that is not a U.S. Holder.

If a partnership (including for this purpose any entity treated as a partnership for United States federal income tax purposes) is the beneficial owner of any Series 2020B Bond, the treatment of a partner in that partnership will generally depend upon the status of such partner and the activities of such partnership. A partnership and any partner in a partnership holding Series 2020B Bonds should consult its own tax advisor.

### **Payments of Interest**

Payments of interest on a Series 2020B Bond generally will be taxable to a U.S. Holder as ordinary interest income at the time such payments are accrued or are received (in accordance with the U.S. Holder's regular method of tax accounting), provided such interest is "qualified stated interest," as defined below.

### **Original Issue Discount**

The following summary is a general discussion of the U.S. federal income tax consequences to U.S. Holders of the purchase, ownership and disposition of Series 2020B Bonds issued with original issue discount ("OID Bonds"), if any. The following summary is based upon final Treasury regulations (the "OID Regulations") released by the Internal Revenue Service ("IRS") under the original issue discount provisions of the Code.

For U.S. federal income tax purposes, original issue discount is the excess of the stated redemption price at maturity of a bond over its issue price, if such excess equals or exceeds a de minimis amount (generally 1/4 of 1% of the bond's stated redemption price at maturity multiplied by the number of complete years to its maturity from its issue date or, in the case of a bond providing for the payment of any amount other than qualified stated interest (as defined below) prior to maturity, multiplied by the weighted average maturity of such bond). The issue price of each maturity of substantially identical Bonds equals the first price at which a substantial amount of such maturity of Bonds has been sold (ignoring sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers), which may not be the same as the prices shown on the inside cover of this official statement. The stated redemption price at maturity of a Series 2020B Bond is the sum of all payments provided by the Series 2020B Bond other than "qualified stated interest" payments. The term "qualified stated interest" generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate. Payments of qualified stated interest on a Series 2020B Bond are generally taxable to a U.S. Holder as ordinary interest income at the time such payments are accrued or are received (in accordance with the U.S. Holder's regular method of tax accounting).

A U.S. Holder of an OID Bond must include original issue discount in income as ordinary interest income for U.S. federal income tax purposes as it accrues under a constant yield method in advance of receipt of the cash payments attributable to such income, regardless of such U.S. Holder's regular method of tax accounting. In general, the amount of original issue discount included in income by the initial U.S. Holder of an OID Bond is the sum of the daily portions of original issue discount with respect to such OID Bond for each day during the taxable year (or portion of the taxable year) on which such U.S. Holder held such OID Bond. The "daily portion" of original issue discount on any OID Bond is determined by allocating to each day in any accrual period a ratable portion of the original issue discount allocable to that accrual period. An "accrual period" may be of any length and the accrual periods may vary in length over the term of the OID Bond, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the final day of an accrual period or on the first day of an accrual period. The amount of original issue discount allocable to each accrual period is generally equal to the difference between (i) the product of the OID Bond's adjusted issue price at the

beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted to take into account the length of the particular accrual period) and (ii) the amount of any qualified stated interest payments allocable to such accrual period. The “adjusted issue price” of an OID Bond at the beginning of any accrual period is the sum of the issue price of the OID Bond plus the amount of original issue discount allocable to all prior accrual periods minus the amount of any prior payments on the OID Bond that were not qualified stated interest payments. Under these rules, U.S. Holders generally will have to include in income increasingly greater amounts of original issue discount in successive accrual periods.

A U.S. Holder who purchases an OID Bond for an amount that is greater than its adjusted issue price as of the purchase date and less than or equal to the sum of all amounts payable on the OID Bond after the purchase date, other than payments of qualified stated interest, will be considered to have purchased the OID Bond at an “acquisition premium.” Under the acquisition premium rules, the amount of original issue discount which such U.S. Holder must include in its gross income with respect to such OID Bond for any taxable year (or portion thereof in which the U.S. Holder holds the OID Bond) will be reduced (but not below zero) by the portion of the acquisition premium properly allocable to the period.

U.S. Holders may generally, upon election, include in income all interest (including stated interest, acquisition discount, original issue discount, de minimis original issue discount, market discount, de minimis market discount, and unstated interest, as adjusted by any amortizable bond premium or acquisition premium) that accrues on a debt instrument by using the constant yield method applicable to original issue discount, subject to certain limitations and exceptions. This election will generally apply only to the debt instrument with respect to which it is made and may be revoked only with the consent of the IRS.

### **Market Discount**

If a U.S. Holder purchases a Series 2020B Bond, other than an OID Bond, for an amount that is less than its issue price (or, in the case of a subsequent purchaser, its stated redemption price at maturity) or, in the case of an OID Bond, for an amount that is less than its adjusted issue price as of the purchase date, such U.S. Holder will be treated as having purchased such Bond at a “market discount,” unless the amount of such market discount is less than a specified de minimis amount.

Under the market discount rules, a U.S. Holder will be required to treat any partial principal payment (or, in the case of an OID Bond, any payment that does not constitute qualified stated interest) on, or any gain realized on the sale, exchange, retirement or other disposition of, a Bond as ordinary income to the extent of the lesser of (i) the amount of such payment or realized gain or (ii) the market discount which has not previously been included in gross income and is treated as having accrued on such Bonds at the time of such payment or disposition. Market discount will be considered to accrue ratably during the period from the date of acquisition to the maturity date of the Bonds, unless the U.S. Holder elects to accrue market discount on the basis of semiannual compounding.

A U.S. Holder may be required to defer the deduction of all or a portion of the interest paid or accrued on any indebtedness incurred or maintained to purchase or carry a Series 2020B Bond with market discount until the maturity of such Series 2020B Bond or certain earlier dispositions, because a current deduction is only allowed to the extent the interest expense exceeds an allocable portion of market discount. A U.S. Holder may elect to include market discount in income currently as it accrues (on either a ratable or semiannual compounding basis), in which case the rules described above regarding the treatment as ordinary income or gain upon the disposition of the Series 2020B Bond and upon the receipt of certain cash payments and regarding the deferral of interest deductions will not apply. Generally, such currently included market discount is treated as ordinary interest for U.S. federal income tax purposes.

Such an election will apply to all debt instruments acquired by the U.S. Holder on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the IRS.

### **Premium**

If a U.S. Holder purchases a Series 2020B Bond for an amount that is greater than the sum of all amounts payable on the Bond after the purchase date, other than payments of qualified stated interest, such U.S. Holder will be considered to have purchased the Series 2020B Bond with “amortizable bond premium” equal in amount to such excess. A U.S. Holder may elect to amortize such premium using a constant yield method over the remaining term of the Series 2020B Bond and may offset interest otherwise required to be included in respect of the Series 2020B Bond during any taxable year by the amortized amount of such excess for the taxable year. Bond premium on a Series 2020B Bond held by a U.S. Holder that does not make such an election will decrease the amount of gain or increase the amount of loss otherwise recognized on the sale, exchange, redemption or retirement of a Series 2020B Bond. However, if the Series 2020B Bond may be optionally redeemed after the U.S. Holder acquires it at a price in excess of its stated redemption price at maturity, special rules would apply which could result in a deferral of the amortization of some bond premium until later in the term of the Series 2020B Bond (as discussed in more detail below). Any election to amortize bond premium applies to all taxable debt instruments held by the U.S. Holder on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the IRS.

The following rules apply to any Series 2020B Bond that may be optionally redeemed after the U.S. Holder acquires it at a price in excess of its stated redemption price at maturity. The amount of amortizable bond premium attributable to such Series 2020B Bond is equal to the lesser of (1) the difference between (A) such U.S. Holder’s tax basis in the Series 2020B Bond and (B) the sum of all amounts payable on such Series 2020B Bond after the purchase date, other than payments of qualified stated interest and (2) the difference between (X) such U.S. Holder’s tax basis in such Series 2020B Bond and (Y) the sum of all amounts payable on such Bond after the purchase date due on or before the early call date, other than payments of qualified stated interest. If a Series 2020B Bond may be redeemed on more than one date prior to maturity, the early call date and amount payable on the early call date that produces the lowest amount of amortizable bond premium, is the early call date and amount payable that is initially used for purposes of calculating the amount pursuant to clause (2) of the previous sentence. If an early call date is not taken into account in computing premium amortization and the early call is in fact exercised, a U.S. Holder will be allowed a deduction for the excess of the U.S. Holder’s tax basis in the Bond over the amount realized pursuant to the redemption. If an early call date is taken into account in computing premium amortization and the early call is not exercised, the Bond will be treated as “reissued” on such early call date for the call price. Following the deemed reissuance, the amount of amortizable bond premium is recalculated pursuant to the rules of this section “Premium.” The rules relating to Bonds that may be optionally redeemed are complex and, accordingly, prospective purchasers are urged to consult their own tax advisors regarding the application of the amortizable bond premium rules to their particular situation.

### **Disposition of a Series 2020B Bond**

Except as discussed above, upon the sale, exchange or retirement of a Series 2020B Bond, a U.S. Holder generally will recognize taxable gain or loss equal to the difference between the amount realized on the sale, exchange or retirement (other than amounts representing accrued and unpaid interest) and such U.S. Holder’s adjusted tax basis in the Series 2020B Bond. A U.S. Holder’s adjusted tax basis in a Bond generally will equal such U.S. Holder’s initial investment in the Series 2020B Bond increased by any original issue discount included in income (and accrued market discount, if any, if the U.S. Holder has included such market discount in income) and decreased by the amount of any payments, other than

qualified stated interest payments, received and amortizable bond premium taken with respect to such Series 2020B Bond. Such gain or loss generally will be long-term capital gain or loss if the Bond has been held by the U.S. Holder at the time of disposition for more than one year. If the U.S. Holder is an individual, long-term capital gain will be subject to reduced rates of taxation. The deductibility of capital losses is subject to certain limitations.

### **Defeasance of Series 2020B Bonds**

Persons considering the purchase of a Series 2020B Bond should be aware that a defeasance of a Bond by the County prior to maturity could result in the realization of gain or loss by the beneficial owner of the Bond for federal income tax purposes, without any corresponding receipts of money by the beneficial owner. Such gain or loss generally would be subject to recognition for the tax year in which such realization occurs, as in the case of a sale or exchange. Owners are advised to consult their own tax advisers with respect to the tax consequences resulting from such events. See “DESCRIPTION OF THE BONDS – Make-Whole Optional Redemption – Series 2020B Bonds – Defeasance of Series 2020B Bonds” herein.

### **Medicare Tax**

For taxable years beginning after December 31, 2012, an additional 3.8% tax has been imposed on the net investment income (which includes interest, original issue discount and net gains from a disposition of a Series 2020B Bond) of certain individuals, trust and estates. Prospective investors in the Series 2020B Bonds should consult their tax advisors regarding the possible applicability of this tax to an investment in the Series 2020B Bonds.

### **Backup Withholding**

A beneficial owner of the Series 2020B Bonds who is a U.S. Holder may, under certain circumstances, be subject to “backup withholding” (currently at a rate of 24%) on current or accrued interest on the Series 2020B Bonds or with respect to proceeds received from a disposition of the Bonds. This withholding applies if such beneficial owner of Series 2020B Bonds: (i) fails to furnish to the payor such beneficial owner’s social security number or other taxpayer identification number (“TIN”); (ii) furnishes the payor an incorrect TIN; (iii) fails to report interest properly; or (iv) under certain circumstances, fails to provide the payor or such beneficial owner’s broker with a certified statement, signed under penalty of perjury, that the TIN provided to the payor or broker is correct and that such beneficial owner is not subject to backup withholding. To establish status as an exempt person, a beneficial owner will generally be required to provide certification on IRS Form W-9 (or substitute form).

Backup withholding will not apply, however, if the beneficial owner is a corporation or falls within certain tax-exempt categories and, when required, demonstrates such fact. BENEFICIAL OWNERS OF THE SERIES 2020B BONDS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THEIR QUALIFICATION FOR EXEMPTION FROM BACKUP WITHHOLDING AND THE PROCEDURE FOR OBTAINING SUCH EXEMPTION, IF APPLICABLE. The backup withholding tax is not an additional tax and taxpayers may use amounts withheld as a credit against their federal income tax liability or may claim a refund as long as they timely provide certain information to the IRS.

### **Withholding on Payments to Nonresident Alien Individuals and Foreign Corporations**

Nonresident alien individuals and foreign corporations are generally subject to withholding of U.S. federal income tax by the payor at the rate of 30% on periodic income items arising from sources

within the United States, provided such income is not effectively connected with the conduct of a United States trade or business. Assuming the interest income of such a beneficial owner of the Series 2020B Bonds is not treated as effectively connected income within the meaning of Section 864 of the Code, such interest will be subject to 30% withholding, or any lower rate specified in an income tax treaty, unless such income is treated as “portfolio interest.” Interest will be treated as portfolio interest if (i) the beneficial owner provides a statement to the payor certifying, under penalties of perjury, that such beneficial owner is a Non-U.S. Holder and providing the name and address of such beneficial owner, (ii) such interest is treated as not effectively connected with the beneficial owner’s United States trade or business, (iii) interest payments are not made to a person within a foreign country which the IRS has included on a list of countries having provisions inadequate to prevent United States tax evasion, (iv) interest payable with respect to the Series 2020B Bonds is not deemed contingent interest within the meaning of the portfolio debt provision, (v) such beneficial owner is not a controlled foreign corporation within the meaning of Section 957 of the Code and (vi) such beneficial owner is not a bank receiving interest on the Series 2020B Bonds pursuant to a loan agreement entered into in the ordinary course of the bank’s trade or business.

Assuming payments on the Series 2020B Bonds are treated as portfolio interest within the meaning of Sections 871 and 881 of the Code, then no withholding under Section 1441 and 1442 of the Code, and no backup withholding under Section 3406 of the Code is required with respect to beneficial owners or intermediaries who have furnished Form W-8 BEN, Form W-8 BEN-E, Form W-8 EXP, or Form W-8 IMY, as applicable, provided the payor has no actual knowledge or reason to know that such person is a U.S. Holder.

A non-U.S. Holder whose income with respect to its investment in a Series 2020B Bond is effectively connected with the conduct of a U.S. trade or business would generally be taxed as if the holder was a U.S. person provided the holder provides to the Withholding Agent an IRS Form W-8ECI.

Generally, a non-U.S. Holder will not be subject to United States federal income taxes on any amount which constitutes capital gain upon retirement or disposition of a Series 2020B Bond, unless such non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of the disposition and such gain is derived from sources within the United States. Certain other exceptions may be applicable, and a non-U.S. Holder should consult its tax advisor in this regard.

The Bonds will not be includable in the estate of a non-U.S. Holder unless, at the time of such individual’s death, payments in respect of the Series 2020B Bonds would have been effectively connected with the conduct by such individual of a trade or business in the United States.

### **Foreign Account Tax Compliance Act**

Sections 1471 through 1474 of the Code impose a 30% withholding tax on certain types of payments made to a foreign financial institution, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, the Foreign Account Tax Compliance Act (“FATCA”) imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial U.S. owner. Failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of interest and principal under the Bonds and sales proceeds of Bonds held by or

through a foreign entity. In general, withholding under FATCA currently applies to payments of U.S. source interest (including original issue discount) and will apply to (i) gross proceeds from the sale, exchange or retirement of debt obligations paid after December 31, 2018, and (ii) certain “pass-thru” payments no earlier than two years after the date of publication of final regulations defining the term “foreign pass-thru payment.” Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

### **ERISA Considerations**

The Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and section 4975 of the Code generally prohibit certain transactions between employee benefit plans under ERISA or tax qualified retirement plans and individual retirement accounts under the Code (collectively, the “Plans”) and persons who, with respect to a Plan, are fiduciaries or other “parties in interest” within the meaning of ERISA or “disqualified persons” within the meaning of the Code. In addition, each fiduciary of a Plan (“Plan Fiduciary”) must give appropriate consideration to the facts and circumstances that are relevant to an investment in the Series 2020B Bonds, including the role that such an investment in the Bonds would play in the Plan’s overall investment portfolio. Each Plan Fiduciary, before deciding to invest in the Bonds, must be satisfied that such investment in the Series 2020B Bonds is a prudent investment for the Plan, that the investments of the Plan, including the investment in the Bonds, are diversified so as to minimize the risk of large losses and that an investment in the Series 2020B Bonds complies with the documents of the Plan and related trust, to the extent that such documents are consistent with ERISA. All Plan Fiduciaries, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in any Series 2020B Bonds.

### **RATINGS**

Fitch Ratings, Inc. (“Fitch”), Moody’s Investors Service, Inc. (“Moody’s”), and S&P Global Ratings, a division of S&P Global Inc. (“S&P”), have given the Bonds the ratings of “AAA,” “Aaa” and “AAA,” respectively. The County requested that the Bonds be rated and furnished certain information to Fitch, Moody’s and S&P, including certain information that may not be included in this Official Statement.

Such ratings reflect only the views of the respective rating agencies, and an explanation of the significance of such ratings may be obtained only from the respective rating agency. These ratings are not a recommendation to buy, sell or hold the Bonds. The ratings are subject to review and change or withdrawal at any time if, in the judgment of the respective rating agency, circumstances so warrant. There is no assurance that any such ratings will continue for any period of time or that they will not be revised downward or withdrawn entirely. A downward revision or withdrawal of any of the ratings may have an adverse effect on the liquidity or the market price of the Bonds.

### **LITIGATION**

There may be miscellaneous claims against the County including claims in litigation. In the opinion of the County Attorney and County management, none of such claims would materially affect the County’s financial position. The County Attorney is of the opinion that there is no litigation pending or threatened in either Commonwealth or federal courts that would in any way affect the validity of the Bonds or the right of the County to levy and collect *ad valorem* taxes, without limitation as to rate or amount, for payment of the Bonds and the interest thereon.

## **APPROVAL OF LEGAL PROCEEDINGS**

Legal matters incident to the authorization and issuance of the Bonds are subject to the approval of Norton Rose Fulbright US LLP, Washington, D.C., Bond Counsel, the proposed form of whose opinion is included herein as Appendix C.

Certain legal matters will be passed upon for the County by the County Attorney, Michelle R. Robl, Esquire, and for the Underwriters of the Series 2020B Bonds by Haneberg Hurlbert PLC, Richmond, Virginia.

## **CERTIFICATE CONCERNING OFFICIAL STATEMENT**

Concurrently with the delivery of the Bonds, the Chair of the Board of Supervisors and the County Executive of the County will certify that, to the best of their knowledge, the Official Statement did not as of its date, and does not as of the date of delivery of the Bonds, contain any untrue statement of a material fact or omit to state a material fact that should be included therein for the purpose for which the Official Statement is to be used, or that is necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading. Such certificate will also state, however, that the Chair of the Board of Supervisors and the County Executive of the County did not independently verify the information indicated in this Official Statement 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.

## **AUDITORS**

The County's financial statements as of and for the fiscal year ended June 30, 2019, have been audited by the independent public accounting firm of Cherry Bekaert, Tysons Corner, Virginia, as set forth in their report, dated February 18, 2020, which is included as Appendix B.

## **COMMITMENTS AND CONTINGENCIES**

The County participates in a number of federal and Commonwealth grant, entitlement and shared revenue programs. The programs are subject to program compliance audits by the applicable federal or Commonwealth agency or its representatives. Furthermore, the U.S. Office of Management and Budget, in Circular Number A-128, established audit requirements for an annual independent organization-wide audit for local governments receiving federal assistance. The amounts, if any, of expenditures that may be disallowed by these audits cannot be determined at this time although the County expects such amounts, if any, would not materially adversely affect the ability of the County to pay the principal of and interest on the Bonds.

## **SALE AT COMPETITIVE BIDDING – SERIES 2020A BONDS**

The Series 2020A Bonds were awarded pursuant to electronic bidding held via Parity on Wednesday, May 27, 2020, to Citigroup Global Markets Inc., at a price to the County that results in an aggregate underwriters' discount of \$34,865.90 derived from the yields shown on the Series 2020A Bonds on the inside cover page.

Citigroup Global Markets Inc. supplied the information as to the initial reoffering yields shown on the inside cover page. The underwriters may offer to sell the Series 2020A Bonds to certain dealers and others at prices higher or the lower than the prices derived from the yields shown on the inside cover page.

## **UNDERWRITING – SERIES 2020B BONDS**

The Series 2020B Bonds are being purchased for reoffering by Wells Fargo Securities, as representative of the underwriters for the Series 2020B Bonds (the “Series 2020B Underwriters”), at a purchase price of \$72,047,973.68 (which reflects the par amount of the Series 2020B Bonds, less \$172,026.32 underwriters’ discount). The Series 2020B Underwriters intend to offer the Series 2020B Bonds to the public at the offering prices set forth on the inside cover page of this Official Statement. The Series 2020B Underwriters may allow concessions to certain dealers (including dealers in a selling group and the Underwriters and other dealers depositing Series 2020B Bonds into investments trusts), which may re-allow concessions to other dealers. After the initial public offering, the public offering price may be varied from time to time by the Series 2020B Underwriters.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Finance Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Wells Fargo Bank, National Association, acting through its Municipal Finance Group (“WFBNA”), the senior underwriter of the Series 2020B Bonds, has entered into an agreement (the “WFA Distribution Agreement”) with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name “Wells Fargo Advisors”) (“WFA”), for the distribution of certain municipal securities offerings, including the Series 2020B Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Series 2020B Bonds with WFA. WFBNA has also entered into an agreement (the “WFSLLC Distribution Agreement”) with its affiliate Wells Fargo Securities, LLC (“WFSLLC”), for the distribution of municipal securities offerings, including the Series 2020B Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC’s expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

## **CONTINUING DISCLOSURE**

The Securities and Exchange Commission has adopted Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (the “Rule”). In general, the Rule prohibits an underwriter from purchasing or selling municipal securities such as the Bonds, unless it has determined that the issuer of such securities and/or other persons deemed to be material “obligated persons” have committed to provide to The Electronic Municipal Market Access (“EMMA”) system administered by the Municipal Securities Rulemaking Board (i) on an annual basis, certain financial information and operating data (“Annual Reports”), and, if available, audited financial statements, and (ii) notice of various events described in the Rule, if material (“Event Notices”).

The County will covenant in the Continuing Disclosure Agreement (the form of which appears in Appendix D), to be dated the date of delivery of the Bonds, for the benefit of the holders of the Bonds, to provide to EMMA, annually, not later than March 31 of each year, commencing March 31, 2021, Annual Reports with respect to itself, as issuer. Similarly, the County will provide Event Notices with respect to the Bonds to EMMA.

Except as described below, the County will represent as of the date of delivery of the Bonds that it has complied in all material respects with its undertakings regarding the Rule in the five years preceding the date of the Official Statement.

As a condition to the issuance of various series of bonds or certificates of participation issued by Prince William County and other entities, Prince William County has agreed pursuant to several continuing disclosure undertakings entered into pursuant to the Rule (the “County’s Undertakings”) to file with EMMA the Prince William County’s Audited Financial Statements and other certain other information (collectively, the “Annual Filings”) within the designated timeframe set forth in such undertaking, and currently the earliest deadline for such filings is within 210 days of the end of each fiscal year. Certain Annual Filings were filed pursuant to the County Undertakings but not correctly cross-referenced to all applicable bonds. The County has implemented procedures to ensure that future filing deadlines required by the County’s Undertakings are met. In addition, the County filed its annual financial information and unaudited financial statements and draft Comprehensive Annual Financial Report (“CAFR”) for the year ended June 30, 2019, on January 25, 2020, which was prior the deadline for such filing under County’s Undertakings. The County then filed its audited financial statements and CAFR for the year ended June 30, 2019, when available on March 3, 2020.

### **FINANCIAL ADVISOR**

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

### **VERIFICATION OF CERTAIN MATHEMATICAL COMPUTATIONS**

The accuracy of the arithmetical computations of the maturing principal and interest earned on the federal securities in the escrow accounts established in the escrow agreements relating to the Refunded Bonds to pay when due or at their respective redemption dates, the principal of, premium, if any, and interest on the Refunded Bonds, has been verified by Bingham Arbitrage Rebate Services, Inc. Such verification has been based upon information supplied by the Financial Advisor.

### **MISCELLANEOUS**

The purpose of this Official Statement is to supply information to prospective buyers of the 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.

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**APPROVAL OF OFFICIAL STATEMENT**

The execution and delivery of this Official Statement has been duly authorized by the Board of County Supervisors of the County.

**PRINCE WILLIAM COUNTY, VIRGINIA**

By: /s/ Michelle L. Attreed  
Director of Finance

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**APPENDIX A**

**CERTAIN INFORMATION REGARDING  
PRINCE WILLIAM COUNTY, VIRGINIA**

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**CERTAIN INFORMATION REGARDING  
PRINCE WILLIAM COUNTY, VIRGINIA**

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## **SECTION I - THE COUNTY**

Certain financial and operating data contained herein are as of the dates and for the periods indicated, which were prior to the outbreak of the COVID-19 pandemic. Such historical financial and operating data have not been updated to reflect any potential impacts of the COVID-19 pandemic on the County's general economic and financial condition. See also "COVID-19 Matters" below.

### **GENERAL INFORMATION**

Prince William County, Virginia (the "County"), was organized in 1731 by the Virginia General Assembly. The County, part of the Metropolitan Washington, D.C. area, is located in Northern Virginia, less than 25 miles southwest of Washington, D.C., and encompasses an area of 348 square miles. The combined area of the County and the independent cities within its boundaries is 360 square miles. Approximately 18.7 percent of land area within the County is owned by the federal government, including the Manassas National Battlefield Park, Prince William Forest Park and a portion of Marine Corps Base Quantico.

According to the U.S. Census Bureau 2010 census, the County had the second largest population (402,002) of any county in the Commonwealth of Virginia (the "Commonwealth") and is one of its most rapidly growing jurisdictions. The current population is estimated by the County demographer at 467,478 (as of December 31, 2019).

### **Form and Organization of Government**

Since 1972, the County has operated under the County Executive form of government, as provided for in Sections 15.2-500 *et seq.* of the Code of Virginia of 1950, as amended. The governing body of the County is an eight-member Board of County Supervisors (the "Board"). Residents in each of the County's seven magisterial districts elect one member of the Board to serve a term of four years. The eighth member of the Board is elected at-large by County residents to serve a four-year term as Chairman. The current members of the Board were elected on November 5, 2019, and took office on January 1, 2020. The current terms of all Board members will expire on December 31, 2023.

The Board appoints a County Executive to act as the County government's chief administrative officer. The County Executive serves at the pleasure of the Board, implements its policies, provides organizational leadership for addressing major issues, directs business and administrative procedures, and recommends department heads for appointment by the Board. The County Executive is assisted by three Deputy County Executives and the Directors of each of the agencies, departments, and offices. The Board also appoints a County Attorney to provide legal advice to the Board, agencies, departments, and offices of the County government.

In addition to the members of the Board, County residents elect three constitutional officers, the Clerk of the Circuit Court for a term of eight years, and the Sheriff and the Commonwealth's Attorney, each for terms of four years. The Judges of the Circuit Court, the General District Court, and the Juvenile and Domestic Relations District Court are elected by the

Virginia General Assembly. Unlike most other Virginia counties, County residents do not elect a Treasurer or a Commissioner of the Revenue. The County Director of Finance/CFO, who is appointed by the Board, carries out the responsibilities of these officers.

In addition, the Board maintains a robust Internal Audit function and two audit committees, the Board Audit Committee (“BAC”) and the Joint Audit Committee of the County Government and Schools (“JAC”). The Internal Audit function provides an independent assessment of operations, activities, and internal controls within Prince William County Government. The Internal Audit function assists the County in accomplishing its objectives by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of the organization’s risk management, internal control, and governance processes. The BAC and JAC provide oversight of the County’s internal and external audit functions, respectively.

The administrative offices of the County are located at 1 County Complex Court, Prince William, Virginia 22192. The central telephone number for the County’s administrative offices is (703) 792-6000. The County’s website is <http://www.pwcgov.org>.

### **Political Subdivisions**

In Virginia, cities and counties are not overlapping units of government. Manassas and Manassas Park are two independent cities within the geographic boundaries of the County. On May 1, 1975, the former Town of Manassas was incorporated as a city, and on June 1, 1975, the former Town of Manassas Park was incorporated as a city (collectively, the “Cities”).

Property within the Cities is not subject to taxation by the County, and the County generally is not required to provide governmental services to the residents of the Cities. The County, however, does provide library and other community services to the residents of these Cities pursuant to intergovernmental agreements, which provide for compensation to the County for these services.

Four incorporated towns are located within the County: Dumfries, Haymarket, Occoquan and Quantico (collectively, the “Towns”). Although the Towns are separate units of government, the ordinances and regulations of the County, subject to certain limitations prescribed by Virginia law, are effective therein. Property in the Towns is subject to County taxation, and the County provides certain services to the residents of the Towns. The Towns may incur general obligation bonded indebtedness without the prior approval of the County (See Section III - DEBT ADMINISTRATION - OTHER COUNTY-RELATED INDEBTEDNESS).

### **Boards and Authorities of the County**

The Board appoints members to numerous separate boards, committees, and commissions that establish policies, advise, or administer in operations of certain services, including the Prince William County Service Authority (the “Service Authority”). The Service Authority, a separate and independent entity, was created in 1983 pursuant to the Virginia Water and Waste Authorities Act to assume responsibility for water and sewer operations of several sanitary districts and is governed by an eight-member board of directors. The County’s Department of Parks, Recreation

and Tourism (“DPRT”) also has an advisory board with members appointed by the Board to assist in identifying various recreational programs for County residents.

Several sanitary districts were created in the past to provide water and sewer services to various areas of the County. These sanitary districts included the Occoquan Woodbridge/Dumfries Triangle Sanitary District (“OWDT”), the Greater Manassas Sanitary District (“GMSD”) (which included the Yorkshire Sanitary District), the Nokesville Sanitary District, the Oak Ridge Sanitary District, the Occoquan Forest Sanitary District and the Bull Run Mountain Sanitary District. The functions of these sanitary districts have been assumed by the Service Authority and although they still exist, such sanitary districts are effectively dormant. The Dale City Sanitary District operated an indoor recreational facility which is now operated by the County DPRT. The Dale City Sanitary District also still exists but is effectively dormant. The Lake Jackson Sanitary District was established, along with the Lake Jackson Service District, to provide road maintenance in the Lake Jackson community. The governing body of all sanitary districts is the Board. A sanitary district may incur indebtedness; however, such indebtedness is not an obligation of the County, but solely of the sanitary district. The Board, as the governing body of the sanitary districts, establishes charges for services provided and levies annual property taxes within the districts to fund the operations and to pay debt service on outstanding bonds.

The operation of public schools in the County is vested in an eight-member, elected School Board (the “School Board”). Members of the School Board are elected for four-year terms, and the terms of the current members expire December 31, 2023. The School Board does not have the authority to levy taxes or issue bonds, and therefore, the local share of the cost of operating public schools in the County is provided by an appropriation and transfer of funds by the Board from the County’s General Fund. Operations of the School Board, however, are independent of the Board and the County administration as prescribed by Commonwealth of Virginia law. A Superintendent is appointed by the School Board to oversee the operations of the County’s public schools.

### **Certain County Administrative Staff Members**

CHRISTOPHER E. MARTINO was appointed County Executive beginning in September 2016. Mr. Martino had served as Acting County Executive since January 2016 and Deputy County Executive since March 2010. In addition, he also served as the County’s Finance Director from 1996 to 2010. Before joining the County, Mr. Martino served as Comptroller of the City of Rye, New York for eight years. Mr. Martino’s professional experience also includes serving as Deputy Commissioner of Finance for the City of White Plains, New York and working as an auditor for Ernst & Whinney and Texaco, Inc. Mr. Martino is a Certified Public Accountant. He holds a Bachelor of Accounting from Franklin & Marshall College and a Master of Business Administration in Finance from the Stern School of Business at New York University.

ELIJAH T. JOHNSON was appointed Deputy County Executive in October 2014. In this position, he is responsible for providing administrative oversight of Prince William County’s human services agencies, including Community Services, Area Agency on Aging, Office of Criminal Justice Services, Department of Social Services and the Office of Housing and Community Development. He is also the liaison with the following state-supported human services agencies: Prince William Area Public Health District, Juvenile Court Service Units and Virginia Cooperative Extension. He also works with the many community organizations who provide

invaluable service for Prince William County residents. Prior to accepting his current position, Mr. Johnson served as Prince William County's Director for the Office of Housing and Community Development (OHCD) for seven years. Prior to joining Prince William County, Mr. Johnson worked for Alexandria Redevelopment and Housing Authority, Arlington County's Department of Human Services Housing Office and New York City Housing Authority. He is a graduate of Hampton University with a B.A. in Mathematics.

MICHELLE A. CASCIATO was appointed Deputy County Executive in November 2016. In this position, she coordinates the County's financial, technology and human resource functions, supporting the delivery of public services consistent with the County's strategic goals. She is also the County liaison with the Prince William Public Schools and Prince William Public Library systems. Her previous government service for the County includes Director of the Office of Management and Budget and Neighborhood Services Division Chief. Prior to entering the public sector, Ms. Casciato was vice president of a large real estate management firm in the Washington D.C. metropolitan area. Ms. Casciato earned a B.A. from Cornell University and both a Master of Public Administration and Ph.D. in Political Science from George Mason University. She is an adjunct instructor at the GMU Schar School of Policy and Government.

REBECCA HORNER was appointed Deputy County Executive in January 2020. Ms. Horner has an extensive background and experience in public sector planning and community development. Since 2017, she has served as the director of the County's Planning Office. Before that, she was the Assistant Director for the Planning Office after serving as the manager of the county's Current Planning Division. Prior to coming to Prince William County, Ms. Horner worked as a Senior Planner for Fairfax County, the Director of the Planning and Building Department for Sarpy County, Nebraska, and the Assistant to the Director in the Planning Department in the City of Papillion, Nebraska.

MICHELLE L. ATTREED was appointed Director of Finance/CFO in May 2014. Prior to this appointment she served as the County's Deputy Finance Director since March 2012 and has worked for the County since 1993. She oversees staff for the areas of Procurement Services, Financial Reporting and Control, Payroll and Disbursements, Real Estate Assessments, Taxpayer Services, Risk and Wellness Services, Financial Systems Services and Treasury Management. Prior to her appointment as Deputy Finance Director in 2012, she served as the County's Financial Reporting and Control Division Chief with responsibility over Payroll, Accounts Payable and Financial Reporting. Her professional experience includes working as a Senior Auditor with Stokes & Company, P.C. and as a staff auditor with the U.S. General Accounting Office. Ms. Attreed received her undergraduate degree from Virginia Polytechnic Institute and State University (Virginia Tech) and her Master of Public Administration from George Mason University, receiving the John D.R. Cole Award for Outstanding MPA Student. In 2019, she received a Lifetime Achievement Award from the Virginia Women in Public Finance. Ms. Attreed is a Certified Public Accountant, a member of the American Institute of Certified Public Accountants, Government Finance Officers Association, and Virginia Government Finance Officers Association.

MICHELLE R. ROBL was appointed as County Attorney for the County by the Board of County Supervisors in December 2015. She has worked for the County in the County Attorney's Office since 1993. She had served as Acting County Attorney since June 2015 and Deputy County

Attorney for six years before being named Acting County Attorney. She represents the Board and various County agencies before all levels of the Commonwealth and federal courts and administrative bodies, in various local government areas such as employment discrimination and personnel law, law enforcement and internal affairs issues, child abuse and neglect law, land use, contract matters, and general liability defense. She earned her Juris Doctor degree from the George Mason University School of Law and her undergraduate degree from Virginia Tech. Among other affiliations, she is on the Board of Directors of the Local Government Attorneys Association of Virginia, and is Past Chair, Vice-Chair and Secretary to the Virginia State Bar Fifth District Section III Disciplinary Committee.

CHRISTINA WINN was appointed as the Executive Director of the Department of Economic Development in June 2019. Prior to joining Prince William, she led Arlington County's efforts in business retention, national recruitment, entrepreneur support, and catalyzing the innovation economy. Ms. Winn received her B.S. in Economics from Arizona State University and a M.S. in Real Estate Development from Johns Hopkins University.

STEVEN L. WALTS has served as the Superintendent of Prince William County Public Schools since July 2005. Dr. Walts previously served as Superintendent of Schools in Greece, New York, from 1998 to 2005. He also was an Adjunct Professor and Program Coordinator for the Canisius College administrative programs taught in Greece. From 1992 to 1998, he served in Baltimore County, Maryland as the Assistant Superintendent, Northwest Area, and as the Assistant Superintendent/Executive Director, Department of Human Resources. He received his undergraduate and master's degrees from Wichita State University. Dr. Walts received his Ph.D. in Education Policy and Leadership from the University of Maryland in 2002.

## **GOVERNMENTAL SERVICES**

The County provides a full range of local government services, reflecting both its form of government under Commonwealth law and its increasingly urban character. The mission of the County Government is to provide the necessary services to protect the health, welfare, safety and environment of citizens, consistent with the community's values and priorities. This mission is accomplished by: encouraging citizen input and involvement; preserving the County's fiscal stability; producing effective and efficient government programs; managing the County's resources; planning for the future; and representing citizens' needs and desires to other levels of government. The discussion that follows outlines several services that the County provides to its citizens and services provided in conjunction with other governmental entities.

### **General Government Administration**

*Executive Management:* The Office of Executive Management ("OEM") provides leadership and executive management direction to achieve the goals and policies of the Board and oversees the day-to-day operations of the government. The functions of this office include overall management and policy development, administrative support to the Board, dissemination of citizen and community information, administration of affirmative action and equal employment opportunity, intergovernmental relations, and coordination of appropriate federal, Commonwealth, regional and local initiatives to further the County's Comprehensive and Strategic Plans.

*Budget Management:* The Office of Management and Budget (“OMB”) is responsible for managing the County’s resources consistent with the current Adopted Fiscal Year Budget, Five-Year Fiscal Plan, and the Six-Year Capital Improvement Program in addition to the Strategic Plan. OMB develops and monitors the County’s operating and capital budgets, evaluates agency programs and operations, provides performance measurement and management reporting, and offers management consulting to County departments. The County’s Adopted Fiscal Year Budget has earned the Government Finance Officers Association (“GFOA”) Distinguished Budget Presentation Award for 33 consecutive years.

*Financial Management:* The Department of Finance promotes excellence, quality, and efficiency by maximizing available resources and providing innovative financial and risk management services to a broad range of internal and external customers through sound financial management practices and a commitment to maintaining fiscal integrity and financial solvency of the County government. The Department of Finance is comprised of the following divisions: Financial Reporting and Control, which maintains the County’s financial records and internal controls; Payroll and Disbursements, which coordinates disbursements to vendors and employees; Taxpayer Services, which assesses personal property and gross receipts taxes, and bills, collects and records all County revenues; Real Estate Assessments, which appraises all real property and administers tax relief programs; Purchasing, which administers procurement of all goods and services for the County, and develops and monitors compliance with purchasing regulations; Treasury Management, which provides annual revenue estimates for general County revenues, coordinates debt financing for capital projects, and manages the investment of and banking services for County funds; Risk and Wellness Services, which manages the County’s occupational safety, health, wellness, environmental, and workers’ compensation and casualty pool self-insurance and other insurance programs; and Financial Systems, which maintains the functionality of the County’s financial management and tax administration systems. The County’s Comprehensive Annual Financial Report and Popular Annual Financial Report have earned the GFOA Certificate of Achievement for Excellence in Financial Reporting and Award for Outstanding Popular Annual Financial Reporting for 38 and 13 consecutive years, respectively.

*Human Resources:* Human Resources leads the County’s efforts to attract, recruit, motivate, and retain high-performing employees in support of the County’s vision, values and strategic goals.

*Legal Services:* The County Attorney provides legal counsel, advice, and representation to the Board, County Executive, officers, and employees of the County in the performance of their duties. This includes matters involving land use and zoning, leases and contract negotiations, bond financing, grant applications, deed preparation and review, collection of delinquent County taxes and other delinquent accounts, and personnel matters, including workers’ compensation, and the drafting of ordinances, policies, and proposed legislation. The County Attorney also provides legal counsel, advice, and representation to various boards and commissions appointed by the Board.

*Technology Support Services:* The Department of Information Technology is responsible for providing all aspects of Information Technology across the County including strategic planning, seat management, eGovernment, Geographic Information Systems, information technology governance and policies, information security and access control, voice and data

infrastructure and support, operations data center, public safety radio systems, desktop, laptop, tablet, mobile data computer devices, and full life-cycle enterprise application management.

## **Public Safety**

*Police Services:* The County's Police Department (the "Police Department") is a law enforcement agency, nationally accredited by the Commission on Accreditation for Law Enforcement Agencies ("CALEA"), with a professionally trained force with sworn officers and full and part-time civilian staff. The Police Department is organized into five divisions: Office of the Chief, Support Services, Operations, Criminal Investigations, and Financial and Technical Services. The Office of the Chief encompasses all leadership and management oversight for the Police Department and includes the Office of Professional Standards, CALEA accreditation, policy review, policy amendments, and public information services. The Support Services Division maintains the department's forensic services, records, equipment, and supplies. In addition, this division coordinates and conducts all training, maintains control of evidence and recovered/confiscated property, oversees employee recruitment and selection, and enforces and coordinates animal control ordinances and services including housing unwanted animals. The Operations Division responds to citizen calls for service, performs patrol functions, executes search warrants, enforces traffic and parking regulations, and directs all special teams such as Special Weapons and Tactics, Search and Rescue Unit, Civil Disturbance Unit, Dive Team, and K-9 Unit. The Operations Division also coordinates crime prevention and education activities and enforces and oversees school crossing guard services. The Criminal Investigations Division investigates all major criminal offenses including crimes against persons or property, vice and narcotics cases, crimes committed against and by children, apprehension of criminals, and manages school resource programs in the County's schools. The Financial and Technical Services Division is responsible for coordination and management of all fiscal matters, assuring regulatory, County and internal policy compliance, facility planning, and supporting all aspects of the Police Department's information technology needs.

*Fire and Rescue Services:* The Prince William County Fire and Rescue System (career and volunteer first responders) protects lives, property, and the environment through timely, professional, humanitarian services essential to the health, safety, and well-being of the community. Emergency response personnel respond to emergency fire, medical, hazardous materials, and service calls for assistance. They provide pre-hospital emergency medical care and fire and hazardous materials incident mitigation. Emergency medical services, including on-the-scene medical treatment and ambulance-to-hospital monitoring of patients, are provided by trained basic and advanced life support technicians on Medic Units. All emergency responders receive training to provide basic life support services, while many are trained to perform advanced life support services. Emergency Medical Service ("EMS") Operations personnel are responsible for the management of the EMS components of fire and rescue service. They provide appropriate training, supervision, procedures, policies and program support within the EMS system. Career and volunteer fire and rescue personnel staff twenty-two fire and rescue stations. Mutual aid agreements exist with all regional jurisdictions to provide prompt and efficient emergency services given existing resources and unit deployment. The Community Safety Section includes the Fire Marshal's Office ("FMO"), Office of Emergency Management ("EM"), Community Education, and Public Information. The FMO investigates the origin and cause of fires and explosions and conducts criminal investigations of arson. Fire Marshals inspect commercial properties and new

construction sites to ensure compliance with fire codes, reviews building sites, fire suppression, and alarm system plans to ensure compliance with fire codes and building codes related to fire protection systems. EM develops and maintains disaster and preparedness plans as well as coordinates and conducts exercises for all such plans in accordance with federal laws and regulations to prepare for, respond to, and recover from disasters and to mitigate community hazards. The community safety program provides public information and public education, such as injury prevention and fire safety practices. The Systems Support Section provides the necessary organization and system infrastructure to provide emergency response activities including: Training, Personnel, Planning and Logistics, Fire and Rescue Call-Taking and Dispatch, Information Technology, Health and Safety, Fleet, Facilities, Finance and Administration.

## **Public Schools**

The County public school system is the second largest public school system in Virginia and the fourth largest in the Washington D.C. Metropolitan Region. It is known for its system of school-based management, which places the decision making and accountability at the school level. The costs of the school system are primarily supported by appropriations from the General Fund of the County (see Section II - FINANCIAL ADMINISTRATION - GENERAL FUND FINANCIAL OPERATIONS) and from monies received from the Commonwealth and the federal government.

The overall instructional program in the County schools is implemented through a planned, systematic approach which specifies the essential skills for all students and serves as an instructional guide for teachers to assure that the essential skills are learned by every child. Programs are also available for gifted and special education students. Vocational instruction in several career areas is offered as well.

The public school system consists of 61 elementary schools, two elementary/middle (1-8) schools, 16 middle schools, 12 high schools, one special education school, one traditional school, and one alternative school which houses special education, middle, and high school programs. As shown in the following chart, the number of students attending the County's public schools has grown substantially in the past ten years.

**Public School Enrollment**

<b>School Year</b>	<b><u>Elementary</u></b>	<b><u>Middle</u></b>	<b><u>High</u></b>	<b><u>Special Education</u></b>	<b><u>Total</u></b>	<b><u>Percent Change</u></b>
2010	37,261	17,700	22,857	1,298	79,116	-
2011	38,436	18,351	23,500	1,348	81,635	3.2%
2012	39,269	18,902	24,015	1,365	83,551	2.3
2013	39,538	19,473	24,665	1,379	85,055	1.8
2014	39,920	19,703	25,249	1,337	86,209	1.4
2015	40,070	20,004	25,861	1,319	87,254	1.2
2016	40,569	20,095	26,923	1,333	88,920	1.9
2017	40,482	20,713	27,261	1,405	89,861	1.1
2018	40,110	20,997	27,610	1,486	90,203	0.4
2019	40,422	21,357	28,058	1,689	91,526	1.5

*Source:* Prince William County Schools, Office of Facilities Services, January 2020.

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## **Transportation Infrastructure**

One of the County's strategic goal areas is mobility to ensure an accessible, comprehensive, multi-modal network of transportation infrastructure that supports local and regional connectivity of the community and its businesses. Over the years, the County has worked to develop a transportation network that gets people to jobs, improves safety, reduces congestion, reduces travel time and enhances the County's economic development efforts. A substantial portion of the new road construction and improvements over the past 10 years has been financed by the County with a moderate amount of funding from the Commonwealth and the federal government. The County has also received funding for transportation improvements from the Northern Virginia Transportation Authority ("NVTA"), which is responsible for long range transportation project planning, prioritization and funding for regional transportation projects in Northern Virginia. Once road construction projects are completed, they are accepted by the Commonwealth for future maintenance. The County's current Six-Year Capital Improvement Program includes several projects that will be funded with County General Funds and proffers supplemented by regional, Commonwealth, NVTA and federal funding.

## **Human Services**

County departments and various appointed boards and commissions are responsible for overseeing and advising on the planning and delivery of the County's numerous human services programs. Members of these boards and commissions are appointed by the Board. Various operating departments, in locations convenient to citizens, provide direct services, administration, and support. Among these departments, the services provided include the following:

*Community Services:* Community Services is the County's public behavioral health entity charged with the provision of mental health, substance abuse, intellectual and developmental disability, emergency, early intervention, and prevention services for the County and the Cities. Services are community-based, provided both directly and contractually with private and other public service providers, and include case management, medication and therapeutic treatment, and specialized services such as psychosocial rehabilitation, vocational services, and residential support. Community Services serves residents of all ages, including early intervention services for babies and toddlers, from birth to age three, who are at risk due to developmental delays. Operations are managed by an Executive Director assisted by a Community Services Board appointed by the Board. Funding for many services is through Medicaid and other Commonwealth and federal revenue sources.

*Social Services:* The mission of the Department of Social Services is to enhance the quality of life in the County by affording individuals and families the support, protection, and safety necessary to enable them to build self-reliant lives. In addition to determining eligibility for public benefits, programs are designed to protect children and vulnerable adults and include foster care and adoption services, residential services that provide court-ordered secure detention for youths, post-dispositional residential care to youths as an alternative to commitment, comprehensive services for at-risk youths, and services for persons who are homeless. Operations are managed by a Social Services Director, assisted by a Social Services Advisory Board appointed by the

Board. Funding for the Department of Social Services is shared with the Commonwealth and the federal government.

*Area Agency on Aging:* The primary goals of the Area Agency on Aging are to empower independence and enhance the quality of life and enjoyment of aging individuals by offering a supportive network for older persons and their family caregivers through advocacy education, coordination, and implementation of programs and services in the tri-jurisdictional area of the County and the Cities.

*Housing Opportunities and Assistance:* The Office of Housing and Community Development (“OHCD”) is responsible for developing affordable housing opportunities and neighborhood resources for low and moderate-income households in the County. OHCD manages the development and implementation of the Prince William Area (the County and the Cities) Consolidated Housing and Community Development Plan to encourage and support affordable housing programs and services. OHCD primarily uses federal resources to provide housing development, rehabilitation and preservation services, home ownership financing, rental assistance through the federally-funded Housing Choice Voucher Program, and housing-related services. OHCD also provides financial services to local shelters for their operation and assistance to homeless families.

*Public Health Services:* The Department of Public Health provides a wide range of services designed to promote and protect the health of the community and the environment. The Department is funded by the federal government, the Commonwealth, the County, the Cities, and Commonwealth and local user fees. It is responsible for the community and clinical preventive services, vital statistics, health information, environmental health services, and the assurance of access to needed quality health care services. The Department of Public Health’s functions include the provision of preventive and other clinical services including: immunizations for children and adults; prenatal care; women’s wellness; sexually transmitted disease services; tuberculosis treatment and care; dental care; and nutrition services for women, infants, and children. The agency’s functions also include the issuance of death certificates; inspections of food and public establishments; inspection, testing, and permitting of water supplies and sewage disposal systems; and review of new development projects for environmental health impacts. Public Health interventional activities include the investigation and control of communicable disease outbreaks, rabies control, health and environmental hazard mitigation, and bioterrorism/public health emergency response.

## **Judicial Administration**

The County administers judicial affairs through a court system consisting of the Circuit Court, the General District Court, and the Juvenile and Domestic Relations Court and through the Offices of the Clerk of the Court, the Commonwealth’s Attorney, the Community Corrections Agency, and the Office of Criminal Justice. Funding for the operations of the Clerk of the Court, the Circuit Court and other courts, the Magistrates, the Commonwealth’s Attorney, and the Sheriff’s Office is largely provided by the Commonwealth but is supplemented by the County.

The Prince William – Manassas Regional Adult Detention Center (“ADC”) consists of five buildings in the County: the Main Jail facility, the Modular Jail building, the Central Jail facility,

the Annex for administrative and training use, and the Iron Building housing for the Work Release and Electronic Incarceration Program located in the City of Manassas. The ADC's mission is to provide secure, safe, and cost effective inmate housing. The ADC serves the County and the Cities, and is governed by an eleven-member Regional Jail Board (the "Jail Board"). The Sheriff is an ex officio member by statute. The Board appoints eight members, and the Manassas City Council appoints two members to the Jail Board. The Commonwealth Department of Corrections operational capacities in the County as of December 2019 are estimated at 200 inmates in the Central Jail, 202 inmates in the Main Jail, 200 inmates in the Modular Jail, and 65 inmates in the Work Release center, for a total of 667 inmates. The Jail Board, with the advice of the ADC superintendent, has set management capacities higher than operational capacities. The Central Jail and Main Jail facilities are double-bunked, and by adding staff to manage inmates, additional inmates may be housed. The expansion adjacent to the existing ADC, which includes a Work Release facility and a parking lot expansion, is planned to be completed in July 2020. The expansion will provide 204 additional general population beds to alleviate current overcrowding and allow for future inmate population growth.

## **Planning and Development**

*Transportation, Public Works, and Development Services:* The Departments of Transportation, Public Works, and Development Services provide services to maintain and improve the safety, quality of life, and environment for County residents. These departments assist with the planning and construction of safe and adequate roadways, engineering, construction and maintenance of public facilities, property code enforcement, protection and management of the County's watersheds, and engineering review and inspections for site development, building construction and code compliance.

The Department of Transportation's goals include easing the flow of traffic and improving travel within the County for residents and visitors. Working with local, regional, Commonwealth and federal counterparts, this department is responsible for the construction management of the County's new roads and other improvements not managed by the Virginia Department of Transportation.

The Department of Public Works provides internal services for construction management of capital projects, fleet maintenance of County vehicles and equipment, and manages the County's solid waste system which includes a sanitary landfill, yard waste composting facilities, and recycling facilities. The operation of the County's solid waste system is funded entirely through a County-wide solid waste user fee, other user fees and charges for services, and the sale of recyclable materials. The estimated useful life of the system extends to 2060.

The Department of Development Services ("DDS") is the lead development agency for the County. DDS works closely with many affiliated agencies, including Planning, the Fire Marshall/Emergency Services, Public Works, Transportation, and Information Technology to assist customers with the timely development of projects and to ensure compliance with County and state requirements. DDS is also the lead agency responsible for updating the County's design and construction standards manual.

*Land Use Planning:* The Office of Planning is responsible for identifying current and future land use and public facilities needs of the County. The Office of Planning prepares and updates the County’s comprehensive plan, the general guide to the location, character, and extent of proposed anticipated land use, including public facilities. In addition, the Office of Planning reviews proposals for compliance and prepares, updates, and enforces the zoning ordinance. The Office of Planning also reviews and provides planning analysis of proposed zoning changes and special use permits, and is responsible for the implementation of proffers.

*Geographic Information:* The Geographic Information System (“GIS”) Division of the Department of Information Technology operates the County’s enterprise geospatial program to enable an effective and efficient government using advanced GIS technologies. The GIS program prepares and maintains a multipurpose data warehouse, application suite, and infrastructure, delivering specialized geospatial, geodetic, demographic, and legal information derived from authoritative resources and offered to assist the County in administering its land development and management responsibilities, enhancing public safety response, sustaining the environment, and building healthy populations with a world class GIS infrastructure. As Prince William County’s official resource and subject matter experts in GIS technology, the GIS Division engineers, operates, and maintains the central GIS technology platform and its associated GIS web applications, GIS desktop application and custom GIS tools. The GIS Division serves as the “official” resource and geospatial service for information about the County’s population, social characteristics, households, housing, and economic attributes for use by the public and County agencies, as well as, operates an information and map distribution center for dissemination of geospatial and demographic information to the public, regulators, developers, businesses, and other interested parties.

## **Parks, Recreation and Libraries**

*Libraries:* The County’s library system provides services to the citizens of Prince William County and the Cities through its current two full-service regional libraries, four community libraries and five neighborhood libraries. The library system had 277,040 registered patrons as of the end of fiscal year 2019. During fiscal year 2019, the library circulated approximately 2.9 million print and digital library materials and had nearly 5.9 million information and electronic resource requests.

*Parks, Recreation and Tourism:* The County Department of Parks, Recreation and Tourism (“DPRT”) is responsible for the development, construction, operation, and maintenance of parks and recreational facilities and promote tourism throughout the County. DPRT currently operates 79 park and recreational areas and manages approximately 5,147 acres. Approximately one-third of the total acreage owned is developed and maintained for active recreational and leisure use. Operations are managed by the County DPRT Director assisted by a Parks and Recreation Commission, an advisory commission appointed by the Board.

## **Water Supply and Wastewater Collection and Treatment**

*Prince William County Service Authority:* The boundaries of its service area are coterminous with the County. All heavily developed areas of the County, with the exception of the unincorporated Dale City area in the eastern part of the County, are provided water and

wastewater service by the Service Authority. The Service Authority provides service to approximately 93,000 residential and commercial accounts. Over the past five years, the Service Authority has seen a 7.4 percent increase in its customer base.

Water is supplied from a combination of sources: Service Authority-owned wells and long-term water purchase agreements with the Fairfax County Water Authority and the City of Manassas. The Service Authority's total capacity as of May 2019 was 67.9 million gallons per day ("mgd"), which is expected to meet County water needs until the year 2036. Additional capacity will be purchased when required. During fiscal year 2018, the Service Authority delivered a daily average of 27.8 mgd representing 99.6 percent purchased water and 0.4 percent produced water from the Service Authority's wells. The Service Authority's water storage and distribution system consists of approximately 1,236 miles of water lines, 26.1 million gallons of water storage, and various pumping stations.

The Service Authority's sewage treatment system consists of the H. L. Mooney Advanced Water Reclamation Facility ("Mooney AWRF"), with a current capacity of 24 mgd. Current capacity is expected to satisfy growth in the Service Authority's service area until the year 2030. The Service Authority's 1,097 miles of sewer mains transport wastewater to these facilities, as well as to the Upper Occoquan Sewage Authority ("UOSA") Regional Facility, which provides wastewater treatment service to the Cities and to portions of Fairfax and Prince William Counties.

Under a long-term agreement with UOSA, the County's share of the treatment capacity at the interjurisdictional UOSA plant is 19.8 mgd of the present UOSA plant capacity of 54 mgd. Current capacity, along with a planned UOSA capacity expansion, will service most of the County's sewage treatment through the year 2026. To meet sewage treatment needs beyond that time, the Service Authority plans to further expand the capacity of the Mooney AWRF and purchase additional treatment capacity at UOSA. The UOSA facility is authorized to expand to a maximum plant build-out capacity of 80 mgd.

The Service Authority is a self-supporting enterprise fund. It derives all of its operating revenues from its customer billings. The Service Authority also collects availability fees from owners/developers to cover the cost for treatment capacity and infrastructure related to growth. The Service Authority adopts an annual operating budget and capital improvement program, sets rates, and may issue revenue bonds without the approval of other governmental bodies, including the Board.

*Upper Occoquan Sewage Authority:* UOSA was formed on March 3, 1971, by concurrent resolutions of the governing bodies of Fairfax and Prince William Counties and the Towns (now Cities) of Manassas and Manassas Park, and was chartered by the Commonwealth of Virginia State Corporation Commission on April 1, 1971. The governing body of UOSA is an eight-member Board of Directors consisting of two members appointed for four-year terms by the governing body of each member jurisdiction. UOSA's Executive Director is responsible to the Board of Directors for the day-to-day operations of UOSA. UOSA was established to acquire, finance, construct, operate, and maintain facilities for the treatment of sewage in its service area and is organized into four divisions: Operations and Maintenance, Treatment Process, Technical Services and Finance.

UOSA's service area encompasses approximately 246 square miles and includes portions of the County, Fairfax County and the Cities. UOSA owns and operates an advanced water reclamation facility with a capacity of 54 mgd, and a regional system of sewer lines, pump stations and force mains that deliver sewage from the member jurisdictions to the treatment plant. To meet future needs from increases in population and associated wastewater flows, UOSA has developed a capital improvement program that includes a variety of major additions, extensions and improvements to its system. The existing treatment works is designed and permitted to receive and process a rolling 30-day average of 54 mgd. For the fiscal year ended June 30, 2019, the average daily flow was 37.8 mgd. The maximum 30-day rolling flow was 44.3 mgd, 82.0 percent of capacity.

## **COVID-19 Matters**

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, which is currently affecting most of the world, including the United States, the Commonwealth, and the County. The federal, state and local level governments, as well as private entities and institutions, have implemented measures to reduce the spread of COVID-19 including, but not limited to, travel restrictions, voluntary and mandatory quarantines, event postponement and cancellations, voluntary and mandatory work from home arrangements, and facility closures. The impact of these measures, as well as general concerns related to the global and national public health emergency and other contributing factors (including an ongoing oil production dispute), have also resulted in significant volatility in the capital markets and a general consensus that the global and national economies are distressed.

On March 12, 2020, Governor Northam declared a State of Emergency in the Commonwealth as a result of the COVID-19 pandemic. Subsequently, restrictions designated to address the COVID-19 pandemic have been imposed in the Commonwealth. Such restrictions include the prohibition of public and private in-person gatherings of ten (10) or more people, the closure of certain recreational and entertainment businesses and the ban on more than ten (10) patrons in nonessential retail stores capable of maintaining required social distancing (collectively, the "Restrictions"). Businesses offering professional rather than retail services may remain open but they are encouraged to use teleworking as much as possible. Further, in-person instruction at schools in the Commonwealth is cancelled for the remainder of the 2019-20 academic year. A local State of Emergency was declared by the County Executive on March 16, 2020.

On March 30, 2020, Governor Northam issued a statewide Stay-at-Home Executive Order to mitigate the spread of COVID-19, effective until June 10, 2020, unless amended or rescinded (the "Stay-at-Home Order"). The Stay-at-Home Order directs all Virginians to stay home except in extremely limited circumstances.

Also on March 30, 2020, Governor Northam requested federal disaster assistance, which was received in the form of a Major Disaster Declaration on April 2, 2020. A Major Disaster Declaration designation provides federal public assistance for all areas in the Commonwealth affected by COVID-19 at a federal cost share of 75%. The cost share allows state agencies, local governments and certain non-profit organizations to purchase supplies and receive reimbursements

for COVID-19 related costs under its Public Assistance program. The Major Disaster Declaration also authorizes federal agencies to provide direct emergency assistance to the Commonwealth.

The County expects Commonwealth, federal and local governments and private entities to take additional actions to mitigate the spread of and impacts of COVID-19. For example, service sector workers and others who cannot telework may see reduced hours or layoffs due to reduced business demand, and supply shortages may increase. The long-term and short-term capital markets have experienced significant deterioration in value and volatility, which can affect the liquidity and results of operations of companies in the Commonwealth, the Commonwealth's economy as a whole and could materially affect the levels of the Commonwealth's and County's revenues for the current and future fiscal years.

The duration and extent of the impact of COVID-19 on the Commonwealth's revenues, expenses and cashflow and how it affects the County's share of funds transferred are uncertain and cannot be quantified with any degree of certainty at this time. It is expected that the Commonwealth will not adopt a new six-year transportation plan until after the budget re-forecast. Even with a new transportation funding bill passed this year at the State level, there could be significant decreases in funding available from sources such as sales tax. Such reductions may also have a material impact on the County's ability to fund transportation projects, not to mention a reduction in the County's sales tax revenue due to the expected decline in retail sales for the remainder of fiscal year 2020. However, the County's COVID-19 pandemic revenue impact is not projected to be as significant as that of the Commonwealth's due to property taxes being the largest source of the County's total revenue. More details of COVID-19 impact on the County's revenues and expenses are provided under the captions "GENERAL FUND FINANCIAL OPERATIONS" and "SUMMARY OF THE BUDGET FOR FISCAL YEAR 2021" below.

On March 27, 2020, the president signed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), containing a \$2.2 trillion fiscal stimulus package. State and local governments across the country share \$150 billion in federal aid under a provision of the CARES Act. Local governments with populations of 500,000 or more are also eligible for the aid. The Commonwealth of Virginia's share equals about \$3 billion. On May 1, 2020, it was announced that \$9 million of Federal Government aid under the CARES Act was allocated to Prince William County School Division. The County, including the Adult Detention Center component unit, is expected to receive approximately \$41 million in CARES Act funding from the Commonwealth. Funds provided under the CARES Act are to be used for pandemic-related expense reimbursement and may not offset lost revenues.

County leadership has evaluated the County's liquidity to meet its obligations and believes that the County has sufficient liquidity without the need to access external funding for operations. The effects of the pandemic are still in the early stages, however, and will require constant re-evaluation of revenues and expenditures and liquidity, and the County reserves the right to employ external financing to meet such needs.

## DEMOGRAPHIC AND ECONOMIC FACTORS

### Population Characteristics

The County’s population is concentrated in two areas: the suburban areas of Woodbridge/Dale City along the I-95 corridor, and the north central sections of the County along Interstate 66 including the suburban neighborhoods surrounding the City of Manassas. Other areas of the County have experienced new, and often rapid, population increases in the past ten years. These new growth areas include developments along the Prince William Parkway and Route 234 in the east and Linton Hall Road, Vint Hill Road, and James Madison Highway in the west. According to the 2010 census, the County was the second most populous county in the Commonwealth and one of its most rapidly growing jurisdictions. The County’s population increased from 280,813 to 402,002 between 2000 and 2010, an increase of 43.2 percent or an average annual growth of 3.7 percent. The following table provides population growth over the last four decades between 1970 and 2010 for the County, the Washington, D.C. metropolitan statistical area (“MSA”), and the Commonwealth.

#### CENSUS POPULATION AND RATES OF CHANGE

<u>Year</u>	<u>Prince William County<sup>(1)</sup></u>	<u>Percentage Change</u>	<u>Washington D.C. MSA<sup>(2)</sup></u>	<u>Percentage Change</u>	<u>Commonwealth of Virginia</u>	<u>Percentage Change</u>
1970	111,102	-	2,481,489	-	4,648,494	-
1980	144,703	30.2%	3,477,972	40.2%	5,346,818	15.0%
1990	215,686	49.1	4,223,485	21.4	6,187,358	15.7
2000	280,813	30.2	4,796,183	13.6	7,078,515	14.4
2010	402,002	43.2	5,582,170	16.4	8,001,024	13.0

*Source:* U.S. Census Decennial Censuses, 1970-2010; Prince William County Demographer.

*Notes:* <sup>(1)</sup> The geographic boundaries of the County changed between 1970-2010 due to the Cities becoming incorporated and independent in 1975. The population figures reflect the reported Decennial Census data and reflect the County boundary as defined at that point in time.

<sup>(2)</sup> The 1970 to 1990 population figures are based on the 2000 definition of the Washington, DC-VA-MD MSA.

Housing construction increased modestly in post-recession years and has led to a strong housing market with a balanced distribution of new home types across all districts. Population growth in the 2010s will likely amount to less than half of the growth experienced in the 2000s as the county’s record pre-recession growth has leveled off.

The following two tables show the County’s population for 2010 through 2019, forecasts for 2020 and 2030, as estimated by the County in cooperation with the Metropolitan Washington Council of Governments, and other population characteristics of the County as of 2019.

## COUNTY POPULATION

<u>Year</u>	<u>Population</u>	<u>Average Annual Percentage Growth</u>
July 1, 2010 <sup>(1)</sup>	402,002	-
July 1, 2011 <sup>(2)</sup>	410,454	2.1%
July 1, 2012 <sup>(2)</sup>	418,107	1.9
July 1, 2013 <sup>(2)</sup>	425,681	1.8
July 1, 2014 <sup>(2)</sup>	433,621	1.9
July 1, 2015 <sup>(2)</sup>	441,627	1.8
July 1, 2016 <sup>(2)</sup>	449,864	1.9
July 1, 2017 <sup>(2)</sup>	456,126	1.4
July 1, 2018 <sup>(2)</sup>	459,966 <sup>(4)</sup>	0.8
July 1, 2019 <sup>(2)</sup>	463,867 <sup>(4)</sup>	0.8
July 1, 2020 <sup>(3)</sup>	467,900	0.9
July 1, 2030 <sup>(3)</sup>	529,600	1.3

*Sources or Notes:* <sup>(1)</sup>U.S. Census Bureau, Census 2010.

<sup>(2)</sup>Prince William County GIS Division. 2017 Population restated in April 2018. Population from 2011 to 2016 restated in February of 2017. Based on quarter two of each year.

<sup>(3)</sup>Estimated Metropolitan Washington Council of Governments (MWCOG) 9.1 Cooperative Forecasts for Prince William County, October 2018.

<sup>(4)</sup>The population estimates for 2018 and 2019 were revised in March 2020 to better align with 2019 Quarter 4 population estimates that account for household size of age-restricted housing units.

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## SELECTED 2018 POPULATION CHARACTERISTICS

<u>Characteristic</u>	<u>Prince William County</u>	<u>Virginia</u>	<u>United States</u>
Median Age	34.9	38.1	37.9
Percent Age 17 or Under	27.6%	22.2%	22.8%
Percent Age 65 or Older	9.2%	14.6%	15.2%
Average Number of Persons per Household	3.22	2.61	2.63
Percent with High School Diploma or Higher	88.5%	89.3%	87.7%
Percent with Bachelor's Degree or Higher	40.1%	38.2%	31.5%

*Source:* U.S. Department of Commerce, Census Bureau, 2014-2018 American Community Survey 5-Year Estimates. The 2014-2018 American Community Survey is the most recent as of the date of this Official Statement.

### Income

According to the 2014-2018 American Community Survey 5-Year Estimates, the 2018 median household income in Prince William County was \$103,445, which ranked twenty-third highest among all counties and equivalents in the United States. The County has the seventh highest median household income in the Commonwealth, indicating the relative wealth of Prince William County and the greater Washington metropolitan region, which included nine of the top twenty-five counties in the nation for median household income. Comparisons of the County's 2018 median household income estimate are shown in the following table:

### COMPARATIVE 2018 INCOME ESTIMATE

	<u>Median Household Income<sup>(1)</sup></u>
Prince William County	\$103,445
Commonwealth of Virginia	71,564
United States	60,293

*Source:* U.S. Census Bureau, 2014-2018 American Community Survey, 5-Year Estimates.

*Note:* <sup>(1)</sup> A household includes related individuals, unrelated individuals and single persons who are living alone.

### Commerce and Employment

Major business concentrations within the County are located along the Interstate 95 and Interstate 66 corridors. Sites near Interstate 66 are particularly well-suited for industrial, high technology, and service companies. Commerce and retail development are concentrated in the eastern half of the County along the Interstate 95 and Route 1 corridor and in the western portion of the County along the Sudley Road corridor between the City of Manassas and Interstate 66 as

well as the Lee Highway/Route 29 corridor south of the Route 66 and Route 29 interchange. Businesses and other establishments located in the County include Sentara and Novant Hospitals; Kaiser Permanente; American Type Culture Collection; Corning Life Sciences – Mediatech Inc.; Live Nation (Jiffy Lube Amphitheatre); Mall at Potomac Mills; Cabela’s; Comcast Communications; Federal Bureau of Investigation; Northern Virginia Community College; George Mason University Science and Technology Campus; New Horizon Security; FedEx Ground; Medliminal, LLC; Minnieland Private Day School; US Foods; Reinhart Foodservice; Mondelēz International and numerous data centers, including Iron Mountain, CloudHQ, QTS, and COPT. Overall, the largest employment sectors are services, retail and government.

Major public and private employers located within the County as of June 30, 2019 include:

**MAJOR PUBLIC AND PRIVATE EMPLOYERS**

<u>Employer</u> <sup>(1)</sup>	<u>Ownership</u>	<u>Number of Employees</u> <sup>(2)</sup>	<u>Rank</u>
Prince William County School Board	Local Government	1,000 and over	1
Prince William County	Local Government	1,000 and over	2
U.S. Department of Defense	Federal Government	1,000 and over	3
Walmart	Private	1,000 and over	4
Morale Welfare and Recreation	Federal Government	1,000 and over	5
Sentara Healthcare (Potomac Hospital)	Private	1,000 and over	6
Wegmans Store #07	Private	500-999	7
Target Corporation	Private	500-999	8
Northern Virginia Community College	State Government	500-999	9
MJ Morgan Group	Private	500-999	10

Source: Prince William County, Virginia, Comprehensive Annual Financial Report, fiscal year 2019, Table 17.

Notes: <sup>(1)</sup> All data provided by the Virginia Employment Commission (1<sup>st</sup> Quarter 2019).

<sup>(2)</sup> The County is prohibited from publishing the actual number of employees per the Confidential Information Protection and Statistical Efficiency Act of 2002 – Title V of Public Law 107-347.

The County civilian labor force, as reported by the Bureau of Labor Statistics, was 246,723 in 2019, which was an increase of 6.5 percent over the past five years. After increasing each year since 1997, the average civilian labor force in the County began to level off in 2013 with slight fluctuations up and down between 2014 and 2016. This may be a result of the slowing population growth after a boom in the 1990s and 2000s. In 2019, the employed labor force was 240,559, an increase of 9.2 percent over the past five years.

The number of jobs located in the County, or at-place employment, averaged over the first nine months of 2019 was 132,810. At-place employment in the County has increased 59.8 percent since 2001, when employment was estimated at 83,107. In the five-year period from 2014 to 2019, at-place employment grew by 13,347 jobs, or 11.2 percent.

Year-over-year, from the 2018 annual average to the first nine months of 2019, total jobs in the County increased by 2,475 or 1.9 percent annualized. The following two tables provide information on at-place employment from 2010 to 2019, as well as jobs by employment sector.

**PRINCE WILLIAM COUNTY EMPLOYMENT GROWTH**

<u>Calendar Year</u> <sup>(1)</sup>	<u>At Place Employment</u>	<u>Percent Change</u>
2010	103,877	-
2011	108,137	4.1%
2012	112,954	4.5
2013	116,645	3.3
2014	119,463	2.4
2015	122,607	2.6
2016	126,283	3.0
2017	127,892	1.3
2018	130,335	1.9
2019 <sup>(2)</sup>	132,810	1.9

Source: Virginia Employment Commission/Bureau of Labor Statistics.

Notes: <sup>(1)</sup> For 2010-2018, the data reflects annual averages.

<sup>(2)</sup> For 2019, the values are preliminary.

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**PRINCE WILLIAM COUNTY AVERAGE EMPLOYMENT BY INDUSTRY**

	2013		2016		2019		2013- 2019 % Change
	2nd Qtr.		2nd Qtr.		2nd Qtr.		
	#	%	#	%	#	%	
Retail Trade	22,028	18.7	22,999	18.0	21,962	16.3	-0.30
Educational Services	15,896	13.5	16,724	13.1	17,445	12.9	9.74
Health Care and Social Assistance	11,177	9.5	12,685	9.9	15,223	11.3	36.20
Construction	12,222	10.4	13,611	10.7	15,012	11.1	22.83
Accommodation and Food Services	12,916	10.9	14,266	11.2	14,515	10.8	12.38
Professional, Scientific, and Technical Services	8,756	7.4	9,246	7.2	10,259	7.6	17.17
Public Administration	8,046	6.8	7,385	5.8	7,705	5.7	-4.24
Administrative and Support and Waste Management	5,388	4.6	7,091	5.6	7,240	5.4	34.37
Arts, Entertainment, and Recreation	3,908	3.3	4,661	3.7	5,381	4.0	37.69
Other Services (except Public Administration)	3,863	3.3	4,472	3.5	4,734	3.5	22.55
Wholesale Trade	2,962	2.5	2,884	2.3	2,993	2.2	1.05
Transportation and Warehousing	2,308	2.0	2,480	1.9	2,677	2.0	15.99
Finance and Insurance	1,905	1.6	2,171	1.7	2,089	1.6	9.66
Manufacturing	1,939	1.6	2,015	1.6	1,954	1.5	0.77
Real Estate and Rental and Leasing	1,563	1.3	1,639	1.3	1,760	1.3	12.60
Information	1,625	1.4	1,383	1.1	1,448	1.1	-10.89
Management of Companies and Enterprises	681	0.6	691	0.5	854	0.6	25.40
Utilities	669	0.6	662	0.5	759	0.6	13.45
Unclassified establishments	n/a	0.0	370	0.3	471	0.3	n/a
Agriculture, Forestry, Fishing and Hunting	67	0.1	83	0.1	127	0.1	89.55
Mining, Quarrying, and Oil and Gas Extraction	91	0.1	95	0.1	103	0.1	13.19

Source: Virginia Employment Commission. Labor Market Information: Quarterly Census of Employment and Wages (QCEW).

The 2019 unemployment rate for the County was 2.5 percent (preliminary) compared to 2.7 percent in 2018 and 4.1 percent in 2015. As shown in the following table, the unemployment rate in the County has been consistently below Commonwealth of Virginia and national averages.

### HISTORICAL UNEMPLOYMENT RATES<sup>(1)</sup>

<u>Calendar Year</u>	<u>Prince William County</u>	<u>Commonwealth of Virginia</u>	<u>United States</u>
2010	6.1%	7.1%	9.6%
2011	5.7	6.6	8.9
2012	5.3	6.1	8.1
2013	5.2	5.7	7.4
2014 <sup>(1)</sup>	4.9	5.2	6.2
2015 <sup>(1)</sup>	4.1	4.5	5.3
2016 <sup>(1)</sup>	3.7	4.1	4.9
2017 <sup>(1)</sup>	3.4	3.7	4.4
2018 <sup>(1)</sup>	2.7	3.0	3.9
2019 <sup>(1)</sup>	2.5 <sup>(2)</sup>	2.8	3.7

*Source:* United States Department of Labor, Bureau of Labor Statistics.

*Notes:* <sup>(1)</sup>Unemployment rates for 2014-2018 reflect revised population controls and model reestimation.

<sup>(2)</sup> 2019 value is preliminary.

### Assessed Value of Locally Taxed Property

The Virginia Constitution and the Code of Virginia provide that real estate and tangible personal property (except the rolling stock of public service corporations) are reserved for taxation by cities, counties, towns and other local government entities. The assessed value and the estimated market value of all taxable real estate and personal property in the County for the last ten fiscal years are presented in the following table.

Fiscal year values represent the January 1 assessed value for the prior fiscal year (e.g. fiscal year 2019 values are based on the January 1, 2018 assessment). According to the 2019 Real Estate Assessments Annual Report, published October 25, 2019, the assessed value of residential property, including vacant land and excluding rental apartments, increased 4.49 percent in tax year 2019, which is based on assessed values as of January 1, 2018. The change in the residential real estate value is due to 3.40 percent appreciation and 1.09 percent growth.

The assessed value (without estimated supplements) for all real estate property types as of January 1, 2019, recognized as fiscal year 2020 revenue, indicates an estimated increase of 4.22 percent to \$63,593,398,033. The change in the real estate value is due to 3.02 percent appreciation and 1.20 percent growth.

The assessed value (without estimated supplements) for tax year 2019 and percent increase from tax year 2018 are as follows: Residential (including Apartments) \$52,058,969,900 (4.56 percent increase); Commercial \$9,526,081,200 (3.09 percent increase); Public Service \$1,822,119,833 (1.00 percent increase) and Land and Other \$186,227,100 (.29 percent increase).

Additional information regarding real estate assessments is published in the Real Estate Assessments Office Annual Report available on the County website <http://www.pwcgov.org>.

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**Assessed and Estimated Market Value of Taxable Property <sup>(1)(2)</sup>  
Last Ten Fiscal Years  
(\$000's)**

Fiscal Year	-----Real Property-----				% of Assessed to Estimated Market Value	-----Personal Property <sup>(5)</sup> ----		-----Grand Total <sup>(6)</sup> -----	
	Locally Assessed	Public Service <sup>(3)</sup>	Total Assessed Value	Estimated Market Value <sup>(4)</sup>		Locally Assessed <sup>(5)</sup>	Public Service <sup>(3)</sup>	Assessed Value	Estimated Market Value
2011	\$37,789,426	\$1,466,645	\$39,256,071	\$48,535,035	80.9	\$3,492,204	\$2,157	\$42,750,432	\$52,029,396
2012	40,181,834	1,472,610	41,654,444	49,533,872	84.1	3,754,050	5,243	45,413,737	53,293,165
2013	42,062,252	1,521,977	43,584,228	50,810,494	85.8	4,083,424	4,520	47,672,172	54,898,438
2014	44,775,834	1,501,931	46,277,765	57,109,671	81.0	4,320,401	3,401	50,601,567	61,433,473
2015	48,562,060	1,531,397	50,093,457	57,663,419	86.9	4,526,613	3,106	54,623,176	62,193,138
2016	52,186,351	1,678,330	53,864,681	60,222,752	89.4	4,986,744	3,536	58,854,961	65,213,032
2017	53,981,879	1,782,650	55,764,529	61,527,420	90.6	5,568,159	3,033	61,335,721	67,098,612
2018	56,065,061	1,826,020	57,891,081	65,844,401	87.9	5,861,397	3,440	63,755,918	71,709,238
2019	59,410,133	1,804,079	61,214,212	66,887,308	91.5	6,395,587	3,274	67,613,073	73,286,169
2020	61,933,175	1,822,120	63,755,295	68,882,957	92.6	NA	-	-	-

*Sources:* Prince William County, Department of Finance (2019 Real Estate Annual Report Table 7 and Comprehensive Annual Financial Report, fiscal year 2019, Table 21).

Fiscal year 2019 and 2020 values include estimates made by the County's Real Estate Division for Public Service Property until information is received from the Commonwealth. Fiscal year 2020 is preliminary until the Real Estate Landbook for calendar year 2020 is published in October 2020.

*Notes:* <sup>(1)</sup> Fiscal year values represent the January 1 assessed value for the prior fiscal year (e.g., fiscal year 2020 values are based on the January 2019 assessment).

<sup>(2)</sup> Assessed values include landbook values plus all supplements.

<sup>(3)</sup> Public Service property is valued by the Virginia State Corporation Commission and the Department of Taxation at prevailing assessment ratios.

<sup>(4)</sup> The Estimated Market Value of real property (including Public Service) is calculated by dividing the assessed value by the County's assessment-to-sales price ratio as determined annually by the Virginia Department of Taxation. Since the ratios for fiscal year 2019 and 2020 are not available as of the date of this Official Statement, estimates from the County Real Estate Office are reported.

<sup>(5)</sup> The estimated market value of personal property is assumed to equal 100% of the assessed value. FY 2019 values for Personal Property are latest available.

<sup>(6)</sup> Totals may not add due to rounding.

**ASSESSED VALUE OF REAL PROPERTY<sup>(1)</sup>**  
(\$000's)

<u>Fiscal Year</u>	<u>Residential and Condos</u>	<u>Apartments</u>	<u>Public Service Property<sup>(2)</sup></u>	<u>Commercial and Industrial</u>	<u>All Other<sup>(3)</sup></u>	<u>Total Use Value Assessment<sup>(4)(5)</sup></u>
2011	\$30,434,819	\$1,451,944	\$1,466,645	\$5,722,158	\$180,505	\$39,256,071
2012	32,477,281	1,642,125	1,472,610	5,899,244	163,184	41,654,444
2013	33,769,506	1,911,766	1,521,977	6,210,947	170,032	43,584,228
2014	35,821,828	2,185,291	1,501,931	6,597,590	171,126	46,277,765
2015	39,073,111	2,525,672	1,531,397	6,802,104	161,172	50,093,457
2016	41,983,238	2,856,819	1,678,330	7,179,333	166,961	53,864,681
2017	43,393,628	3,020,162	1,782,649	7,406,620	161,469	55,764,529
2018	44,665,855	3,047,465	1,826,020	8,185,594	166,147	57,891,081
2019 <sup>(6)</sup>	46,722,672	3,243,286	1,804,079	9,258,196	185,978	61,214,212
2020 <sup>(6)</sup>	48,785,654	3,422,090	1,822,120	9,538,909	186,522	63,755,295

*Source:* Prince William County, Department of Finance (Real Estate Annual Report, fiscal year 2019, Table 7).

*Notes:* <sup>(1)</sup> Assessed values include landbook values plus all supplements.

<sup>(2)</sup> Public Service Property is valued by Commonwealth agencies and includes land and improvements owned by utilities, railroads, and natural gas and petroleum pipeline operators. Fiscal year 2019 and 2020 values include estimates for Public Service Property until information is received from the Commonwealth.

<sup>(3)</sup> The All Other category consists mainly of agricultural land.

<sup>(4)</sup> Figures do not include assessed values of properties that were assessed rollback taxes.

<sup>(5)</sup> Totals may not add due to rounding.

<sup>(6)</sup> Preliminary, subject to revision based on supplemental assessments of new construction.

The following table presents the 25 largest taxable property owners based on assessed values for January 1, 2018, which represents fiscal year 2019 revenue. The total assessed value of the largest 25 taxpayers was \$3,836,682,278 representing approximately 6.3 percent of the fiscal year 2019 total taxable assessed value of real property within the County. The January 1, 2019 numbers which represent fiscal year 2020 revenue will not be available until the Real Estate Annual Report is published in October 2020.

### PRINCIPAL REAL PROPERTY TAXPAYERS

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2018 Assessment</u> <sup>(1)</sup>
Virginia Electric & Power Company	Utility	\$874,741,573
Mall at Potomac Mills LLC	Shopping Center	500,598,400
Northern Virginia Electric Co-Op	Utility	341,939,847
Abdeen Ventures LLC	Data Center	165,800,000
Verizon South Inc.	Utility	156,251,849
Powerloft @ Innovation I LLC	Data Center	148,349,400
Washington Gas Light Company	Utility	144,971,509
JBG/Woodbridge Retail LLC	Shopping Center	133,775,500
Rolling Brook Windsor LLC	Apartments	114,124,900
Chatsworth Park Investors LLC	Apartments	104,919,800
Kir Smoketown Station LP	Shopping Center	102,596,700
Woodbridge Station Apartments LLC	Apartments	99,188,900
Harbor Station Communities LLC	Residential	96,627,600
Westgate Apartments Lmted Ptnshp	Apartments	88,767,700
Sutton Ballston LLC & Sutton Equity LLC	Apartments	81,810,700
United Dominion Realty Trust Inc.	Apartments	79,741,500
Fairfield Potomac Club LLC	Apartments	78,892,300
Magazine Carlyle Station LP	Apartments	69,253,800
DCO Caroline Development LLC	Apartments	68,270,900
LCOR Raven's Crest LLC	Apartments	66,585,300
Stonewall Regency LLC	Shopping Center	66,120,600
TGM Manassas Inc.	Apartments	65,826,700
VADATA Inc	Data Center	64,117,600
Rivergate Phase I LLC	Apartments	61,908,300
Walker Station LLC	Apartments	<u>61,500,900</u>
<b>Total</b> <sup>(2)</sup>		<b>\$3,836,682,278</b>

Source: Prince William County, Department of Finance, Real Estate 2019 Annual Report, Table 12.

Notes: <sup>(1)</sup> Calendar year assessment January 2018 equates to fiscal year 2019 revenue.

<sup>(2)</sup> Total may not add due to rounding.

## Commercial and Industrial Development

As of December 31, 2019, the total inventory of existing commercial space was approximately 48.2 million square feet. This includes 7.5 million square feet of office space, 5.5 million square feet of flex space (office and/or retail), 13.4 million square feet of industrial space, and 21.8 million square feet of retail space.

A net total of 5.3 million square feet of commercial space has been added to the County's inventory in the last nine years. This includes .45 million square feet of office space, .75 million square feet of flex space, 2.3 million square feet of industrial space, and 1.8 million square feet of retail space. The increase in commercial space over the last nine years has averaged 1.29 percent per year. This includes an average annual increase of .69 percent in office space, 1.65 percent in flex space, 2.14 percent in industrial space and .94 percent in retail space.

In 2019 the County added a net of 858,249 (1.81 percent) square feet to its commercial inventory. This includes an increase of 88,252 square feet (1.18 percent) of office space, an increase of 138,600 square feet (2.57 percent) of flex space, an increase of 433,130 square feet (3.35 percent) of industrial space and an increase of 198,267 square feet (0.92 percent) of retail space. The current composition of the County's commercial inventory is 15.67 percent office, 11.48 percent of flex space, 27.74 percent industrial space and 45.11 percent retail space. Totals in each category in the fourth quarter of 2010 through 2019 years are shown in the following table.

### COMMERCIAL, INDUSTRIAL AND RETAIL SPACE<sup>(1)</sup> (In Square Feet)

<u>Year</u>	<u>Office</u>	<u>Flex</u> <sup>(2)</sup>	<u>Industrial</u>	<u>Retail</u>	<u>Total</u>
2010	7,104,579	4,792,564	11,071,947	20,003,493	42,972,583
2011	7,187,672	4,765,064	11,198,819	20,163,391	43,314,946
2012	7,273,958	4,755,314	11,268,344	20,702,174	43,999,790
2013	7,330,909	4,755,314	11,519,147	20,978,838	44,584,208
2014	7,330,909	4,878,382	11,648,997	21,085,508	44,943,796
2015	7,352,229	4,889,982	11,765,205	21,154,999	45,162,415
2016	7,349,328	5,226,142	11,780,147	21,260,863	45,616,480
2017	7,472,388	5,400,142	12,291,647	21,521,355	46,685,532
2018	7,467,837	5,400,142	12,948,387	21,559,872	47,376,238
2019	7,556,089	5,538,742	13,381,517	21,758,139	48,234,487

Source: CoStar Realty Information, Inc., March 2020.

Notes: <sup>(1)</sup> CoStar continually updates data regarding real estate space. The amounts are subject to revision based on supplemental review.

<sup>(2)</sup> Flex is defined by CoStar as a building designed to be versatile and may be used in combination with office, research and development, quasi-retail sales, industrial processing or high tech.

## Retail Sales

The following shows taxable retail sales in the County for calendar years 2010 through 2019.

### TAXABLE RETAIL SALES

<u>Calendar Year</u>	<u>Taxable Retail Sales (\$000's)</u>	<u>Percentage Change</u>	<u>Retail Sales Per Capita<sup>(2)</sup></u>
2010	\$4,341,373	-	\$10,799
2011	4,502,616	3.7%	10,970
2012	4,882,057	8.4	11,677
2013	5,004,545	2.5	11,757
2014	5,090,291	1.7	11,739
2015	5,251,291	3.2	11,891
2016	5,409,151	3.0	12,024
2017	5,540,356	2.4	12,147
2018	5,671,609	2.4	12,317
2019 <sup>(1)</sup>	5,806,143	2.4	12,446

*Source:* Virginia Department of Taxation via Weldon Cooper Center for Public Service reported on calendar year basis. Figures may be subject to revision.

*Notes:* <sup>(1)</sup>Calendar year 2019 from Weldon Cooper Center is the latest data available. U.S. Department of Commerce Census Bureau population reported as of July 1 included in the Prince William County, Virginia, Comprehensive Annual Financial Report, fiscal year 2019, Table 15.

<sup>(2)</sup>Retail sales per capita were calculated using County population statistics provided by County demographer.

The County is served by three regional shopping areas: Potomac Mills Mall (1.9 million square feet), Virginia Gateway (1.1 million square feet), and Stonebridge at Potomac Town Center (0.5 million square feet). The County is also served by many other community and neighborhood shopping centers.

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## Housing

The following table illustrates the change in residential housing in the County from 1980 to 2010. Nearly one out of every three houses in the County has been built since 2000.

### HOUSING UNITS BY TYPE OF STRUCTURE

	1980		1990		2000		2010	
	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>
Single-family houses <sup>(1)</sup>	33,912	73.1%	43,959	58.8%	54,632	55.7%	79,574	57.8%
Townhouses	7,141	15.4	17,932	24.0	26,288	26.8	36,343	26.4
Multi-Family	<u>5,335</u>	<u>11.5</u>	<u>12,868</u>	<u>17.2</u>	<u>17,132</u>	<u>17.5</u>	<u>21,668</u>	<u>15.8</u>
Total	46,388	100%	74,759	100%	98,052	100%	137,585	100%

*Sources:* 1980-2000: U.S. Census Bureau 10-Year Censuses. 2010: U.S. Census Bureau and 2010 American Community Survey.

*Note:* <sup>(1)</sup> Single-family data includes mobile homes, boats, recreation vehicles, and vans used as permanent residences.

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## New Construction

The following tables illustrate the County's permit activity from 2010 through 2019.

### BUILDING PERMITS FOR NEW RESIDENTIAL CONSTRUCTION<sup>(1)</sup>

<b>Calendar</b>					
<b><u>Year</u></b>	<b><u>Single Family</u></b>	<b><u>Townhouse</u></b>	<b><u>Condo</u></b>	<b><u>Apartment</u></b>	<b><u>Total</u></b>
2010	951	469	282	82	1,784
2011	859	274	108	65	1,306
2012	824	276	158	188	1,446
2013	760	427	264	104	1,555
2014	656	368	185	0	1,209
2015	698	450	234	24	1,406
2016	664	451	116	28	1,259
2017	730	633	127	4	1,494
2018	729	451	32	4	1,216
2019	638	480	54	5	1,177

Source: Prince William County Department of Development Services.

Note: <sup>(1)</sup> Permits are New Residential Construction only and do not include additions and alterations.

### NUMBER AND DOLLAR VALUE OF PERMITS<sup>(1)</sup>

<b>Calendar <u>Year</u></b>	<b>Residential Properties<sup>(2)</sup></b>		<b>Industrial and Commercial Properties<sup>(3)</sup></b>		<b>Totals</b>	
	<b><u># Permits</u></b>	<b><u>Value (\$000's)</u></b>	<b><u># Permits</u></b>	<b><u>Value (\$000's)</u></b>	<b><u># Permits</u></b>	<b><u>Value (\$000's)</u></b>
2010	3,624	\$285,580	1,311	\$166,062	4,935	\$451,642
2011	2,595	227,169	1,335	208,939	3,930	436,108
2012	2,700	294,714	1,559	299,857	4,259	594,571
2013	2,825	321,202	1,782	175,691	4,607	496,893
2014	2,601	206,137	1,757	290,614	4,358	496,751
2015	2,765	299,465	1,752	262,011	4,517	561,476
2016	2,724	281,816	1,637	657,904	4,361	939,721
2017	2,837	296,804	1,382	260,711	4,219	557,515
2018	2,560	228,037	1,556	426,909	4,116	654,946
2019	2,348	242,445	1,395	974,797	3,743	1,217,242

Source: Prince William County, Department of Development Services.

Notes: <sup>(1)</sup> Permits include new construction and occupancy permits.

<sup>(2)</sup> Residential values equal new construction only.

<sup>(3)</sup> Industrial and Commercial values include additions to existing properties.

## **Economic Development**

One of the County's strategic goals is a robust economy that creates a culture of innovation, and achieves more quality jobs, economic opportunities and an expanded commercial tax base. The County aims to maintain an economic development climate that will attract and foster the expansion of industries that create high-wage jobs, diversify the non-residential tax base, and encourage people to live in, work in, and visit the County. In that regard, the County's Department of Economic Development works aggressively with targeted industries to attract new businesses and foster expansion of existing businesses. Since April 2009, new and expanding companies have announced or indicated their intention to invest approximately \$8.3 billion and add more than 6,500 jobs to the County's economy. Of the 227 projects completed from 2009 to January 2020, 183 or 80 percent were targeted industries.

Recognizing the particular strengths of the County and seizing upon market demands, the County has concentrated efforts within the life sciences, federal government agencies and contractors, and information technology markets. These efforts have proven successful in generating significant capital investments and job opportunities in the County. More recently, the County conducted a review of its targeted industries and concluded that, while they are largely appropriate, it would seek to encourage redevelopment opportunities; development within opportunity zones; small business growth (including agribusinesses); and entrepreneurship.

The County remains a focal point of the life sciences industry within Northern Virginia. The County is home to a growing ecosystem of life sciences companies, anchored by the George Mason University's Science and Technology Campus. The research generated by George Mason University creates community awareness and significant economic development opportunities. Since 2009, 24 of the Department of Economic Development's projects have been locations or expansions by life sciences companies, accounting for intended investment of approximately \$38 million and the addition of more than 170 new jobs. As a means of catalyzing additional growth, the County launched the Prince William Science Accelerator in December, 2012, and completed build out in May 2014. By delivering commercially available wet lab space to the life sciences market in Northern Virginia, the public/private facility is supporting the growth of early-stage and small life science companies and providing an innovative environment for entrepreneurial research and product development. Situated in Innovation Park near George Mason University, the 9,000 square foot facility houses nine fully built-out wet laboratory spaces suited for each tenant's specific needs. The Science Accelerator is among the largest and fastest-growing cluster of life and forensic sciences facilities in the region and is currently home to nine start-up companies. Most recently, the County announced its intention to sell approximately 4 acres of land at Innovation Park to Holladay Property Services Midwest Inc. for the development of a 30,000-square-foot facility, which will offer commercial wet lab space for early-stage life sciences companies. It is projected to open in November 2021.

With the County's proximity to Marine Corp Base Quantico, Fort Belvoir, the National Reconnaissance Office, and Washington, D.C., along with the addition of the Federal Bureau of Investigation ("FBI") Northern Virginia Resident Agency in the County, the federal government and contractors who support the missions of federal agencies have provided significant growth in the recent past. Since 2009, government contractors or federal agencies have announced their

intent to invest and create jobs in the County on 51 occasions. Announcements total approximately \$56 million in investment and 1,127 new jobs.

The County also offers large, affordable land parcels and minimal natural disaster threats, which allows clients to meet the high security standards that today's data center market demands. Currently, there are approximately 5.2 million square feet of data center facilities in the County. Cumulatively, since 2009, companies in this market have announced their intent to invest \$7.4 billion and create 990 new jobs in the County. Iron Mountain Incorporated, a global leader in storage and information management services, opened the first of four planned data centers in the County in September 2017. This first phase, \$80 million, 10.5-megawatt multi-tenant and cloud facility operates as an Uptime Institute Tier III certified facility for design and construction. Construction of a second facility on the campus is currently underway with opening anticipated later in 2020 Iron Mountain estimates an overall planned investment of \$350 million for the data center project. Today, nearly 10,000 acres of land are designated as a Data Center Opportunity Zone Overlay District.

Areas of particular interest in the County include Innovation Park (the "Park") and the Potomac Communities. These two areas are home to approximately 45 percent of the total project announcements within the County since 2009.

The Park is anchored by George Mason University's Science and Technology Campus. It is home to a growing life sciences cluster that, in addition to George Mason University, includes American Type Culture Collection, Corning Life Sciences, and the Mason/NIH BSL-3 Biomedical Research Laboratory as well as the Prince William Science Accelerator. Also present is an emerging forensic science/criminal justice cluster that includes the FBI Northern Virginia Resident Agency and the Virginia Department of Forensic Science's Northern Laboratory. Since 2009, 57 companies have announced their intent to invest approximately \$1.9 billion and add 973 new jobs at the Park.

The Potomac Communities include a number of office developments that cater to the growing demand to provide companies greater access to the Northern Virginia labor market while maintaining close proximity to Washington, D.C. and nearby federal facilities – such as Marine Corps Base Quantico, Fort Belvoir, and the Pentagon. With infrastructure improvements to local roadways and new commercial office space coming to market, the Potomac Communities provide several opportunities for those looking to locate or expand in the County. The Potomac Communities submarket has experienced increased growth over the past few years in technology and federal government sectors culminating in 25 projects, 625 jobs and almost \$66 million in investment since 2009.

## **Tourism and Travel**

Located 25 miles from the nation's capital, the County is easily accessible via Interstates 95 and 66, two rapid rail lines with direct Amtrak access, two international airports—Washington National Airport and Washington Dulles International Airport—and one regional airport, Manassas Regional Airport. Prince William County features 46 hotels with 4,700 hotel rooms, and major tourist attractions, events, and historic sites that attract visitors, create jobs, support the local economy and improve the quality of life for citizens of the County.

Prince William County is the home to the National Museum of the Marine Corps. Located adjacent to Marine Corps Base Quantico, it is a state-of-the-art, interactive museum that draws more than 500,000 visitors annually. It rivals Manassas National Battlefield Park and Potomac Mills Mall as the County's most visited tourist attractions. Outdoor adventure options include golf courses open for public play, three National Park units, two National Wildlife Refuges, two State Parks, 60 community and neighborhood parks, six marinas and two waterparks. Prince William boasts 38 square miles of public green and open space, the most in the Metropolitan Washington DC area with more than 155 miles of trails.

The County is also home to a thriving arts and cultural scene with the Hylton Performing Arts Center (a state-of-the-art opera house and performance venue), Jiffy Lube Live (a 25,000 seat LiveNation outdoor live concert amphitheater), performing and visual arts organizations, a children's theatre, and a variety of art venues, farms, and agri-tourism sites. Prince William County is also home to a burgeoning craft beverage scene that includes more than 15 wineries, distilleries, and breweries. The County has also hosted several sports tourism invitational events such as Tough Mudder, USA BMX, Soccer Tournaments, fun runs and marathons that encourages travel and overnight stays by visitors.

Tourism development continues to expand in the County with planned agri-tourism venues and craft beverage tasting rooms, hotel developments including more than 450 new hotel rooms, a proposed gaming facility in Dumfries, completion of the multi-year expansion of the National Museum of the Marine Corps, and the planned Americans in Wartime Museum. The County has also experienced a recent expansion in corporate meeting and wedding venues such as Sweeney Barn, The Great Hall at Farm Brew Live, the Roost at Farm Brewery, and the Fabrick Event Center in Dumfries, creating a new opportunity for tourism. According to a 2018 study by the U.S. Travel Association for Virginia Tourism Corporation, Prince William County is 9<sup>th</sup> of 133 municipalities in the commonwealth with total travel-related expenditures generating over \$619 million and supporting 6,662 jobs. The County collected \$36 million dollars in local and state visitor-related tax receipts in 2018 including \$4.4 million in transient occupancy tax (hotel tax) collected in fiscal year 2019. However, due to the COVID-19 pandemic, stay-at-home orders and travel restrictions announced around the country, and the County's parks facilities closure, it is expected for the tourism revenue for the County to drop significantly during the 3<sup>rd</sup> quarter of the fiscal year 2020. More details of COVID-19 impact on the County's revenues and expenses are provided under the captions "COVID-19 Matters," "GENERAL FUND FINANCIAL OPERATIONS" and "SUMMARY OF THE BUDGET FOR FISCAL YEAR 2021." The 2018 U.S. Travel Association study is the most current as of the date of this Official Statement.

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## **SECTION II - FINANCIAL ADMINISTRATION**

### **CERTAIN FINANCIAL PROCEDURES**

#### **Accounting and Financial Operations**

The accounting policies of the County, including its component units, conform to generally accepted accounting principles (“GAAP”) for governmental units as prescribed by the Governmental Accounting Standards Board (“GASB”). The County uses fund accounting to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses. Governmental funds are used to account for most of the County’s general activities including the collection and disbursement of earmarked money (special revenue funds) and the acquisition or construction of capital assets (capital projects funds). Proprietary funds are used to account for the County’s business-type activities (e.g., landfill) and internal service funds (fleet management, data processing, self-insurance, etc.). Maintenance of the financial accounting system is the responsibility of the Department of Finance.

#### **Reporting Entity**

The County’s reporting entity is determined by criteria set forth in promulgations of GASB. Accordingly, the County’s financial statements present the County’s primary government and component units over which the County exercises significant influence. The reporting entity includes the County Government as primary government, and the County Schools (controlled by the School Board), and the Adult Detention Center (controlled by the Regional Jail Board) as component units. The Board appoints the majority of the members to the Regional Jail Board, and the School Board members are elected. For fiscal year 2019, the School Board issued separately audited Component Unit Financial Statements. The Service Authority, which provides water and wastewater services in the County, issues separate financial statements and is not part of the County’s reporting entity.

#### **Basis of Accounting**

Basis of accounting refers to when revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. All Governmental (general, special revenue and capital projects), Private Purpose Trust and Agency Funds use the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual, both measurable and available. Real and personal property taxes are recorded as revenues and receivables in the fiscal year for which they are billed and used as a funding source for the approved budget. For example, tax billings based on assessed values of January 1, 2019, are recognized in total as revenues in fiscal year 2020, which began on July 1, 2019. Sales and utility taxes collected by the Commonwealth or by utility companies, and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the Commonwealth of Virginia or a utility. Licenses, permits, fines, and rents are recorded as revenues when received by the County. Intergovernmental revenues are

recognized when earned or at the time of the specific expenditure. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due. In addition, an encumbrance system is employed in all governmental funds to account for expenditure commitments resulting from approved purchase orders and contracts.

Proprietary Funds and the Pension Trust Fund are accounted for using the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recognized when incurred.

### **Basis of Presentation**

The basic financial statements include both government-wide financial statements, which are based on the County as a whole, and fund financial statements, which are based on major individual funds.

### **Budget Adoption and Amendment Procedure**

The preparation and adoption of the County's budget is guided by the County's Financial and Program Planning Ordinance. The requirements of this ordinance determine the process, format and substance of the annual budget. Some of these requirements include the preparation of a program and activity based budget and multi-year revenue and expenditure projections. In addition, other policy-based considerations must be taken into account in preparing the annual budget. The "Principles of Sound Financial Management" adopted by the Board in 1988, and updated most recently in April 2018, establish policies and goals concerning General Fund balance, contingency reserve, Capital Improvement Program, debt management, and revenues which must be incorporated into resource allocation decisions. Taken as a whole, these planning processes, policies, and the ordinance form the conceptual parameters for the annual budget planning process.

The County's annual budget is based on a fiscal year commencing on July 1 and ending on June 30 of the following calendar year. The County Executive's proposed budget for the following fiscal year is presented to the Board in February of each year. The County's proposed budget includes recommended funding levels for County programs, estimated revenues for the fiscal year, and proposed tax rates, service charges and any new taxes or service charges sufficient to produce the revenues contemplated in the budget. The proposed budget also includes a recommended program of capital expenditures to be financed from current revenues. A separate six-year Capital Improvement Program ("CIP") is also prepared each year (see Section II - FINANCIAL ADMINISTRATION - CAPITAL IMPROVEMENT PROGRAM). The school system's proposed annual budget, including contemplated expenditures and estimated revenues, is submitted to the Board by the School Board.

In addition to the annual budget and the six-year CIP, every year the County Executive's Office prepares a five-year fiscal plan including revenue and expenditure projections. Every year of the annual five-year fiscal plan will be balanced in compliance with the County's Principles of Sound Financial Management.

The Board holds budget work sessions and public hearings on the proposed budget, the School Board's proposed budget, and proposed tax rates in March and April. Changes in proposed appropriations and tax rates are made during this period. The Board then adopts the County's budget, including tax rates and service charges, and the School Board's budget no later than May 15. The Board only appropriates an amount of funding for the school system in aggregate. The School Board determines the exact use of the appropriated funds.

During the fiscal year, quarterly reviews of revenues and expenditures are undertaken by the County Office of Management and Budget and the Department of Finance staffs. On the basis of these reviews, the Board may make amendments to appropriations as needed or desired.

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 fiscal years' revenues, except through the issuance of bonds or bond anticipation notes. While permitted under Virginia law, the County has not issued and does not intend to issue any tax anticipation bonds or notes.

### **Published Financial Information**

The County issues its Comprehensive Annual Financial Report (the "CAFR") for each fiscal year ended June 30. The financial statements for fiscal year ended June 30, 2019, have been audited by the independent public accounting firm of Cherry Bekaert, LLP, Richmond, Virginia. Sections of the CAFR corresponding to the General Purpose Financial Statements for the fiscal year ended June 30, 2019, are presented herein as Appendix B to this Official Statement. In addition to the CAFR, the County also prepares and publishes an annual budget and a six-year CIP. These documents are also available for inspection at the Department of Finance, Prince William County, One County Complex Court, Prince William, Virginia 22192. For more information about the County's CAFR refer to Appendix B. The CAFR and the current five-year budget, which is not incorporated herein, are available on the County website <http://www.pwccgov.org>.

Cherry Bekaert, LLP, the County's independent auditor for fiscal year ended June 30, 2019, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Cherry Bekaert, LLP, also has not performed any procedures relating to this Official Statement, including this Appendix A.

### **Recognition of Achievement for Budgeting and Financial Reporting**

The County has been awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada ("GFOA") for its annual financial reports for each fiscal year since the fiscal year ended June 30, 1981. The County has also received the GFOA's Award for Distinguished Budget Presentation for each fiscal year since the fiscal year 1988. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications medium.

## GENERAL FUND FINANCIAL OPERATIONS

The General Fund is the County's primary operating fund and is used to account for all activities of the general government not accounted for in another fund. The General Fund derives revenue from County-wide ad valorem taxes (except for those levied for fire and sanitary districts and other amounts attributable to the Special Revenue Funds), other local taxes, licenses, fees, permits, charges for services, certain revenue from federal and Commonwealth governments, and interest earned on invested cash balances. Major General Fund expenditures include the costs of general County government operations and public services and the debt service payments of the general government. A significant portion of General Fund revenues is transferred to the School Board component unit, principally to finance a portion of the operations and debt service payments for the school system.

### Fiscal Year 2019 Financial Results

The financial data presented in the tables and exhibits that follow is from the Prince William County, Virginia, Comprehensive Annual Financial Report for fiscal year ended June 30, 2019.

The following is a summary of fiscal year 2019 General Fund financial results. General Fund Budgetary Revenue differs from General Fund actual revenue in that it excludes the effects of fair value adjustment to the carrying amounts of investments required by GAAP.

General Fund Budgetary Revenue was \$1,145,218,000 and was over the budget of \$1,130,639,000 by \$14,579,000, or 1.3 percent. The largest variances were due to higher General Property Taxes and Other Local Taxes, and from Use of Money and Property.

Budgetary Expenditures were \$1,144,829,000 and were under the budget of \$1,159,261,000 by \$14,432,000 or 1.2 percent. The major variances were in the categories of Public Safety, Health and Welfare, Parks and Recreation, and Community and Development.

The resulting Budgetary Revenues over budget and the Budgetary Expenditures under budget resulted in an Excess of Revenues over Expenditures of \$389,000 versus a budgeted deficiency of \$28,622,000.

Budgetary Actual Revenues for fiscal year 2019 compared to fiscal year 2018 Budgetary Revenues were higher by \$40,893,000 or 3.7 percent and Budgetary Expenditures were higher by \$48,436,000 or 4.4 percent.

### Fiscal Year 2020 Preliminary Financial Results

A quarterly report on the status of the general fund revenue and expenditure budget and trends is presented to the Board. The third quarter unaudited preliminary general fund revenue update provided to the Board on May 19, 2020, includes a revised presentation element to illustrate both optimistic and pessimistic scenario estimates due to the COVID-19 pandemic impact on County's revenue. The general revenue forecast under a pessimistic scenario could see a shortfall of \$4.8 million and under an optimistic scenario produce a surplus of \$2.6 million from the \$1.06

billion adopted budget for fiscal year 2020 general revenues. The fiscal year 2020 general revenue adopted budget of \$1.06 billion is approximately 4.2 percent above the fiscal year 2019 actuals. The major variances were a result of residential and commercial appreciation as well as increases in new taxable business tangible property, mainly from data centers, as well as increases in the number of new vehicles with higher values.

The quarterly unaudited preliminary report of the status of the general fund expenditures and trends for the third quarter projected expenditures at year end to be 2.5 percent under the revised (excluding the transfer to schools, operating transfers, and restricted funds) general fund fiscal year 2020 budget of \$587.5 million. Actual, audited financial results for the County's fiscal year 2020 may be different.

The fiscal year 2020 Third Quarter Review reflects several adjustments necessary to fund fiscal year 2020 spending and reserve requirements. The COVID-19 pandemic and resulting economic turmoil makes revenue forecasting particularly challenging, given that many of the County's revenue categories are sensitive to economic conditions. Those categories include the County's portion of sales tax revenue, Business, Professional, and Occupational License (BPOL) revenue, Recordation Tax / Tax on Deeds and Transient Occupancy Tax. The County continuously monitors these and all other revenue categories and will make any necessary fiscal years 2020 and 2021 adjustments. It should be noted that County departments and agencies have been ordered to defer all non-essential expenditures for the remainder of the fiscal year 2020. Additionally, the Board of County Supervisors appropriated up to \$1 million to support local businesses.

The following table summarizes revenues, expenditures, transfers, and changes in fund balance of the General Fund for fiscal years 2015 through 2019.

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**GENERAL FUND REVENUES, EXPENDITURES, TRANSFERS AND CHANGES IN FUND BALANCE<sup>(1)</sup>**  
**(\$000's)**

<b>FISCAL YEAR</b>	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
<b>REVENUES</b>					
Taxes	\$948,599	\$901,168	\$866,656	\$829,490	\$785,629
Licenses & Permits	2,070	2,057	2,119	2,295	2,493
Fines & Forfeitures	3,456	3,050	2,732	2,952	3,167
Revenues from Use of Money & Property	24,173	3,940	1,495	12,366	9,081
Charges for Services	<u>14,064</u>	<u>13,555</u>	<u>13,645</u>	<u>12,826</u>	<u>15,252</u>
Total Revenue from Local Sources	<u>\$992,362</u>	<u>\$923,770</u>	<u>\$886,647</u>	<u>\$859,929</u>	<u>\$815,622</u>
Intergovernmental Revenues	162,507	159,470	153,560	149,663	144,523
Miscellaneous Revenues	<u>9,616</u>	<u>11,522</u>	<u>23,385</u>	<u>13,550</u>	<u>13,916</u>
Total Revenues	<u>\$1,164,485</u>	<u>\$1,094,762</u>	<u>\$1,063,592</u>	<u>\$1,023,142</u>	<u>\$974,061</u>
<b>EXPENDITURES</b>					
Education	\$473,433	\$464,197	\$467,666	\$423,385	\$412,007
General Government Administration	45,704	42,300	44,340	39,122	37,651
Judicial Administration	22,512	21,052	21,292	20,175	19,681
Public Safety	259,115	240,310	226,047	219,365	208,385
Public Works	33,232	31,742	30,809	31,407	30,520
Health & Welfare	104,378	96,955	89,166	85,237	80,840
Parks, Recreation & Cultural	49,645	47,160	44,186	34,797	31,085
Community Development	10,767	10,769	11,632	8,168	7,861
Debt Service <sup>(2)</sup>	<u>146,043</u>	<u>141,908</u>	<u>134,737</u>	<u>123,216</u>	<u>118,873</u>
Total Expenditures	<u>\$1,144,829</u>	<u>\$1,096,393</u>	<u>\$1,069,875</u>	<u>\$984,872</u>	<u>\$946,903</u>
Excess of Revenue Over expenditures	<u>\$19,656</u>	<u>(\$1,631)</u>	<u>(\$6,283)</u>	<u>\$38,270</u>	<u>\$27,158</u>
<b>OTHER FINANCING</b>					
Transfers In	\$48,562	\$40,964	\$34,377	\$31,014	\$28,470
Transfers Out	-67,116	-38,388	-55,155	-43,280	-29,090
Non-Revenue Receipts	<u>382</u>	<u>285</u>	<u>318</u>	<u>2,162</u>	<u>697</u>
Total Other Financing Sources (Uses)	<u>(\$18,172)</u>	<u>\$2,861</u>	<u>(\$20,460)</u>	<u>(\$10,104)</u>	<u>\$77</u>
<b>NET CHANGE IN FUND BALANCE</b>	<b><u>\$1,484</u></b>	<b><u>\$1,230</u></b>	<b><u>(\$26,743)</u></b>	<b><u>\$28,166</u></b>	<b><u>\$27,235</u></b>
<b>FUND BALANCE</b>					
Fund Balance, Beginning of Year	<u>\$193,747</u>	<u>\$192,517<sup>(4)</sup></u>	<u>\$219,015<sup>(3)</sup></u>	<u>\$174,996</u>	<u>\$147,761</u>
Fund Balance, End of Year	<u>\$195,231</u>	<u>\$193,747</u>	<u>\$192,272</u>	<u>\$203,162</u>	<u>\$174,996</u>

Sources: Prince William County, Virginia, Comprehensive Annual Financial Report, fiscal years 2015-2019, Exhibit 5.

Notes: <sup>(1)</sup>The revenue is GAAP Revenue versus Budgetary Revenue. It includes the use of money and property, current and prior year fair value adjustments, and the effect of fair value adjustments to the carrying amounts of investments required by GAAP.

<sup>(2)</sup>This category also includes debt service on school bonds issued to the Virginia Public School Authority.

<sup>(3)</sup>The County merged existing and created new funds for clarity of purpose, usefulness, and presentation. The changes in reporting entity resulted in a restatement of 2016 financial information. For reference see Prince William County, Virginia, Comprehensive Annual Financial Report, fiscal year 2017, Note 1, R.

<sup>(4)</sup>The County dissolved the Convention and Visitors Bureau and merged its functions into the County's Department of Parks and Recreation, which resulted in a restatement of 2017 financial information. For reference see Prince William County, Virginia, Comprehensive Annual Financial Report, fiscal year 2018, Note 1, R.

The following table summarizes fiscal year 2019 General Fund Final to Actual Budgetary Revenues and Budgetary Expenditures Variances.

**General Fund Budget Variance**  
(\$000's)

	<u>2019 Budget Final</u>	<u>2019 Actual</u>	<u>Variance</u>
<b>BUDGETARY REVENUES:<sup>(1)</sup></b>			
<b>REVENUE FROM LOCAL SOURCES:</b>			
General Property Taxes	\$807,916	\$810,143	\$2,227
Other Local Taxes	133,193	138,456	5,263
Permits, Privilege Fees and Regulatory Licenses	2,066	2,070	4
Fines and Forfeitures	3,346	3,456	110
Revenue from Use of Money and Property <sup>(1)</sup>	266	4,906	4,640
Charges for Services	14,856	14,064	(792)
<b>Total Revenue from Local Sources</b>	<b>\$961,643</b>	<b>\$973,095</b>	<b>\$11,452</b>
<b>REVENUE FROM FEDERAL GOVERNMENT:</b>	<b>\$20,193</b>	<b>\$22,557</b>	<b>\$2,364</b>
<b>REVENUE FROM THE COMMONWEALTH:</b>			
Noncategorical Aid	\$82,743	\$82,220	(\$523)
Shared Expenditures	5,488	6,458	970
Categorical Aid	21,032	21,563	531
Other Categorical Aid	22,220	21,975	(245)
<b>Total Revenue from the Commonwealth</b>	<b>\$131,483</b>	<b>\$132,216</b>	<b>\$733</b>
<b>LOCAL GOVERNMENTS:</b>	<b>\$7,700</b>	<b>\$7,734</b>	<b>\$34</b>
<b>MISCELLANEOUS:</b>	<b>\$9,620</b>	<b>\$9,616</b>	<b>(\$4)</b>
<b>Total Budgetary Revenues</b>	<b>\$1,130,639</b>	<b>\$1,145,218</b>	<b>\$14,579</b>
<b>BUDGETARY EXPENDITURES:</b>			
General Governmental Administration	\$47,318	\$45,704	\$1,614
Judicial Administration	23,110	22,512	598
Public Safety	261,972	259,115	2,857
Public Works	33,921	33,232	689
Health and Welfare	107,656	104,378	3,278
Education	473,517	473,433	84
Parks, Recreational and Cultural	52,023	49,645	2,378
Community Development	13,257	10,767	2,490
Debt Service	146,487	146,043	444
<b>Total Budgetary Expenditures</b>	<b>\$1,159,261</b>	<b>\$1,144,829</b>	<b>\$14,432</b>
<b>Excess (Deficiency) of Budgetary Revenues Over (Under) Budgetary Expenditures</b>	<b>(\$28,622)</b>	<b>\$389</b>	<b>\$29,011</b>

Source: Prince William County, Virginia, Comprehensive Annual Financial Report, fiscal year 2019, Schedule 1.

Note: <sup>(1)</sup> Budgetary Revenue excludes the use of money and property, current and prior year fair value adjustments, and the effect of fair value adjustments to the carrying amounts required by GAAP.

## General Fund Revenues

General Fund revenues are derived principally from taxes and are used to support a number of government functions primarily education, public safety, and health and welfare services, and are available for payment of the debt service obligations of the County.

The following table shows the County General Fund tax revenues by source for each of the last five fiscal years. Total General Fund tax revenues increased by 5.0 percent in fiscal year 2019 compared to fiscal year 2018.

### GENERAL FUND TAX REVENUES BY SOURCE Fiscal Year Ending June 30 (\$000's)

	<u>2019</u> <sup>(1)</sup>	<u>2018</u> <sup>(2)</sup>	<u>2017</u> <sup>(2)</sup>	<u>2016</u> <sup>(2)</sup>	<u>2015</u> <sup>(2)</sup>
<b>General Property Taxes:</b>					
Real Property Taxes	\$641,094	\$610,916	\$588,498	\$570,372	\$541,915
Personal Property Taxes	141,126	129,094	121,423	108,682	98,157
Public Service Property Taxes	20,296	20,706	19,998	18,831	17,589
Penalties and Interest	7,627	8,104	6,857	6,068	5,903
<b>Total General Property Taxes</b>	<b>\$810,143</b>	<b>\$768,820</b>	<b>\$736,776</b>	<b>\$703,953</b>	<b>\$663,564</b>
<b>Other Local Taxes:</b>					
Local Sales Tax	\$68,710	\$64,566	\$63,022	\$60,551	\$59,709
Utility Taxes	14,443	14,417	14,196	13,977	13,974
All Other Taxes	55,303	53,365	52,662	51,009	48,382
<b>Total Other Local Taxes</b>	<b>\$138,456</b>	<b>\$132,348</b>	<b>\$129,880</b>	<b>\$125,537</b>	<b>\$122,065</b>
<b>Total General Fund Taxes</b>	<b>\$948,599</b>	<b>\$901,168</b>	<b>\$866,656</b>	<b>\$829,490</b>	<b>\$785,629</b>

Sources: <sup>(1)</sup> Prince William County, Virginia, Comprehensive Annual Financial Report, fiscal year 2019, Exhibit 5 and Schedule 1.

<sup>(2)</sup> Prince William County, Virginia, Comprehensive Annual Financial Report, fiscal years 2015-2018, Exhibit 5 and Schedule 1.

*General Property Taxes:* An annual ad valorem tax is levied by the County on the assessed value of residential, commercial and public service utility, real and tangible personal property located within the County as of January 1 of the calendar year in which said tax is due. The personal property tax on motor vehicles that are moved into the County or title transferred after January 1 is prorated on a monthly basis. The ratio of the assessed value of property to its appraised value is calculated based on statutory authority equal to 100 percent of market value in the case of real property and 100 percent of average trade-in value for personal property. Real property taxes are due July 15 and December 5 of the fiscal year for which they are levied, and personal property

taxes are due October 5. The penalty for late payment of real or personal property tax is 10 percent of the amount due, and interest on delinquent taxes and penalties accrues at a rate of 10 percent per annum for the first year of delinquency, with the interest rate for subsequent years to be based on the average prime interest rate as determined semiannually. In cases of real property on which delinquent taxes are not paid within two years, the County may sell the property at public auction to pay the amounts due or seek civil judgments immediately upon delinquency. In the fiscal year ended June 30, 2019, real, personal and public service property taxes, together with penalties and interest thereon, represented 69.6 percent of total General Fund budgetary revenues.

The following table sets forth information concerning the County’s property tax collection rate for fiscal years 2015 through 2019.

**REAL PROPERTY TAX LEVIES AND COLLECTIONS**  
(\$000’s except as indicated)

<b>Fiscal Year</b>	<b>Total Adjusted Tax Levy<sup>(1)</sup></b>	<b>Collected During the Fiscal Year of the Levy</b>	<b>Percent of Levy</b>	<b>Collections in Subsequent Years</b>	<b>Percent of Levy Collected</b>
2015	\$603,171	\$601,267	99.7%	1,487	99.9%
2016	630,485	629,017	99.8	930	99.9
2017	653,759	651,883	99.7	1107	99.9
2018	682,368	681,108	99.8	522	99.9
2019	714,169	712,882	99.8	-	99.8

Source: Prince William County, Virginia, Comprehensive Annual Financial Report, fiscal year 2019, Table 10.

Note: <sup>(1)</sup>Total tax levy includes gross real estate and public service taxes less adjustments to tax due made prior to payment.

There is no legal limit on property tax rates that may be levied by the County. The following table provides the real and tangible personal property tax rates per \$100 of assessed value located within the County. Personal property taxes are also levied on farmers’ machinery and tools, mining and manufacturing tools, and aircraft at various rates ranging from \$0.00001 to \$2.00 per \$100 assessed value. In addition, special categories with a reduced personal property tax rate of \$0.00001 per \$100 assessed value have been established for vehicles utilized by volunteer firefighters, disabled persons and for van pool vans. There are four towns within the County in which the town councils also levy real property taxes at various rates on real property in the towns, and such taxes are in addition to property taxes levied by the County in such towns.

**PROPERTY TAX RATES PER \$100 OF ASSESSED VALUE**

<b>Fiscal Year</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Real Property	\$1.125	\$1.125	\$1.122	\$1.122	\$1.148
Personal Property	3.7	3.7	3.7	3.7	3.7

Source: Prince William County, Department of Finance.

On April 30, 2019, the Board adopted the fiscal year 2020 real estate tax rate of \$1.125 per \$100 of assessed value.

In addition to the taxes levied for the General Fund shown above, the Board levies supplemental property taxes and fees for services located in specific taxing districts including volunteer fire services, highway transportation improvements, mosquito and forest pest management, and water and sewer system improvements. These amounts are recorded in various Special Revenue Funds.

The following information is for the fiscal year ended June 30, 2019.

*General Sales Tax:* The County, by a Board adopted ordinance, has elected to levy a one percent general retail sales tax to provide revenue for the General Fund. This tax is levied on the retail sale of rental or tangible property, excluding motor vehicle sales and trailers, vehicle rentals, boat sales, gasoline sales, natural gas, electricity, water, non-prescription drugs, and the purchases of organizations that have received tax exemption. The tax revenue is collected by the Virginia Department of Taxation, and is distributed to the County monthly. Sales taxes accounted for 6 percent of total General Fund budgetary revenues in fiscal year 2019.

*Consumer Utility Tax:* The County levies a consumer utility tax on electric and natural gas (the Commonwealth taxes telephones and the County does not tax water/sewer usage). Residential users pay a minimum billing charge per utility billed, with a graduated increase based on usage not to exceed \$3.00 per month per utility. Commercial users pay a minimum billing charge of \$3.35 and \$2.29 respectively for natural gas and electricity, with graduated increases based on usage, not to exceed \$100.00 per month per utility. In fiscal year 2019, utility taxes represented 1.3 percent of total General Fund budgetary revenues.

*Other Taxes:* Other taxes include business, professional and occupational license taxes, property recordation taxes, motor vehicle license taxes, and transient occupancy taxes charged on hotel and motel rooms. For fiscal year 2019, these taxes represented 4.8 percent of total General Fund budgetary revenues.

*Licenses and Permits:* The County requires that licenses and permits be obtained in order to perform certain activities in the County and fees paid for services provided by certain County Departments. For fiscal year 2019, these revenues accounted for 0.2 percent of total General Fund budgetary revenues.

*Fines and Forfeitures:* Court fines and some recovered costs, including those levied for traffic violations are recorded in this category. Revenues in this category accounted for 0.3 percent of total budgetary General Fund revenues for fiscal year 2019.

*Revenue from Use of Money and Property:* The principal source is interest on investments and gains or losses from the sale of investments. For fiscal year 2019, these revenues accounted for 0.4 percent of total General Fund budgetary revenues.

*Charges for Services:* Charges for services include all revenue derived from service or user charges for which the County charges a fee including County clerk fees, recreation fees,

publication sales, and various other services. For fiscal year 2019, these revenues amounted to 1.2 percent of total General Fund budgetary revenues.

*Intergovernmental Revenue:* The County is reimbursed by the Commonwealth for a portion of shared expenses including certain expenditures for social services, the Sheriff's Office, courts, the Office of the Commonwealth's Attorney, and other constitutional offices. The County also receives a share of certain other Commonwealth contributions. In addition, the General Fund accounts for the receipt of certain grants for the administration of social service and other programs. For fiscal year 2019, intergovernmental revenues amounted to 14.2 percent of total General Fund budgetary revenues.

*Miscellaneous Revenue:* Miscellaneous revenue includes developer cash proffers for capital improvements, donations, expenditure refunds, and other revenue. Miscellaneous revenue accounted for 0.8 percent of fiscal year 2019 total General Fund budgetary revenue.

## **General Fund Expenditures**

*Costs of General County Government:* The County pays from the General Fund the costs of general County government. These costs include expenditures for general government administration, judicial administration, public safety, public works, health and welfare, parks, recreation and cultural, community development and general debt service. For fiscal year 2019, this classification represented approximately 55.4 percent of total General Fund expenditures and transfers out.

*Transfer to School Fund:* The County transfers money from the General Fund to the School Board component unit to pay a portion of the costs of operating public schools in the County. This transfer represented approximately 39.0 percent of total General Fund expenditures and transfers out in the fiscal year ended June 30, 2019. The transfer to the School Board component unit represents approximately 49.6 percent of total sources of the School Board's General Fund Revenue and Transfers In. Other revenues credited directly to the School Board component unit include revenues from the federal government, the Commonwealth, and other revenue derived locally from school lunches and other charges to students. Debt service on County general obligation bonds for school purposes is paid from the County's transfer to the School Board component unit. Revenues from the federal government and the Commonwealth that are credited directly to the School Board component unit are not available to pay debt service on County general obligation bonds.

*Transfer to Capital Project Funds:* The County provides for certain capital expenditures directly from the General Fund. In fiscal year 2019, transfers to the Capital Project Fund represented approximately 4.8 percent of total General Fund expenditures and transfers out.

*Other Transfers Out:* The County also provides for other transfers out directly from the General Fund. In fiscal year 2019, approximately 0.73 percent of total General Fund expenditures and transfers out went to Special Revenue, Internal Service and Enterprise Funds.

## Changes in General Fund Balance

As shown in the following table, the County has maintained its unassigned General Fund Balance in each of the past five fiscal years consistent with its Principles of Sound Financial Management requiring an unassigned General Fund balance of not less than 7.5 percent of the General Fund revenues in each fiscal year. These Principles of Sound Financial Management were initially adopted by the Board in December 1988, and the most recent update was adopted in April 2018. The County's goal of having an unassigned reserve of 7.5 percent by the end of fiscal year 2007 was reached a year early in fiscal year 2006 and has been maintained in each subsequent year.

In addition, but separate from the County's unassigned General Fund Balance, the County maintains a Revenue Stabilization Fund to provide the County with sufficient working capital and a margin of safety to withstand local and regional economic shocks, and unexpected declines in revenue without borrowing. The Principles of Sound Financial Management require that the Revenue Stabilization Fund balance will not be less than 2.0 percent of the year's General Fund revenues within each year of the five-year fiscal planning cycle beginning in fiscal year 2017. The Revenue Stabilization Fund may be used to cover unexpected declines in General Fund revenues greater than 3.0 percent as compared to the current fiscal year adopted budget. The Revenue Stabilization Fund can only be appropriated by resolution of the Board. If the Revenue Stabilization Fund is used, the policy requires the County to take measures necessary to replenish its balance to the minimum 2.0 percent level within five years following the year(s) in which it was used. The Revenue Stabilization Reserve balance at the end of fiscal year 2019 was \$23,289,000, which met the 2.0 percent of General Fund revenue requirement.

The County also maintains a separate Capital Reserve to provide a source of funding for one-time capital expenditures. The Principles of Sound Financial Management require that the Capital Reserve balance will be not less than 2.0 percent of the current Capital Projects Funds Appropriations included in the Adopted Six-Year Capital Improvement Program. The balance in this reserve at June 30, 2019 was \$46,206,000.

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The following table shows the County's General Fund balance as of June 30, 2015, through 2019:

**GENERAL FUND BALANCES  
FISCAL YEAR ENDED JUNE 30  
(\$000's)**

<b><u>Fund Balances</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016<sup>(1)</sup></u></b>	<b><u>2015</u></b>
Non-spendable	\$396	\$288	\$178	\$151	\$178
Restricted	9,524	9,941	10,350	8,366	13,224
Committed	88,951	89,315	92,852	127,049	58,692
Assigned	9,025	12,096	9,123	7,775	29,847
Unassigned	<u>87,335</u>	<u>82,107</u>	<u>79,769</u>	<u>75,674</u>	<u>73,055</u>
<b>Total General Fund Balance</b>	<b>\$195,231</b>	<b>\$193,747</b>	<b>\$192,272</b>	<b>\$219,015</b>	<b>\$174,996</b>
 Total General Fund Balance as a % of General Fund Revenues	 16.77%	 17.70%	 18.08%	 21.40%	 17.97%
 Unassigned General Fund Balance as a % of General Fund Revenues	 7.50%	 7.50%	 7.50%	 7.50%	 7.50%

*Source:* Fund Balances, Prince William County, Virginia, Comprehensive Annual Financial Report, fiscal year 2019, Table 3.

*Note:* <sup>(1)</sup> The County merged existing and created new funds for clarity of purpose, usefulness, and presentation. The changes in reporting entity resulted in a restatement of 2016 financial information. For reference see Prince William County, Virginia, Comprehensive Annual Financial Report, fiscal year 2017, Note 1, R.

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## SUMMARY OF THE BUDGET FOR FISCAL YEAR 2021

The following table summarizes the sources and uses of funds in the fiscal year 2021 adopted budget.

### GENERAL FUND BUDGET FOR FISCAL YEAR 2021 (Adopted)

Revenues and Transfers		Expenditures and Transfers	
General Property Taxes	\$ 947,255,886	Community Development	\$ 75,894,967
Other Local Taxes	134,109,000	General Governmental	76,977,915
Revenue from Use of Money & Property	8,923,520	Human Services	137,663,622
Intergovernmental Revenue		Public Safety	295,873,398
Revenue from Federal Gov	21,004,971	General Debt <sup>(1)</sup>	52,892,430
Revenue from Commonwealth	87,906,399	Cash Funding of Capital Construction	-
Revenue from Other Localities	7,030,685	Transfer to Schools	627,193,812
Permits, Fees, & Licenses	1,929,001	Unclassified Administrative <sup>(2)</sup>	<u>18,752,556</u>
Fines & Forfeitures	3,420,771		
Charges for Services	14,503,369		
Miscellaneous Revenue	2,581,467		
Transfers from Other Funds	54,871,016		
Other Resources	<u>1,712,615</u>		
Total	\$1,285,248,700	Total	\$1,285,248,700
		Net Revenue & Resources Available	\$ -

*Source:* Prince William County, fiscal year 2021 Budget.

*Notes:* <sup>(1)</sup> Excludes debt service on general obligation school bonds (debt service for school bonds is contained in the School Board budget).

<sup>(2)</sup> The adopted budget includes the majority of this amount for self-insurance costs and non-classified internal service fund costs.

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## Overview of Fiscal Years 2020 and 2021 Adopted Budgets

The following shows the County’s Total Revenues and Resources and Total Expenditures Adopted Budget for fiscal year 2020 and fiscal year 2021 as originally adopted by the Board. Certain changes, approved by the Board (e.g., budget carryovers) are made after the original adopted budget is published.

The fiscal year 2020 budget was adopted by the Board, at its April 30, 2019 meeting. The fiscal year 2021 budget was adopted by the Board, at its April 28, 2020 meeting. Additional fiscal year 2020 and fiscal year 2021 budget information is available on the Prince William County web site at <http://www.pwcgov.org>.

	<b>Fiscal Year 2020 Original Adopted Budget</b>	<b>Fiscal Year 2021 Original Adopted Budget</b>
<b>Revenue and Resources:</b>		
General Revenue	\$1,068,994,000	\$1,100,483,000
Agency Revenue	165,240,354	177,765,931
County Resources	<u>4,928,146</u>	<u>6,999,769</u>
<b>Total Revenue &amp; Resources Available<sup>(1)</sup></b>	<b>\$1,239,162,500</b>	<b>\$1,285,248,700</b>
<b>Expenditures:</b>		
County Government	\$631,898,404	\$659,906,219
Transfer to Schools	<u>607,264,096</u>	<u>625,342,481</u>
<b>Total Expenditures<sup>(1)</sup></b>	<b>\$1,239,162,500</b>	<b>\$1,285,248,700</b>

*Sources:* Prince William County, fiscal year 2020 and 2021 Adopted Budgets.

*Notes:* <sup>(1)</sup> Totals may not add due to rounding.

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## Fiscal Year 2020 General Fund Budget (Adopted)

<u>Expenditure by Classification:</u>	<b>Fiscal Year 2020 Adopted</b>
Personal Services	\$280,104,806
Fringe Benefits	92,880,836
Contractual Services	35,539,916
Internal Services	39,642,521
Other Services	67,666,099
Debt Maintenance	36,908,994
Capital Outlay	6,684,531
Leases and Rentals	9,167,877
Reserves and Contingencies	(7,546,055)
Transfers Out <sup>(1)</sup>	678,112,975
<b>Total General Fund Expenditures</b>	<b>\$1,239,162,500</b>
<u>Funding Sources:</u>	
General Property Taxes	\$905,741,533
Other Local Taxes	137,901,500
Permits, Privilege Fees and Regulatory Licenses	2,114,001
Fines and Forfeitures	3,120,771
Revenue From Use of Money and Property	14,593,520
Charges for Services	14,574,460
Miscellaneous	4,813,963
Revenue From Other Localities	8,705,220
Revenue From the Commonwealth	76,615,336
Revenue From the Federal Government	19,933,315
Transfers In <sup>(1)</sup>	51,140,970
<b>Total General Fund Revenue</b>	<b>\$1,239,254,589</b>
<b>Other Resources</b>	<b>\$(92,089)</b>
<b>Total General Fund Revenue and Other Resources</b>	<b>\$1,239,162,500</b>
<b>Revenue and Other Resources</b>	<b>\$ -</b>
<b>Over / (Under) Expenditures</b>	

Source: Prince William County, fiscal year 2020 Budget.

Note: <sup>(1)</sup> Excludes Transfers within the General Fund.

In addition to an annual budget, the County adopts a five-year fiscal plan each year. The County's General Revenue Committee considers a broad variety of national, Commonwealth, and County sources when developing a five-year revenue forecast. Due to the COVID-19 pandemic that continues to impact our economy in a unique unprecedented manner, the County faces many unknowns, and the Board of County Supervisors did not consider posting the five-year plan at budget adoption for fiscal year 2021. The most recent five-year plan for fiscal years 2020-2024 forecast assumed stable growth.

## Fiscal Year 2020 General Fund Resource and Expenditure Adopted Budget

	<u>FY2020</u>	<u>FY2021</u>	<u>FY2022</u>	<u>FY2023</u>	<u>FY2024</u>
<b>Revenue and Resources:</b>					
General Revenue	\$1,068,994,000	\$1,112,695,000	\$1,156,811,000	\$1,199,550,000	\$1,243,019,520
Agency Revenue	165,240,354	165,388,250	165,660,741	167,590,030	167,930,685
County Resources	<u>4,928,146</u>	<u>4,251,525</u>	<u>3,917,609</u>	<u>3,565,429</u>	<u>3,522,786</u>
<b>Total County Revenue and Resources Available</b>	<b><u>\$1,239,162,500</u></b>	<b><u>\$1,282,334,775</u></b>	<b><u>\$1,326,389,350</u></b>	<b><u>\$1,370,705,459</u></b>	<b><u>\$1,414,472,991</u></b>
<b>Expenditures:</b>					
County Government	\$610,990,984	\$629,726,568	\$639,403,722	\$653,759,596	\$667,206,965
Transfer to Schools	607,264,096	632,216,949	657,407,305	681,809,605	706,629,981
County CIP	<u>20,907,420</u>	<u>19,896,160</u>	<u>28,301,348</u>	<u>34,769,848</u>	<u>40,105,632</u>
<b>Total Expenditures</b>	<b><u>\$1,239,162,500</u></b>	<b><u>\$1,281,839,677</u></b>	<b><u>\$1,325,112,375</u></b>	<b><u>\$1,370,339,049</u></b>	<b><u>\$1,413,942,578</u></b>
<b>Total Revenue and Resource Balance</b>	\$0	\$495,098	\$1,276,975	\$366,410	\$530,413
<b>Real Estate Tax Rate</b>	\$1.125	\$1.125	\$1.125	\$1.125	\$1.125

*Source:* Prince William County, fiscal year 2020 Adopted Budget. The Board of County Supervisors did not adopt the five-year plan at the adoption of the fiscal year 2021 Budget.

### COVID-19 Impact on the Fiscal Year 2021 Adopted Budget

On February 18, 2020, the County Executive presented his fiscal year 2021 Proposed Budget Plan to the Board of Supervisors. The Fiscal Year 2021 Proposed Budget was based on the proposed adoption of an increased real estate tax rate from \$1.125 to \$1.145 per \$100 of assessed value as well as a \$0.05 increase to business tangible property tax rate for computer and peripheral equipment, generating general revenues of \$1,137,426,000. Additional agency revenues of \$176,639,083 and County resources of \$5,018,445 would have brought the Proposed fiscal year 2021 Budget funding total to \$1,319,053,818, which would have been a 6.45 percent increase above the fiscal year 2020 Adopted Budget. County support to Prince William County Public Schools would have been equal to \$1,743,580,425, which would have been a 12.34 percent increase over the fiscal year 2020 Adopted Budget. Also, funding would have been provided for

employee compensation and additional funds toward Board priorities such as special education private day placements, environmental initiatives, body-worn cameras, police and fire positions.

On April 28, 2020, the Board of County Supervisors adopted the County fiscal year 2021 budget after revisions prompted by the new economic realities associated with the COVID-19 pandemic. However, the County's Board did not approve the Five-Year Plan at budget adoption. The adopted \$1.7 billion budget was based on a flat real estate tax rate of \$1.125 per \$100 of assessed value. Additionally, the Board voted to increase the business tangible personal property tax rate for computer and peripherals from \$1.25 to \$1.35 per \$100 of assessed value and increase the vehicle license tax on automobiles and motorcycles to fund new programs aimed at helping citizens cope with the economic impact of the COVID-19 pandemic. The adopted fiscal year 2021 budget's general revenues would generate \$31.5 million in additional revenues over fiscal year 2020. Spending adjustments would be refocused on essential services only, which would include the elimination of employee compensation increases for most County workers and the implementation of a hiring freeze unless the position is required for public safety related to the pandemic. Other decreases in spending include the postponing of large construction projects that are not under contract, decreasing parks field maintenance, and partially decreasing the Transportation and Roadway Improvement Program funds which board members use in their districts for transportation related infrastructure improvements. Additional reductions and savings include reducing the transfer to the Adult Detention Center, delaying radio replacements, and savings from fuel costs and the County's community partnership program. The Board of County Supervisors plans to review the County's budget on a quarterly basis and to make revisions as needed.

## **The Local Economy**

The County's economy has shown signs of continued strengthening in many aspects, including improving unemployment and job creation, and healthy household incomes. The residential real estate market began to strengthen in 2011, and continued that trend throughout 2019, with moderate increases in average sale prices and declining monthly foreclosures.

In January 2019, assessed value of all residential properties (including apartments) was \$52.06 billion, an increase of over \$2.27 billion, or 4.56 percent from 2018. Residential properties (including apartments) currently account for 81.81 percent of the total Land Book real property assessed value including public service parcels. Factors that helped boost the market, despite increasing mortgage rates, were improving economic indicators such as employment and growth, and strong sales activity compared to available inventory of homes for sale.

The average sale price for a home in the County in December 2019 was \$400,443. This represents a decrease of 5.44 percent year-over-year. The number of homes sold in the County in December 2019 was 536, an increase of 28.23 percent over 2018. The average number of days a home in the County was on the market was 29 in December 2019, compared to 40 days in December 2018.

In December 2019, according to CoStar Realty Group, the County's commercial inventory included 48.2 million sq. ft. of space in 2,119 buildings, with 2.71 million sq. ft. of available space. The County's commercial sector, particularly in terms of vacancy rates has strengthened.

Revenue sources, such as local sales tax and Business Professional and Occupational License (“BPOL”), have seen increases over the last year as the housing market improves and lower unemployment increases consumer confidence in the County. Based on preliminary, unaudited results, in February (December sales) 2020, a total of \$6.8 million sales tax revenue was reported, a monthly year-over-year increase of 6.1 percent. Sales tax revenue for fiscal year 2019 was 3.9 percent over budget, exceeding the 3.0 percent forecast.

Consistent with its Principles of Sound Financial Management, the County actively manages its budget to ensure revenue and expenditures remain in balance. Adherence to these principles requires the County’s Five-Year Fiscal Plan to be balanced in every year.

### **Overview of Expenditures and Transfers**

The General Fund cost per capita of government services in fiscal year 2020 when adjusted for inflation is \$1,946 compared to 2010’s cost per capita of \$1,932, an increase of 0.7 percent from fiscal year 2010 to fiscal year 2019. During that same period, the population of the County increased 13.0 percent from 402,002 in fiscal year 2010 to a budgeted estimate of 454,404 in fiscal year 2019, an average increase of 1.3 percent per year.

The fiscal year 2020 adopted budget for general County government services is \$631.9 million or a 5.3 percent increase over the fiscal year 2019 adopted budget. The General Fund transfer to the school fund increased by 4.9 percent to \$607.3 million.

The adopted fiscal year 2020 budget utilized the following strategic goals during the planning process. The County anticipates maintaining this emphasis over the next several years.

- Robust Economy
- Mobility
- Well-Being
- Safe and Secure Community
- Workforce Development

On April 30, 2019, the Board adopted a real estate tax rate of \$1.125 per \$100 of assessed value for the fiscal year 2020 budget, which includes \$1,239 million in General Fund budget expenditures. The adopted tax rate resulted in an average residential tax bill increase of 3.4 percent and a corresponding increase in average commercial tax bills of 2.8 percent. At the adopted \$1.125 tax rate, total general revenue in fiscal year 2020 is projected to increase compared to fiscal year 2019 revenue projections, providing capacity to fund operating budget increases and Capital Improvement Program projects.

## CAPITAL IMPROVEMENT PROGRAM

The Board annually considers and approves a six-year Capital Improvement Program (“CIP”) as part of the budget process. The CIP is the capital infrastructure component of County’s fiscal plan, an important part of the County’s Five-Year Fiscal Plan, and an implementation tool for the County’s Strategic and Comprehensive Plans. The CIP is guided by these plans and the Principles of Sound Financial Management. Together, these policy documents require that the CIP incorporate level of service standards identified in the Comprehensive Plan, the goals and strategies of the Strategic Plan, the debt financing policies in the Principles of Sound Financial Management, and integrate County government projects with school projects, making one affordable plan. These guidelines are designed to maintain tax-supported debt expenditures at less than 10 percent of total revenues (less certain pledged revenues) and to maintain the ratio of tax-supported debt to net assessed value of property in the County at less than 3 percent.

The 2020-2025 CIP was adopted by the Board on April 30, 2019. The CIP includes several of the facilities and the amenities necessary for an improved quality of life considering the current improving economic climate. The CIP includes projects in community development, education, human services, public safety, technology improvements, and transportation projects. State and federal funding is being leveraged with local funding to support road projects. Fee revenues will fund new solid waste projects, watershed projects, and a development services information technology project. Education projects continue to comprise the majority of the CIP, with over \$869.8 million of expenditures planned over the plan period. The following is a summary of projects included in the 2020-2025 CIP:

- Funding for transportation projects includes Route 1 (Featherstone Road to Mary’s Way), Route 28 (Infantry Lane to Fitzwater Drive and Pennsylvania Avenue to Linton Hall Road), Balls Ford Road Interchange and Widening, Brentsville Road and University Boulevard Interchanges. Also included are the Fuller Road and Fuller Heights Road improvements, Neabsco Mills Road (Route 1 to Dale Boulevard), Vint Hill Road (Schaeffer Lane to Sudley Manor Drive), the Potomac/Neabsco Mills Commuter Garage, and Schaeffer Lane to Sudley Manor Drive;
- In the area of public safety, the CIP includes the construction of two new Fire & Rescue Stations: Station 22 (West End) and Station 27 (East End). Additionally, funding is included for the next expansion of the Adult Detention Center, a new Animal Shelter, and security enhancements at County Facilities;
- In the area of community development, funding for parks and recreation has been provided for improvement of trail segments and sports field improvements, in addition to funding allocated for drainage and storm water improvements to the County’s watersheds;
- Solid waste administration projects include capping existing cells, creating new cells, and mitigating wetland impacts caused by the creation of new cells; and

- Technology improvements include upgrades to cable equipment and upgrades or replacements to major technology infrastructure for finance, human resources, public safety, human services and development services systems.

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**Fiscal Years 2020 - 2025 CIP SOURCE AND EXPENDITURE AREA SUMMARY  
(\$000's)**

<b>Source</b>	<b><u>FY2020</u></b>	<b><u>FY2021</u></b>	<b><u>FY2022</u></b>	<b><u>FY2023</u></b>	<b><u>FY2024</u></b>	<b><u>FY2025</u></b>	<b><u>Total</u></b>
Debt	\$64,663	\$229,301	\$59,847	\$105,957	\$178,000	\$68,062	\$705,830
State/Federal	75,182	80,408	119,412	45,724	0	0	320,726
Schools – Cash Funded Projects	30,997	24,626	57,607	39,848	39,785	426	193,289
NVTA 30% & 70% Funding	32,187	44,473	51,696	23,383	15,723	7,722	175,184
General Fund	13,341	11,189	3,115	3,000	4,000	4,000	38,645
Capital Reserve	24,198	1,000	0	0	0	0	25,198
Stormwater Management Fees	2,196	3,300	3,100	3,200	3,523	4,326	19,645
Solid Waste Fees	0	2,340	6,350	300	3,502	3,792	16,284
Fire Levy	9,612	5,315	0	0	0	0	14,927
Proffers	9,525	1,833	0	0	0	0	11,358
Internal Services Fund Balance	766	3,900	4,450	0	0	0	9,116
Development Fee	<u>187</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>187</u>
<b>Grand Total<sup>(2)</sup></b>	<b><u>\$262,854</u></b>	<b><u>\$407,685</u></b>	<b><u>\$305,577</u></b>	<b><u>\$221,412</u></b>	<b><u>\$244,533</u></b>	<b><u>\$88,328</u></b>	<b><u>\$1,530,388</u></b>

<b>Expenditure Area</b>	<b><u>FY2020</u></b>	<b><u>FY2021</u></b>	<b><u>FY2022</u></b>	<b><u>FY2023</u></b>	<b><u>FY2024</u></b>	<b><u>FY2025</u></b>	<b><u>Total</u></b>
Community Development	\$22,141	\$8,473	\$12,450	\$6,500	\$11,025	\$12,118	\$72,708
Education <sup>(1)</sup>	67,149	245,803	137,712	138,355	212,285	68,488	869,792
Public Safety	45,183	14,167	775	7,450	5,500	0	73,075
Technology Improvements	14,804	14,059	4,450	0	0	0	33,313
Transportation	<u>113,577</u>	<u>125,183</u>	<u>150,190</u>	<u>69,107</u>	<u>15,723</u>	<u>7,722</u>	<u>481,501</u>
<b>Grand Total<sup>(2)</sup></b>	<b><u>\$262,854</u></b>	<b><u>\$407,685</u></b>	<b><u>\$305,577</u></b>	<b><u>\$221,412</u></b>	<b><u>\$244,533</u></b>	<b><u>\$88,328</u></b>	<b><u>\$1,530,388</u></b>

*Sources:* Prince William County Capital Improvement Program, fiscal years 2020-2025 and Prince William County Schools Proposed Capital Improvement Program, fiscal years 2020-2029.

*Notes:* <sup>(1)</sup> Schools and Education data is a ten-year plan and based on project completion dates. Includes prior year unspent appropriations.

<sup>(2)</sup> Totals may not add due to rounding.

**CASH AND INVESTMENT MANAGEMENT**

The County maintains a cash and investment management program for the safeguarding and efficient management of its funds. The investment of funds is administered in accordance with the Code of Virginia and the County’s written Investment Policy. The day-to-day investment of funds is directed by the County’s Director of Finance/CFO. An Investment Oversight Committee (“IOC”) made up of senior County staff members and two citizen representatives

monitors the performance and structure of the County's portfolio. A Quarterly Investment Performance Report on the status of the County's portfolio and investment performance with respect to its Investment Policy is provided to the IOC, the County Executive and to the Board. The Investment Policy is reviewed annually by the IOC and any proposed amendments are reviewed and endorsed by the County Executive and then forwarded to the Board for consideration and approval.

For the fiscal year ended June 30, 2019, the amortized value of the County's General Portfolio totaled \$1,311 million with maturities ranging from one day to ten years. The weighted average days to maturity of the portfolio as of June 30, 2019, was approximately 2.6 years.

The County invests funds primarily in U.S. Government Obligations, municipal bonds, commercial paper, corporate bonds, negotiable and non-negotiable certificates of deposit, the Commonwealth's Local Government Investment Pool ("LGIP"), and money market mutual funds. The County's Investment Policy, available on the County's website at <https://www.pwcegov.org/government/dept/finance/Documents/Prince%20William%20County%20Investment%20Policy.pdf>, provides the full listing of authorized investments.

General Obligation Bond proceeds are invested in accordance with the requirements and restrictions outlined in bond documents. The majority of bond proceeds are invested in the Virginia State Non-Arbitrage Program ("SNAP").

### **EMPLOYEES' RETIREMENT PLANS**

The County (including the Adult Detention Center, component unit) contributes to the Virginia Retirement System ("VRS"), a Virginia Executive Branch agency multiple-employer public employee retirement system that acts as a common investment and administrative agent for political subdivisions in the Commonwealth of Virginia. Professional and non-professional employees of the School Board are also covered by the VRS. All full time, salaried permanent employees are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. VRS also provides death and disability benefits. These benefit provisions and all other requirements are established by Virginia statute. For the fiscal years ended June 30, 2019, and 2018, respectively, the County paid \$35,335,000 and \$31,711,000 in contributions towards the Plan, while the County's fiduciary net position was \$1,128,156,000 as of June 30, 2018. As of July 1, 2018, the total pension liability was \$1,287,860,000. The actuarially determined contributions of the plan are fully funded as of June 30, 2019. VRS issues a publicly available CAFR that includes financial statements and required supplementary information for the plans administered by VRS. The report may be obtained from the VRS website <https://employers.varetire.org/publications/#annual-reports> or by writing to the VRS Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

The County also provides a Supplemental Plan for Police Officers, uniformed Fire and Rescue personnel and sworn Adult Detention Center and Sheriff's Office employees, administered by the Supplemental Plan's Board of Trustees. The Supplemental Plan became effective July 1, 1985, and was most recently amended on April 30, 2019. The Plan provides retirement and death benefits to plan members and beneficiaries upon retirement. The benefit amount takes into account

the length of service and the compensation paid by the County to such employees with recognition given to the benefits that will be provided by the VRS. Participants vest 100 percent in the benefit provided under the Supplemental Plan upon attainment of the participant's normal retirement date. Participants are considered vested and eligible for early retirement after 20 years of credited service but the benefits are reduced. For the fiscal years ended June 30, 2019, and 2018, respectively, the County paid \$1,372,000 and \$1,294,000 in contributions towards the Supplemental Plan, while the County's fiduciary net position was \$41,679,000 as of June 30, 2019. As of June 30, 2019, the total pension liability for the Supplemental Plan was \$41,165,000. The actuarially determined contributions of the plan are fully funded as of June 30, 2019.

The County Volunteer Fire and Rescue Personnel Length of Service Award Program (LoSAP Plan) was established on July 1, 1997, and amended on May 10, 2016. The LoSAP Plan is a multi-employer defined benefit pension plan that includes twelve volunteer companies that provide retirement benefits for certain vested volunteer fire and rescue personnel who retire from their volunteer fire and rescue company. For the fiscal years ended June 30, 2019, and 2018, respectively, the County paid \$941,000 and \$798,000 in contributions towards the LoSAP Plan, while fiduciary net position was \$17,050,000 as of June 30, 2019. As of June 30, 2019, the total pension liability for the LoSAP Plan was \$27,825,000. The actuarially determined contributions of the plan are fully funded as of June 30, 2019.

Additional information regarding the County Employees' Retirement Plans can be found in the County's Comprehensive Annual Financial Report, fiscal year 2019, Note 13 and Schedules 3 through 5.

#### **OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

The County provides Group Life Insurance through a multiple-employer agent defined cost-sharing plan administered by the VRS. This plan provides retirees with life insurance coverage to ultimately 25% of their last salary rate. The County elects to pay the employee component with the employer component of the contribution totaling 1.31% of covered employee compensation. The County contributed 100% of the actuarially determined contributions. Contributions were \$3,679,000 and \$3,637,000 for June 30, 2019 and 2018, respectively, while the County's fiduciary net position was \$22,302 as of June 30, 2018. As of June 30, 2018, the total OPEB liability was \$43,541,000.

The County provides limited post-retirement health and dental benefits as provided by Virginia law to retirees who have 15 or more years of service with the County through a multiple-employer agent defined plan administered by the VRS. The retirees are granted the option to participate by paying 100% of their monthly health insurance premium less \$1.50 times years of service for a maximum credit of \$45.00 from the VRS. The insurance credit is financed by payments from the County to the VRS, calculated at 0.18% of creditable compensation. The County contributed 100% of the actuarially determined contributions. For the years ended June 30, 2019 and 2018, the County paid \$460,000 and \$437,000, respectively, while the County's fiduciary net position was \$3,648,000 as of June 30, 2018. As of July 1, 2018, the total OPEB liability was \$7,508,000. Additionally, the County offers post-retirement medical benefits premium and medical benefits credit plans. The plans are single-employer defined benefit postemployment healthcare plans that cover eligible retired employees and Consolidated Omnibus

Budget Reconciliation Act of 1985 (“COBRA”) eligible employees of the County including all departments and agencies. Participants in the Premium Plan pay 100 percent of published blended rates. Coverage ends at age 65. For the Retiree Health Insurance Credit Plan, the County will pay \$5.50 per month, per eligible County retiree per year of service if they attained 15 or more years of service with the County. The Line of Duty Act (LODA) plan provides death, disability, and healthcare benefits for public safety employees and volunteer firefighters who hold specific hazardous duty positions and die or become permanently disabled in the line of duty. For the fiscal year ended June 30, 2019, the County paid \$1,521,000 in contributions towards the Premium Plan, while the County’s fiduciary net position was \$17,520,000 as of June 30, 2019. As of June 30, 2019, the total OPEB liability for the Premium Plan was \$25,053,000. The actuarially determined contributions of the plan are fully funded as of June 30, 2019.

For the fiscal year ended June 30, 2019, the County paid \$1,977,000 in contributions towards the Retiree Health Insurance Credit Plan, while the County’s fiduciary net position was \$17,881,000 as of June 30, 2019. As of June 30, 2019, the total OPEB liability for the Premium Plan was \$35,949,000. The actuarially determined contributions of the plan are fully funded as of June 30, 2019.

For the fiscal year ended June 30, 2019, the County paid \$1,526,000 in contributions towards the Line of Duty Act Plan, while the County’s fiduciary net position was \$14,491,000 as of June 30, 2019. As of June 30, 2019, the total OPEB liability for the Premium Plan was \$20,013,000. The actuarially determined contributions of the plan are fully funded as of June 30, 2019.

The County and School Board contract with an actuarial firm to compute the impact and costs of its OPEB liabilities on a biennial basis, and the County and School Board fully fund their OPEB liabilities through the County’s OPEB Master Trust Fund. The latest actuarial consultant valuation was as of January 1, 2018. Interim valuations for trending were provided by the County Finance Department. The County’s and Schools’ net OPEB liabilities (not including VRS plans) were approximately \$54.5 million as of June 30, 2019, and the actuarially determined contributions to the County’s OPEB Master Trust Fund and Schools benefits paid were approximately \$8.7 million for fiscal year 2019. The County and School Board contributed \$6.8 million to the County’s OPEB Master Trust Fund and Schools benefits paid \$3.1 million for fiscal year 2019, which was 114 percent of the actuarially determined contribution.

Biennially calculated actuarially determined contributions are used as a guide to determine the annual OPEB cost which is calculated based on an amount actuarially determined in accordance with the parameters of GASB Statement 45. Calculation of actuarial amounts are developed using the projected unit cost method for County plans and entry age normal cost method for School Board plans. The most recent biennial actuarial valuation was as of July 1, 2018 for Schools and January 1, 2018, for the County.

Additional information regarding the County retirees’ OPEB Plans and the County OPEB Master Trust Fund can be found in the County’s Comprehensive Annual Financial Report, fiscal year 2019, Notes 14 and Schedules 6 through 10.

## **CONTINGENT LIABILITIES**

The County is contingently liable with respect to lawsuits and other asserted and unasserted claims that arise in the ordinary course of its operations. It is the opinion of the County's management, and the County Attorney, that any losses that may ultimately be incurred as a result of these lawsuits and claims will not have a material adverse effect on the County's ability to meet its financial obligations.

The County receives financial assistance from numerous federal and Commonwealth of Virginia agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and are subject to audit by the grantor agencies. Any disallowed expenditures resulting from such audits could become a liability of the General Fund or other applicable funds. In the opinion of County management, if any refunds result from disallowed expenditures by grantor agencies, these refunds will not have a material adverse effect on the County's ability to meet its financial obligations.

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## **SECTION III - DEBT ADMINISTRATION**

### **DEBT OF THE COUNTY**

#### **Authority to Borrow**

Pursuant to the Virginia Constitution and the Code of Virginia, 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 the county is required to levy, if necessary, an annual ad valorem tax on all property in the county subject to local taxation.

#### **Limits on Indebtedness**

Although the issuance of bonds by Virginia counties is not subject to statutory limitation, counties generally are prohibited from issuing general obligation bonds unless the issuance of such bonds has been approved by public referendum. This referendum requirement does not apply to bonds for capital projects for school purposes sold to the Literary Fund or the Virginia Public School Authority (“VPSA”).

The Board also has established a self-imposed limit as part of the Principles of Sound Financial Management which provides that tax supported debt should not exceed 3 percent of the net assessed valuation of taxable property in the County, and annual debt service should not exceed 10 percent of annual combined general and special revenues (excluding certain pledged revenues). The County’s status with respect to its self-imposed limits is shown in the section “Additional Debt Information” below.

On November 5, 2019, Prince William County voters approved two referenda on the ballot to fund mobility projects totaling \$355 million and parks projects totaling \$41 million.

The County anticipates selling subject to appropriation debt in the fourth quarter of fiscal year 2020 to fund construction of the expansion of the Adult Detention Center as well as a new fire station and animal shelter. Total cost of the three projects is estimated at \$52.5 million. Cost of issuance would also be included. Debt service on such bonds is projected to begin in fiscal year 2021. Project costs and debt service costs have been previously incorporated in the County’s five-year CIP.

In October 2019, the County issued \$109,155,000 general obligation school bonds Series 2019 A to the Virginia Public School Authority. Debt service on the Series 2019A bonds began in fiscal year 2020 and is included in the County’s Debt Service by fiscal year table on page A-63.

#### **Statement of Outstanding Net Tax-Supported Indebtedness**

The County, pursuant to its adopted debt management policy contained in the Principles of Sound Financial Management, defines net tax-supported debt as all general obligation debt plus (i) bonds issued for obligations incurred to the VPSA and the Virginia Resources Authority (VRA) and (ii) long-term capital leases payable in whole or in part from appropriations of tax revenue by

the Board. The majority of the County’s outstanding bonds are general obligations of the County and are secured by its full faith and credit. The County’s outstanding general obligation bonds include various general purpose bonds. Debt payable from user charges or other non-tax revenue streams is considered self-supporting and is not included in net tax-supported debt. The following section “OTHER COUNTY RELATED INDEBTEDNESS” describes certain other related obligations including underlying debt of the towns and debt of which the County is not the issuer but for which the County has agreed to fund certain costs of the enterprise, including debt service, to the extent these costs are not recovered from fees and charges.

The County’s net tax-supported indebtedness incurred for capital purposes and outstanding on June 30, 2019, was \$1,066,033,000 as shown in the following table.

<b>NET TAX SUPPORTED DEBT OUTSTANDING</b>	
<b>(\$000’s)</b>	
<b>Outstanding on June 30, 2019</b>	
<b>Governmental Activities</b>	
General Obligation Bonds	\$163,615
IDA Lease Revenue Bonds	21,153
Equipment Capital Leases	0
Real Property Capital Leases <sup>(1)</sup>	78,390
Parks and Recreation -	
Revenue Bonds Series 2010	6,090
Equipment Capital Leases	0
Subtotal	\$269,248
<b>School Board Related</b>	
General Obligation Bonds <sup>(2)</sup>	\$796,785
Subtotal	\$796,785
<b>Total Primary Government Debt</b>	<b>\$1,066,033</b>
<b>Less Self-Supporting Revenue and Other Bonds</b>	<b>6,090</b>
<b>Net Tax-Supported Debt</b>	<b>\$1,059,943</b>

Source: Prince William County, Virginia, Comprehensive Annual Financial Report, fiscal year 2019, Table 11.

Notes: <sup>(1)</sup> Includes Certificates of Participation, Lease Participation, and bonds issued to Virginia Resource Authority (VRA) debt.

<sup>(2)</sup> Includes general obligation bonds publicly offered by the County to VPSA in connection with VPSA’s pooled bond program bond and sold by the County to VPSA on a standalone basis.

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## Debt Service Requirements to Maturity

The following table summarizes the annual principal and interest payments on the County's outstanding tax-supported debt for fiscal year 2020 through the final maturity of all outstanding tax supported debt.

<b>DEBT SERVICE BY FISCAL YEAR<sup>(1)</sup></b>					
<b>FY Ending June 30</b>	<b>Existing Debt Service<sup>(2)</sup></b>		<b>GO 2020 A&amp;B Debt Service</b>		<b>Total Debt Service<sup>(3)</sup></b>
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	
2020	\$94,591,979	\$46,781,876	\$0	\$0	\$141,373,855
2021	102,026,979	41,373,926	0	1,519,100	144,920,005
2022	87,346,979	36,854,210	8,615,000	2,257,532	135,073,722
2023	85,396,979	32,656,349	7,720,000	1,889,891	127,663,219
2024	103,779,979	28,189,375	5,875,000	1,590,080	139,434,434
2025	81,666,978	24,084,113	1,670,000	1,440,836	108,861,927
2026	72,890,000	20,367,154	3,095,000	1,387,778	97,739,932
2027	68,435,000	17,068,016	3,075,000	1,323,474	89,901,490
2028	59,670,000	13,630,777	3,055,000	1,255,362	77,611,139
2029	53,330,000	11,088,088	6,090,000	1,160,279	71,668,367
2030	48,485,000	8,813,826	5,990,000	1,038,820	64,327,646
2031	43,125,000	6,983,864	6,925,000	906,074	57,939,938
2032	39,980,000	5,534,314	5,060,000	789,490	51,363,804
2033	28,480,000	4,398,904	13,955,000	617,528	47,451,432
2034	29,240,000	3,475,009	9,625,000	400,308	42,740,317
2035	26,430,000	2,624,852	8,040,000	232,954	37,327,805
2036	22,305,000	1,871,058	7,895,000	77,845	32,148,902
2037	21,140,000	1,185,038	0	0	22,325,038
2038	11,250,000	604,706	0	0	11,854,706
2039	5,455,000	245,475	0	0	5,700,475
2040	5,455,000	81,825	0	0	5,536,825
<b>Total<sup>(2)</sup></b>	<b>\$1,090,479,873</b>	<b>\$307,912,754</b>	<b>\$96,685,000</b>	<b>\$17,887,352</b>	<b>\$1,512,964,978</b>

Source: Prince William County, Department of Finance.

Notes: <sup>(1)</sup> Does not include Build America Bonds (BAB) and Qualified School Construction Bonds (QSCB) refundable credit payments, or the VPSA Pool refunding debt service credits.

<sup>(2)</sup> Includes debt service on the Series 2020A Bonds and the Series 2020B Bonds. Excludes debt service on the bonds that are to be refunded by the Series 2020A Bonds and Series 2020B Bonds.

<sup>(3)</sup> Totals may not add due to rounding.

## Additional Debt Information

Information concerning the County's net tax-supported debt is presented in the following tables. The tables reflect the ratio of net tax-supported debt of assessed value and net tax-supported debt per capita, and the ratio of debt service payments on net tax-supported debt to total government revenues.

<b>RATIO OF NET TAX-SUPPORTED DEBT TO ASSESSED VALUE AND POPULATION</b>					
<b>Fiscal Year</b>	<b>Net Tax-Supported Debt (\$000's)<sup>(1)</sup></b>	<b>Total Assessed Value (\$000's)<sup>(2)</sup></b>	<b>Net Debt Assessed Value</b>	<b>Population<sup>(3)</sup></b>	<b>Net Tax-Supported Debt per Capita</b>
2015	\$900,952	\$54,623,176	1.6%	441,627	\$2,040
2016	1,122,965	58,394,400	1.9	449,864	2,496
2017	1,113,800	61,335,721	1.8	456,127	2,442
2018	1,136,475	63,755,919	1.8	460,457	2,468
2019	1,059,943	67,613,073	1.6	466,496	2,272

*Source:* Prince William County, Virginia, Comprehensive Annual Financial Report, fiscal year 2019, Tables 11, 14, and 16.

*Notes:* <sup>(1)</sup> Includes Capital Leases.

<sup>(2)</sup> Total Assessed Value includes assessments for taxable real, personal and public service property. With the exception of land in the County's land-use program, assessed values are calculated based on statutory authority equal to 100% of market value. Assessed values for a given fiscal year are as of the prior January. Data from the Comprehensive Annual Financial Report, fiscal year 2019, Table 14.

<sup>(3)</sup> Prince William County, Virginia, Comprehensive Annual Financial Report, fiscal year 2019, Table 16.

<b>RATIO OF NET TAX-SUPPORTED DEBT SERVICE TO TOTAL REVENUES</b>			
<b>Fiscal Year</b>	<b>Debt Service on Net Tax-Supported Debt</b>	<b>Total Revenues<sup>(1)</sup></b>	<b>Ratio of Debt Service to Total Revenues</b>
2015	\$119,226,000	\$1,611,230,000	7.4%
2016	124,165,000	1,496,700,000	8.3
2017	134,737,000	1,649,319,000	8.2
2018	141,908,000	1,802,191,000	7.9
2019	146,043,000	1,988,129,000	7.3

*Source:* Prince William County, Virginia, Comprehensive Annual Financial Report, fiscal year 2019, Table 14.

*Note:* <sup>(1)</sup> Total Revenues include revenues in the General and Special Revenue Funds, including the Fire and Rescue Levy, and revenues of the School Board and Adult Detention Center Component Units.

## OTHER COUNTY-RELATED INDEBTEDNESS

### Cities and Towns

As independent bodies, the debt of the four towns located within the geographic boundaries of the County, and the two cities that are surrounded by the County, are obligations of the respective town or city and not an obligation of the County. Incorporated cities are separate entities from the County, and there is no overlapping debt between any city and the County. The town council of each of the four towns located within the County is authorized by the Virginia Constitution and the Code of Virginia to issue general obligation bonds in the amount up to 10 percent of the assessed value of real estate within the town without holding a public referendum. Each town's debt outstanding, in the approximate amount as of year ended June 30, 2019, is indicated in the Overlapping Debt table below.

### Community Development Authorities

The County has created Community Development Authorities (each a "CDA") that by Virginia law and their charter may issue debt as a means of financing certain projects. CDAs allow public infrastructure within a defined district to be financed with special assessments applied within a district. There are three CDAs within the County (Virginia Gateway, Heritage Hunt, and Cherry Hill); all three have issued revenue bonds secured by CDA assessments. In accordance with the Virginia Code Section 15.2-5131, the County has no obligation to repay CDA debt. The debt is considered overlapping debt and is not carried as a contingent obligation on the County's financial statements.

*Virginia Gateway.* The Virginia Gateway CDA, which is located on 363 acres of land at the intersection of Route 29 and Linton Hall Road, was created in 1998 to develop mixed retail and light industrial and office space. Improvements funded by the CDA include road improvements and sewer and storm water facilities.

*Heritage Hunt.* The Heritage Hunt CDA, which is located on 810 acres at Interstate 66 and Route 29, was created in 1999 for mixed commercial and age-restricted residential development. Improvements funded by the CDA debt include road, water and sewer improvements.

*Cherry Hill.* The Cherry Hill CDA (also known as Harbor Station and to be known as Potomac Shores), which is located on 1,883 acres of land that surrounds Harbor Station Park, Cherry Hill Road and Congressional Way was created in 2005 to provide public infrastructure improvements in connection with the proposed development of mixed residential, retail and office space in addition to a Virginia Railway Express (VRE) rail station. In May 2013, the successor owner to the property proposed the development of a luxury resort hotel, golf course, and town square commercial facilities consisting of restaurant space and retail facilities and related public infrastructure, in addition to the other development and related public improvements for which the CDA was established. Some of the improvements will be funded by the CDA debt.

## Transportation System Revenue Bonds

*Northern Virginia Transportation Authority* (“NVTA”). The County is a member of the multi-jurisdictional NVTA. NVTA was created in 2002 to develop and implement solutions to transportation issues across the Northern Virginia region. Under a landmark Commonwealth transportation bill (HB2313) in fiscal year 2013, the Virginia General Assembly established a dedicated funding stream to fund new transportation projects in Northern Virginia. A significant part of the projects funding comes from a 0.7 percent addition to the sales tax in the region, designated for deposit to the NVTA Fund. Expected revenues are estimated to be approximately \$275 million per year and distribution of revenues are split 70 percent for regional projects and up to 30 percent for jurisdictional projects. For the fiscal year ended June 30, 2019, contributions, intergovernmental revenue and investment earnings, for NVTA’s governmental activities totaled \$293 million. By law, over time, each jurisdiction is required to receive back benefits equal to the amount that it contributes in regional funds. NVTA is authorized to issue bonds that would obligate NVTA, not local jurisdictions.

Pursuant to Virginia General Assembly House Bill 1539 (2018) (HB1539), effective on July 1, 2018, the General Assembly repealed two of NVTA’s three revenue sources, the regional congestion relief fee and the transient occupancy tax. HB1539 left sales tax as the only remaining HB2313 Revenue. The County anticipates receiving less money from NVTA’s 30 percent and 70 percent distributions. The County now retains the revenues from the Grantor’s Tax and the Transient Occupancy Tax that were previously diverted to the NVTA. The legislation specifies the County must use the Grantor’s Tax revenue for general transportation purposes. The Transient Occupancy Tax is specifically to be used for public transportation purposes.

*Potomac and Rappahannock Transportation Commission* (“PRTC”). The PRTC was created in fiscal year 1987, to help create and oversee the Virginia Railway Express (VRE) commuter rail service and also to assume responsibility for bus service implementation as its member governments saw fit. The multi-jurisdictional agency represents Prince William, Stafford, and Spotsylvania Counties (the “Counties”), and the Cities of Manassas, Manassas Park, and Fredericksburg (the “Cities”). PRTC provides commuter bus service (OmniRide Express), to the Washington, DC metropolitan area from the County. PRTC also provides connector services to end of line Metrorail stations (OmniRide Metro Express), a cross county route, and (OmniRide Local), a local bus service that operates in the Counties and the Cities. In addition, the County, through its membership in the PRTC, joined with other jurisdictions through a Master Agreement to pay its share of the costs associated with operating and insuring the VRE, a commuter rail service operating between Northern Virginia and Washington, D.C. In May 2005, the Northern Virginia Transportation Commission (“NVTC”) and PRTC entered into a \$25.1 million capitalized lease obligation for the purchase of bi-level, high capacity passenger rail cars.

In fiscal year 2008, NVTC entered into an agreement with the Federal Railroad Administration (“FRA”) for a loan of up to \$72.5 million to purchase 50 Gallery railcars; in fiscal year 2009 the terms were amended to include ten additional Gallery railcars. A series of 16 promissory notes were originally authorized, and during fiscal year 2012 the balances on the individual notes were consolidated into one note. The note is secured by revenues of VRE and the railcars.

In fiscal year 2018, VRE entered into a financing agreement with the Virginia Resources Authority (VRA) for the purposes of refunding the FRA promissory note and reducing VRE's debt service costs. As required by the authorizing resolutions of the Commissions and jurisdictions, the VRA refunding loan did not extend the term of the original borrowing and achieved net present value debt service savings of not less than three percent. The FRA note was refunded in full with the proceeds from the VRA financing, and VRE has pledged its revenues to the repayment of the principal, premium, and interest on the local bond purchased by VRA.

As of June 30, 2019, the balance of the capital lease was \$10.0 million and the bond payable was \$44.4 million. The Master Agreement requires the County's governmental officers charged with preparing its annual budget to include an amount equal to its pro rata share of the capital costs of the VRE. The County's fiscal year 2020 pro rata share is 34.3 percent. Although the participating jurisdictions have declared that it is their intent to make sufficient annual appropriations to pay their pro rata share of the costs of the VRE, the participating jurisdictions have not made a binding commitment beyond their current fiscal year, and each jurisdiction's obligation to make such payments is non-binding and subject to annual appropriations. The County's share of the outstanding debt (based on the methodology described above) is approximately \$18.66 million. The County's share is expected to vary over time with shifts in population and ridership and with the inclusion of additional participating jurisdictions.

In December 2012, PRTC issued the \$2,335,000 Series 2012 Revenue Bonds, (through the Virginia Resources Authority) to repay proceeds from two interim notes issued in July 2010 to finance land acquisition, design, and construction and management costs associated with a new commuter parking lot and construction costs associated with expansion of the bus storage yard. Proceeds from the issuance was also used to fund certain local costs of issuance and to finance the construction of an evacuation and emergency exit gate at the bus storage yard. Principal and interest payments due in annual installments of \$195,000 to \$285,000 plus interest will be due through October 2022.

Membership in PRTC allows for the collection of revenues from the 2.1 percent wholesale motor fuels tax levied by the Commonwealth for the member jurisdictions. The Commonwealth-levied Regional Motor Fuels Sales Tax was initiated in August 1986 at 2.0 percent and increased to 2.1 percent on a wholesale basis in January 2010. Debt service on the Series 2012 Revenue Bonds is secured by the 2.1 percent wholesale motor fuels tax allocable to the County, the cities of Manassas and Manassas Park, and by a non-binding moral obligation pledge from these three localities to fund any shortfalls in debt service.

### **Stafford Regional Airport Authority**

The Stafford Regional Airport Authority ("SRAA") operates the Stafford Regional Airport. In August 2007, SRAA issued \$5,425,000 Series 2007 Revenue Bonds (through the Virginia Resources Authority). These bonds are secured by the revenues derived from the ownership and operation of the Stafford Regional Airport, after payment of the airport's operation and maintenance expenses. In addition, the County, Stafford County, and the City of Fredericksburg entered into a support agreement for the benefit of the Virginia Resources Authority ("VRA"), pursuant to which the County, Stafford County, and the City of Fredericksburg undertook a non-binding moral obligation to appropriate from time to time funds

to SRAA in connection with any shortfall in debt service payments due under SRAA's Local Obligation issued to VRA.

### **Northern Virginia Criminal Justice Training Academy**

The Northern Virginia Criminal Justice Training Academy ("NVCJTA") was re-chartered by the Commonwealth of Virginia in 1977. It was originally established in 1965 as the Northern Virginia Police Academy. There are four participating jurisdictions included in the financing of the new Emergency Vehicle Operations Center ("EVOC"): the County, Loudoun County, Arlington County and Alexandria City. The four jurisdictions are responsible for the debt service and the operating and capital expenditures will be charged to all participating jurisdictions on a pro-rata share basis of their participation in the EVOC. The County Police Department withdrew from the NVCJTA in 1994, although the County continued its financial support. The County's share of both the operating and debt service was set at 30 percent in a Memorandum of Understanding between NVCJTA and the County, and was approved by the County Board of Supervisors in September 2005.

The Industrial Development Authority of Loudoun County, Virginia issued \$18,650,000 of Lease Revenue Bonds in November 2006 to finance the construction and equipping of the EVOC. The 2006 Lease Revenue Bonds were refunded in September 2015. The outstanding par amount as of June 30, 2019, for which the County is responsible, is \$2,096,873 or 34.3 percent of outstanding principal amount of the refunded bonds.

### **Water and Sewer Debt**

The Service Authority finances its capital needs through the issuance of debt that is not backed by the full faith and credit of the County but by revenues derived from charges for services rendered. As of June 30, 2019, the Service Authority's outstanding debt was \$127.8 million. Long-term debt consisted of four outstanding financing agreements with VRA related to upgrades to the Mooney Advanced Water Reclamation Facility, as well as two outstanding revenue bonds that were issued in 2013 and 2015. These bonds and loans are payable solely from the revenues generated by the system.

UOSA has issued various regional sewage system revenue bonds to pay the costs of its sewer and sewage disposal system. UOSA's annual debt service is funded by each of the participating jurisdictions based on their allocated capacity with certain modifications. In fiscal year 2019, the Service Authority paid approximately \$10.8 million in UOSA debt service. Historically, the County made an annual fixed payment towards the UOSA debt service with the Service Authority paying the balance. Effective January 1, 2013, the Service Authority assumed the County's obligation. See Note 17 to the audited financial statements for the fiscal year ended June 30, 2019, in Appendix B.

### **Park Authority Revenue Bonds**

The Park Authority was created by ordinance adopted by the Board on October 11, 1977. Effective July 1, 2012, the Park Authority is no longer a separate corporate entity and is now a

department within the County, the Department of Parks, Recreation and Tourism. On April 14, 2010, while it was a separate entity, the Park Authority issued \$13,285,000 Prince William County Park Authority Park Facilities County Contribution Revenue Bonds Series 2010 (the “2010 Park Authority Bonds”) which together with other funds refinanced for debt service savings the Park Authority’s outstanding Park Facilities Revenue Refunding and Improvement Bonds, Series 1999. At that time, the County and the Park Authority entered into a Contributions Agreement by the terms of which the County agreed to make, subject to annual appropriation, contributions to the Park Authority proportionate to the debt service on the 2010 Park Authority Bonds and the Park Authority assigned its rights to receive the contributions to a paying agent. Effective July 1, 2012, with the dissolution of the Park Authority as a separate entity, the 2010 Park Authority Bonds remain a debt of the County. The County will continue to make its contributions, subject to annual appropriation of funds for the purpose, to the paying agent, in order to make the debt service payments on the 2010 Park Authority Bonds.

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## Overlapping Debt

All four of the four towns in the County and three CDAs mentioned above have issued bonds payable from real property taxes or assessments on property within their respective boundaries and also within the boundaries of the County. In addition, the County has assumed responsibility for payments to two regional issuers for a percentage of the debt service on certain of their obligations. The amounts of these tax supported obligations are shown in the following table.

<b>DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT</b>				
(\$000's)				
Based on Assessed Values				
	<b>Outstanding on June 30, 2019</b>	<b>Percent Applicable to County</b>	<b>Amount Applicable to County</b>	<b>Percent of Assessed Value</b>
<b>Direct:</b>				
Net Tax Supported Debt	<b>\$1,059,943</b>	<b>100.00%</b>	<b>\$1,059,943</b>	<b>1.73%</b>
<b>Overlapping:</b>				
Town of Dumfries	10,095	100.00	10,095	0.0165
Town of Quantico	105	100.00	105	0.0002
Town of Haymarket	1,003	100.00	1,003	0.0016
Town of Occoquan	2	100.00	2	0
Heritage Hunt Commercial - CDA Special Assessment Bonds Series 1999 B	917	100.00	917	0.0015
Virginia Gateway Community - CDA Refunding Bond Series 1999 and 2003 B	8,330	100.00	8,330	0.0136
Cherry Hill Community - CDA Special Assessment Bonds Series 2015	29,760	100.00	29,760	0.0486
Northern Virginia Transportation Commission - Virginia Railway Express <sup>(1)</sup>	59,867	32.32	19,349	0.0316
Northern Virginia Criminal Justice Training Academy (NVCJTA) <sup>(1)</sup>	6,224	33.69	2,097	0.0034
<b>Total Overlapping Governmental Activities Debt<sup>(2)</sup></b>	<b>\$116,303</b>	<b>61.61%</b>	<b>\$71,658</b>	<b>0.12%</b>
<b>Total Direct and Overlapping Governmental Activities Debt<sup>(2)</sup></b>	<b>\$1,176,246</b>	<b>96.20%</b>	<b>\$1,131,601</b>	<b>1.85%</b>

Sources: Prince William County, Virginia, Comprehensive Annual Financial Report, fiscal year 2019, Table 13. Also see Prince William County, Virginia, Comprehensive Annual Financial Report fiscal year 2019, Table 7, Notes 10, 18 and 20.

Notes: <sup>(1)</sup> Amount applicable determined on basis other than assessed value of taxable property.

<sup>(2)</sup> Totals may not add due to rounding.

## **Lease Commitments and Obligations**

The County leases real estate and equipment under operating and capital leases expiring at various dates through fiscal year 2027. All capital leases are non-cancelable except they are contingent upon the Board appropriating funds for each year's payments. The County, pursuant to its adopted debt management policy contained in the Principles of Sound Financial Management, includes capital leases outstanding in its computation of net tax-supported debt as shown previously herein and in its debt-capacity calculation.

The County also has various short-term leases for real estate and equipment with initial or remaining noncancellable lease terms of less than one year. As of June 30, 2019, the County's total rental expense under operating leases of the primary government was approximately \$8,013,000. Further information concerning these obligations is included in Note 10 to the Prince William County, Virginia, audited financial statements for the fiscal year ended June 30, 2019, in Appendix B.

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**AUDITED FINANCIAL STATEMENTS OF THE COUNTY**

The appended General Purpose Financial Statements were reproduced from the County's audited financial statements included in its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2019. Additional information relative to the County's financial operations and long-term debt is presented in Appendix A of this Official Statement.<sup>(1)</sup>

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<sup>1</sup> In order to preserve cross-references within such pages, this Appendix has not been repaginated and, accordingly, retains the original pagination.

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## Report of Independent Auditor

To the Board of County Supervisors  
County of Prince William, Virginia

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Prince William, Virginia (the "County"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 controls relevant to the County'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 County's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, changes in net pension and net other postemployment benefits ("OPEB") liabilities and related ratios, and schedule of contributions for the pension and OPEB plans as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2020, on our consideration of the County's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

*Cherry Bekant* LLP

Tysons Corner, Virginia  
February 18, 2020

**Management’s Discussion and Analysis**  
**June 30, 2019**  
**(amounts expressed in millions)**

Prince William County’s 2019 fiscal performance continues to demonstrate the successful implementation of its Strategic Plan. This report provides accountability to the County’s goals and objectives defined with its citizenry and adopted by the Board of County Supervisors. This section of the comprehensive annual financial report presents our discussion and analysis of the County’s financial performance during the fiscal year that ended on June 30, 2019. Please read it in conjunction with the transmittal letter at the front of this report and the County’s financial statements, which follow this section. All amounts in the discussion and analysis, unless otherwise indicated, are expressed in millions of dollars. Throughout this section of the report, the primary government is referred to as the “County” and the “Total Reporting Entity” is the County and component units combined. Due to the material relationship between the School Board component unit and the County, the Total Reporting Entity information more accurately reflects the comprehensive financial operations of Prince William County.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

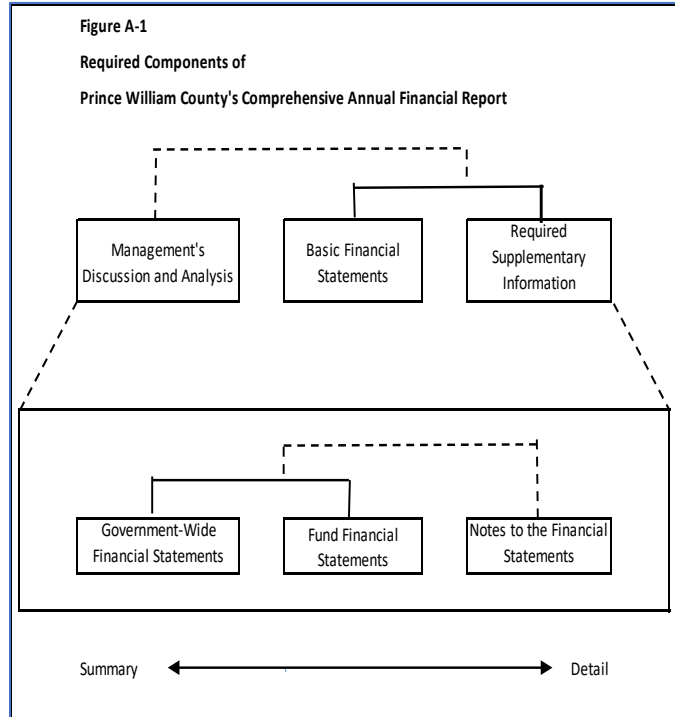
The financial section of this annual report consists of four parts – Management’s Discussion and Analysis (MD&A), the Basic Financial Statements, other Required Supplementary Information, and an optional section that presents combining statements for nonmajor governmental funds, internal service funds, agency funds, discretely presented component units; budget and actual schedules for the nonmajor governmental funds; and debt obligation schedules. The basic financial statements present different views of the County:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the County’s overall financial status.

**FINANCIAL HIGHLIGHTS**

- The County implemented GASB Statement No. 83, *Certain Asset Retirement Obligations*; and GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* (Refer to Note Disclosure 1-R).
- The total reporting entity, which includes component units, has positive net position of \$833 at June 30, 2019, which represents an increase of \$211 or 34 percent from the prior year.
- The total cost of the County’s governmental programs decreased 5.3 percent to \$1,281 during fiscal year 2019, while the County’s total revenues increased by 7.6 percent to \$1,412.
- Net position of governmental activities increased 30 percent from negative (\$410) the prior year. Program revenue exceeded costs for the current year. The County’s total costs in governmental activities decreased nearly 5.6 percent from prior year by \$75. Program revenues increased by one percent, while general revenues grew by nearly 8.9 percent.
- At June 30, 2019, the County had \$966 of debt outstanding related to assets recorded by its component units and other entities. Accordingly, liabilities and deferred inflows of the County’s governmental activities at June 30, 2019 exceeded its assets and deferred outflows by \$288 (net deficit).
- Total net position of the County’s business-type activities increased by 15.7 percent to \$59 due primarily to an increase in charges for services provided to the community.
- At the end of the current year, the unassigned fund balance of \$87 in the general fund was maintained at 7.5 percent of the total general fund revenues. The unassigned fund balance increased 6.1 percent from the prior year. The increase is primarily attributable to expenditure savings at the end of the fiscal year.
- General fund revenues exceeded the budget by \$14.6; alternatively, expenditure savings of \$14.4 under the budget helped to provide additional available resources to fund the County’s reserves available for future appropriation.
- As of January 1, 2018, (the assessment date pertinent to real estate taxes supporting fiscal year 2019) the total assessed values of taxable property increased by 5.7 percent compared to the prior year, with increases in residential values accounting for 62 percent of the total assessed values. Real estate taxes contributed 50 percent of the total revenues for the primary government of the County during fiscal year 2019.

- The remaining statements are fund financial statements that focus on individual operations of the County government, reporting in more detail than the government-wide statements.
  - The governmental funds statements reflect how general government services, like public safety, are financed in the short-term as well as what remains for future spending.
  - Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like businesses, such as the landfill.
  - Fiduciary fund statements provide information about the financial relationships in which the County acts solely as a trustee or agent for the benefit of others, to whom the resources belong. Such as the County's pension and other post-employment benefit plans; the special welfare program; and the community services board, and housing federal self-sufficiency payee programs for certain recipients of welfare, mental health and housing services.



The financial statements also include note disclosures that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A.1 shows how the required parts of this financial section are arranged and related to one another. In addition to these required elements, the financial statements include a section with combining statements that provide details about the County's nonmajor governmental funds, internal service funds, agency funds and discretely presented component units, each of which are combined and presented in single columns in the basic financial statements.

Figure A-2 summarizes the major features of the County’s financial statements, including the scope and the types of financial information presented. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

**Figure A-2**  
**Major Features of the County’s Government-wide and Fund Financial Statements**

	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
<b>Scope</b>	Entire County government (except fiduciary funds) and the County’s component units	The activities of the County that are not proprietary or fiduciary, such as police, fire, and community development	Activities the County operates similar to private businesses such as, the Landfill, Innovation Technology Park, and Parks & Recreation	Instances in which the County is the trustee or agent for someone else’s resources, such as the retirement plan for County employees
<b>Required financial statements</b>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses, and changes in net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
<b>Accounting basis and measurement focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<b>Type of Deferred outflow and inflow asset/liability information</b>	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the County’s funds do not currently contain capital assets although they can
<b>Type of inflow/outflow information</b>	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

### Government-wide Statements

The government-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government’s assets, deferred outflows of resources and liabilities and deferred inflows of resources. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the change in the County’s net position. Net position – the difference between the County’s assets, deferred outflows, liabilities and deferred inflows – is one way to measure the County’s financial health. Over time, increases or decreases in the County’s net position are an indicator of improving or deteriorating financial health respectively. To assess the overall health of the County, one must consider additional factors, such as changes in the County’s property tax base.

The government-wide financial statements of the County are divided into three distinct categories:

- **Governmental activities**—Most of the County’s basic services are included here, such as police, fire, public works, transportation, community development, and general government administration. Property and other taxes and state and federal grants are the primary funding source of these activities.

- Business-type activities—The County’s Landfill, Innovation Technology Park, and Parks and Recreation enterprise operations. The County charges fees to customers to help it cover the costs of these operations.
- Component units—The County includes two other entities in its report—the Prince William County School Board and Adult Detention Center. Although legally separate, these entities are considered to be “discretely presented component units” because the County is financially accountable for their operations.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the County’s most significant funds—not the County as a whole. Funds are accounting tools the County uses to keep track of specific sources of funding and spending for particular purposes. The County establishes funds to control and manage money for specified purposes (i.e., Streets & Roads capital projects fund) or to show that it is properly using certain taxes and grants (i.e., Transportation Districts or Housing special revenue funds).

The County has three types of funds:

- Governmental funds—Most of the County’s basic services are included in governmental funds, which focus on:
  - (1) How cash and other financial assets can readily be converted to cash flow in and out; and
  - (2) The balances left at year-end that are available for spending.

Consequently, the governmental funds statements provide a detailed short-term view that indicates whether there are more or fewer financial resources that can be spent in the near future to finance the County’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, a detailed reconciliation provides additional information that explains the relationship (or differences) between the statements.

The County’s governmental fund balances are categorized into five classifications based upon constraints imposed upon the use of the resources – non-spendable, restricted, committed, assigned and unassigned.

- Proprietary funds—Services for which the County charges customers a fee are generally reported in proprietary funds.
  - The County’s enterprise funds are the same as its business-type activities; but provide more detail and additional information.
  - The County uses internal service funds to report activities that provide supplies and services for the County’s other programs and activities—such as the County’s Intra-County Services Fund.
- Fiduciary funds—The County is the trustee, or fiduciary, for its employee’s pension plans. The County is also responsible for other assets through a trust arrangement that can be used only for the trust beneficiaries. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County’s fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. These activities are excluded from the County’s government-wide financial statements, because the County cannot use these assets to finance its own operations.

## FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

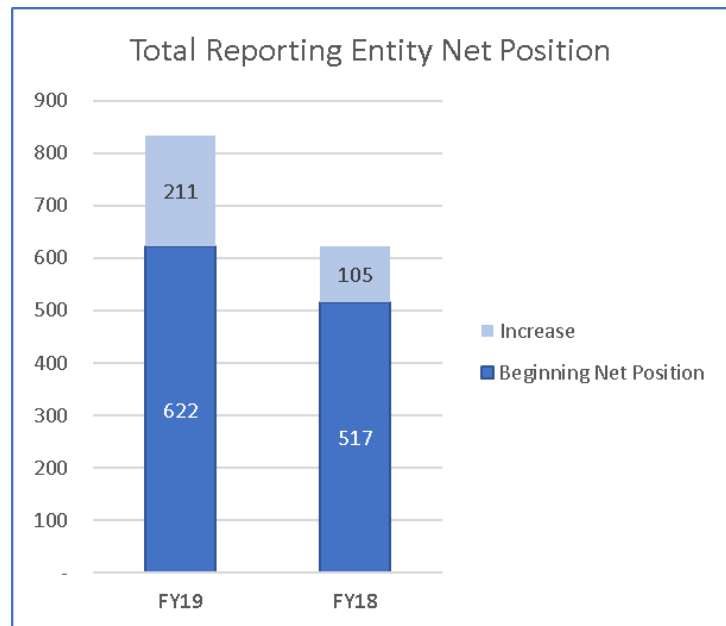
### Net position

The total reporting entity net position increased from the prior year balance of \$622 by 34 percent to \$833.

### Governmental Activities

Net position of the County's governmental activities increased by 34 percent to (\$288). The County's net position in fiscal year 2018 was (\$410). The County also issues debt to finance capital projects, which are donated to other entities. Therefore, while the debt is reflected as an obligation of the primary government of the County, the related assets are recorded by the entities to which the capital projects are donated.

These donations are planned as part of the County's capital improvement program to further its quality education and workforce development, mobility, safe and secure communities and robust economy strategic goals, and thereby increase services and improve the quality of life in Prince William County.



As of June 30, 2019, the County has \$1,060 in outstanding debt of which \$977 (compared with \$1,054 as of June 30, 2018) is related to assets donated to other entities as follows:

- \$797 Prince William County School Board
- \$147 Commonwealth of Virginia for streets and roads
- \$33 Prince William County Adult Detention Center

This represents 91.7 percent of the County's total general obligation, capital leases and other long-term debt. Because the County does not retain the related assets, this debt liability (less any unspent proceeds) reduces the County's total net position and represents a less favorable picture as compared to governments that do not extensively fund the capital assets of other entities.

All of the debt listed above is used to finance the purchase or construction of assets recorded by other entities and result in a deficit in net position of governmental activities of the County. This deficit is the result of having long-term commitments that are greater than currently available resources, and does not mean that the County is lacking the resources available to pay its bills next year or in future years. Additionally, revenues of the County's governmental activities increased by 7.5 percent compared to those of the prior year, expenses decreased by 5.6 percent during fiscal year 2019 mainly attributable to a decrease in education expenses of \$121.

## Business-Type Activities

The net position of the County's business-type activities increased 15.7 percent to \$59 in 2019 compared to \$51 in 2018, which was attributed to increases in net position of \$3 for Landfill, \$3 for Innovation Technology Park and \$2 for Parks, Recreation and Cultural.

The \$59 net position of the County's business-type activities will not be used to offset the net position deficit in governmental activities. The County generally uses the positive net position to finance the continuing operations of the Landfill, Innovation Technology Park and Parks and Recreation.

<b>Table A-1 Net Position</b>									
		<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>		<b>Total Reporting Entity (including Component Units)</b>	
		<b>2018</b>		<b>2018</b>		<b>2018</b>		<b>2018</b>	
		<b>2019</b>	<b>Restated</b>	<b>2019</b>	<b>Restated</b>	<b>2019</b>	<b>Restated</b>	<b>2019</b>	<b>Restated</b>
Current assets and other	\$	952	930	44	37	996	967	1,488	1,523
Capital assets		608	596	46	47	654	643	2,343	2,215
<b>Total assets</b>		<b>1,560</b>	<b>1,526</b>	<b>90</b>	<b>84</b>	<b>1,650</b>	<b>1,610</b>	<b>3,831</b>	<b>3,738</b>
<b>Deferred outflows of resources</b>		74	67	-	1	74	68	224	212
Other liabilities		314	313	8	10	322	323	488	480
Long-term liabilities		1,321	1,399	23	24	1,344	1,423	2,335	2,455
<b>Total liabilities</b>		<b>1,635</b>	<b>1,712</b>	<b>31</b>	<b>34</b>	<b>1,666</b>	<b>1,746</b>	<b>2,823</b>	<b>2,935</b>
<b>Deferred inflows of resources</b>		287	291	-	-	287	291	399	393
Net position:									
Net investment in capital assets		539	505	40	39	579	544	2,403	2,215
Restricted		99	96	-	-	99	96	119	131
Unrestricted		(926)	(1,011)	19	12	(907)	(999)	(1,689)	(1,724)
<b>Total net position</b>	<b>\$</b>	<b>(288)</b>	<b>(410)</b>	<b>59</b>	<b>51</b>	<b>(229)</b>	<b>(359)</b>	<b>833</b>	<b>622</b>

The aforementioned factors contributing to changes in the governmental net position and the business-type net position of the County combined to create an overall increase in net position of the primary government of \$130 between fiscal years 2019 and 2018. The assets and deferred outflows of resources of the primary government are less than the liabilities and deferred inflows of resources by \$229.

The component units (the Prince William County School Board and the Adult Detention Center) are a significant portion of the total reporting entity, the assets of which represent over 56.9 percent of the total reporting entity. Component unit net position increased 8.2 percent to \$1,061 during 2019, an increase in funding of \$33 from the state as well as increased earnings on investments of \$6.0. The net position of the primary government of negative (\$229) combined with the net position of the component units of \$1,061 resulted in total net position for the total reporting entity of \$833, after considering the effect of restatement of beginning net position.

## Changes in Net Position

Table A-2 and the narrative that follows consider the operations of governmental and business-type activities separately. See Figures A-4, A-5 and A-6 for the revenue percentages and net costs for governmental activities.

<b>Table A-2</b>									
<b>Changes in Net Position</b>									
	<b>Governmental</b>		<b>Business-Type</b>		<b>Total Primary</b>		<b>Total Reporting</b>		
	<b>Activities</b>		<b>Activities</b>		<b>Government</b>		<b>Entity (including</b>		
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>Component units)</b>
<b>Revenues:</b>									
<b>Program revenues:</b>									
Charges for services	\$	55	55	28	26	83	81	109	107
Operating grants and contributions		102	97	-	-	102	97	285	279
Capital grants and contributions		78	81	-	-	78	81	78	81
<b>General revenues:</b>									
<b>Taxes:</b>									
Real property		713	680	-	-	713	680	713	680
Personal property		150	137	-	-	150	137	150	137
Other taxes		147	132	-	-	147	132	147	132
Payment from primary government		-	-	-	-	-	-	634	717
Grants and contributions not restricted to specific		80	81	-	-	80	81	532	500
Unrestricted investment earnings		43	14	2	-	45	14	53	16
Gain (loss) on disposal of capital assets		1	-	-	-	1	-	1	-
Miscellaneous		12	8	1	1	13	9	18	16
<b>Total revenues</b>	<b>\$</b>	<b>1,381</b>	<b>1,285</b>	<b>31</b>	<b>27</b>	<b>1,412</b>	<b>1,312</b>	<b>2,720</b>	<b>2,665</b>

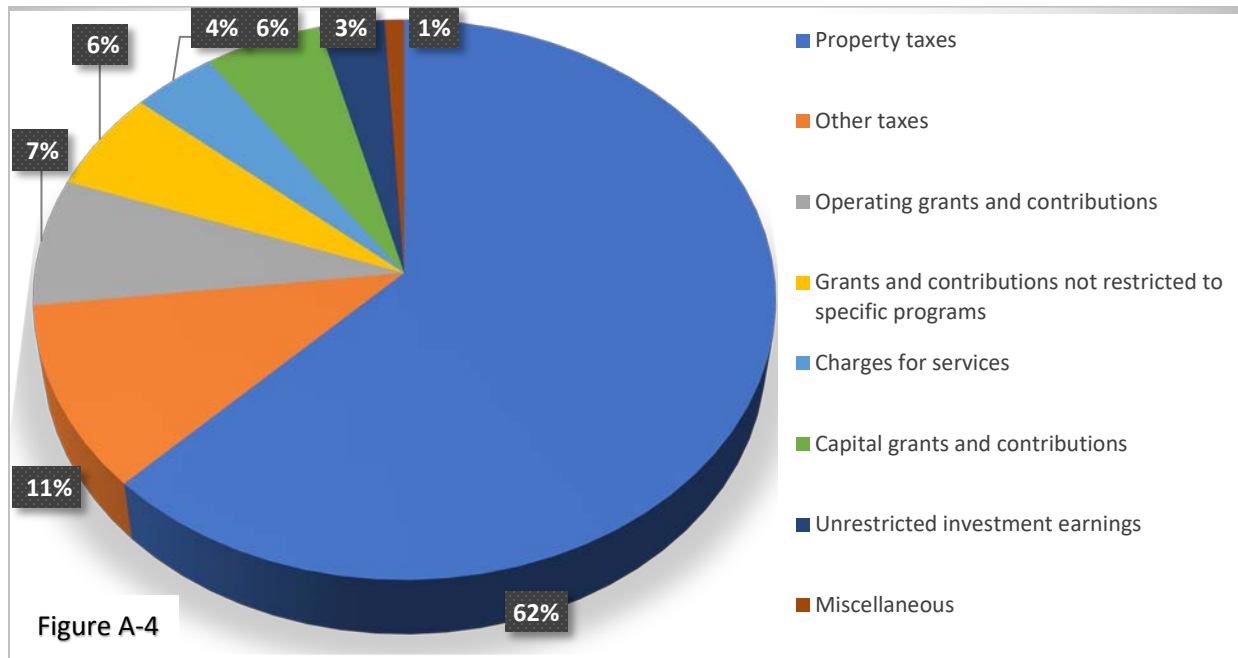
Table A-2 Changes in Net Position (cont'd)								
	Governmental Activities		Business-Type Activities		Total Primary Government		Total Reporting Entity (including Component Units)	
	2019	2018	2019	2018	2019	2018	2019	2018
<b>Expenses:</b>								
General government								
administration	\$ 47	48	-	-	47	48	48	48
Judicial administration	24	22	-	-	24	22	24	22
Public safety	335	292	-	-	335	292	335	292
Public works	107	112	-	-	107	112	107	112
Health and welfare	101	96	-	-	101	96	101	96
Education	469	590	-	-	469	590	469	590
Parks, recreational and cultural	58	49	-	-	58	49	58	49
Community development	66	71	-	-	66	71	66	71
Interest on long-term debt	49	51	-	-	49	51	49	51
Enterprise	-	-	25	22	25	22	25	22
Component Units	-	-	-	-	-	-	1,228	1,207
<b>Total expenses</b>	<b>\$ 1,256</b>	<b>1,331</b>	<b>25</b>	<b>22</b>	<b>1,281</b>	<b>1,353</b>	<b>2,509</b>	<b>2,560</b>
Excess/(deficiency) in net position before transfers	125	(46)	6	5	131	(41)	211	105
Transfers	(3)	4	2	(4)	(1)	-	-	-
<b>Increase/(Decrease) in net   position</b>	<b>122</b>	<b>(42)</b>	<b>8</b>	<b>1</b>	<b>130</b>	<b>(41)</b>	<b>211</b>	<b>105</b>
<b>Restatement of beginning   net position, beginning of   year, as restated</b>	<b>(410)</b>	<b>(368)</b>	<b>51</b>	<b>50</b>	<b>(359)</b>	<b>(318)</b>	<b>622</b>	<b>517</b>
<b>Net position-end of year</b>	<b>\$ (288)</b>	<b>(410)</b>	<b>59</b>	<b>51</b>	<b>(229)</b>	<b>(359)</b>	<b>833</b>	<b>622</b>

The total reporting entity net position increased by \$211 in fiscal year 2019. Factors effecting the change in net position include total revenues of \$2,720 (two percent higher than fiscal year 2018) exceeded total expenses of \$2,509, (two percent lower than expenses of the prior year).

The County's Primary Government total revenues increased 7.6 percent to \$1,412 (see Table A-2). Over 61.1 percent of the County's revenue comes from ad valorem taxes. The County's total revenue is divided into three major sources: 73 percent of every dollar raised comes from some type of tax; nearly 6 percent of revenues come from local, state and federal aid; charges for services are 4 percent and the remaining 4 percent is from other sources.

The total cost of all County programs and services decreased by \$72 or 5.3 percent to \$1,281. The County's expenses cover a range of services, with 68.8 percent related to public safety and education (see Table A-2). Quality education, workforce development, and safe and secure community are significant goal areas in the Strategic Plan.

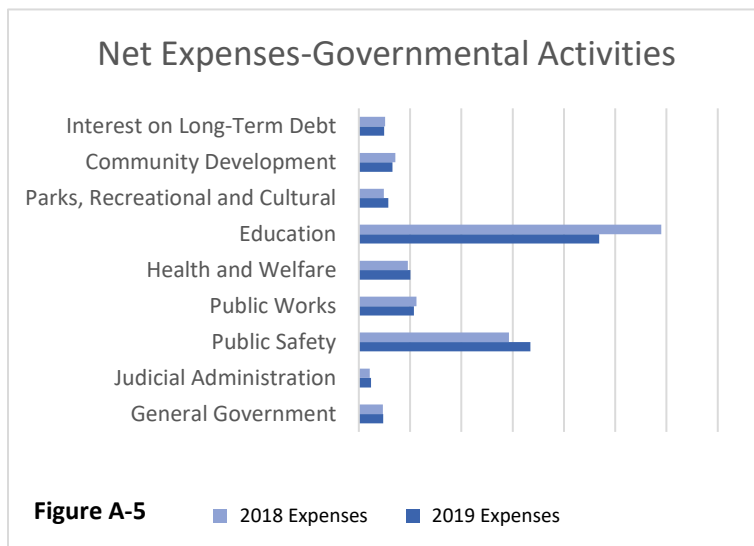
## Governmental Activities



Revenues for the County's governmental activities increased 7.5 percent to \$1,381, and total expenses decreased 5.6 percent to \$1,256, which, after considering the effect of transfers, resulted in a \$122 increase in net position during the current year, compared to \$42 decrease in the prior year.

Seventy-three percent of revenues related to governmental activities are derived from taxes (see Figure A-4). Tax revenues increased by \$61 or 6.4 percent, due mainly to an increase in real estate tax revenues from \$680 in fiscal year 2018 to \$713 in fiscal year 2019. A nearly six percent increase in the total taxable assessed value of real estate in the County, coupled with a 0.07 percent increase in the total direct tax rate helped to push real estate tax revenues slightly higher, and offset a flat level of support received from both the state and federal government; mitigating the impact of the rising cost of vital services provided by the County. These outcomes are attributable to a more positive real estate market than the County has experienced over the past few fiscal years, with residential real estate values increasing 4.6 percent and commercial and industrial values increasing 13 percent and apartment real estate values increasing 6 percent. Property tax revenues experienced encouraging levels of growth during fiscal year 2019 (up 4.8 percent from the prior year).

Local sales tax revenues produced a 6.1 percent increase from \$65 in fiscal year 2018 to \$69 in fiscal year 2019.



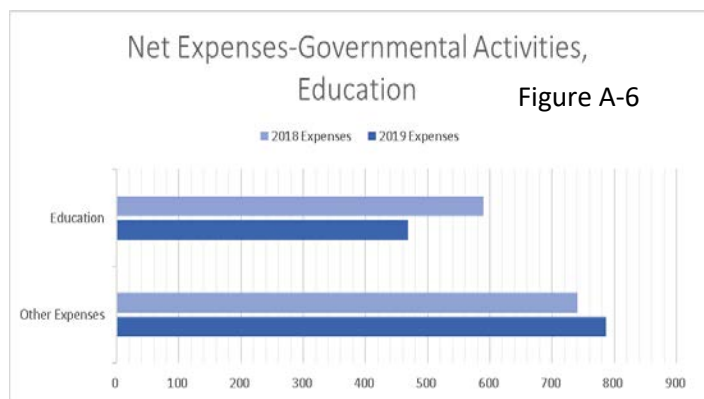
Operating grants and contributions increased by five percent, while capital grants and contributions decreased by 3.7 percent. Investment earnings in FY 2019 were up \$29 from \$14 in fiscal year 2018; the county realized actual investment earnings of \$43 in fiscal year 2019.

Education remains the biggest expense for governmental activities. The School Board receives 57.23 percent of general revenues per the revenue-sharing agreement with the County. The Board of County Supervisors created a grant funding opportunity intended to help the School Board address the issue that Prince William County School class sizes are at a maximum permitted under Virginia law. This Class Size Reduction Grant of up to one million dollars is in addition to the revenue sharing agreement with the County. FY 2019 enrollment increased by 342 students compared to fiscal year 2018. Student enrollment as of September 2019 for all Prince William County Schools is 90,876 students, increasing 281 students or 0.3% from fiscal year 2019 to 2020.

Public Safety expense increased by \$43 or 14.7 percent compared to fiscal year 2018. The Police Department and Department of Fire and Rescue represent 73 percent of the Public Safety budget. In fiscal year 2019, the Police Department increased personnel by 15 full time equivalent (FTE) positions. Fire and Rescue increased by 29 FTE positions.

Additionally, other functions and programs experienced significant changes from prior year levels. Public Works costs decreased 4.5 percent to \$107 in fiscal year 2019. While interest on long-term debt decreased by nearly 3.9 percent.

Figures A-5 and A-6 present the net cost (total cost less fees generated by the activities and intergovernmental aid) of each of the County's nine functions/programs. The net cost reflects the financial burden that was placed on the County's taxpayers by each of these functions.



The cost of all governmental activities this year was \$1,256; however, the amount that County taxpayers paid for these activities through County general revenues was only \$1,021. Some of the costs were paid by:

- Those who directly benefited from the programs by paying charges for services \$55
- Other governments and organizations that subsidized certain programs with grants and contributions of \$180

### Business-Type Activities

Revenues of the County's business-type activities increased by \$4 to \$31 and expenses of \$25, increased by \$3 as compared to the prior year (refer to Table A-2). Factors contributing to these results include:

- Charges for services of \$28, showed increases in Innovation Technology Park of \$2 and the County landfill of \$0.5, while Parks and Recreation had a slight decrease, down from \$4.6 to \$4.5 in fiscal year 2019.
- Expenses increased 13.6 percent overall in the County's business-type activities.
- Net income before transfers was positive \$6 compared to \$5 in the prior year. The County's business-type activities had investment earnings of \$2, miscellaneous revenue of \$1 as well as transfers from the General Fund of \$4, resulting in a positive change in net position of \$8.

## FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As the County completed the year, its governmental funds reported a combined fund balance of \$374, an increase of \$10 or 2.75 percent from the prior year fund balance of \$364. General Fund revenues increased by \$70 to \$1,164, while General Fund expenditures increased by \$49 or four percent to \$1,145. After considering the net effect of transfers in and out to other funds and other transactions, the General Fund balance increased \$1. The Capital Projects funds balances increased by \$6.2 during the current year, due to a variety of factors. During the fiscal year, the County expended \$75 on Streets and Roads projects, down from \$80 in FY 2018, and received \$68 of support from the Local, State and Federal government, an increase from \$50 in 2018. Additionally, the capital projects funds received funds from the General Fund, special levy district, and various other capital projects. General Fund transfers for streets and roads projects decreased in comparison to fiscal year 2018 by \$5. Fund balance for the Fire & Rescue Levy Fund decreased 18 percent or \$8 net of transfers. The change in the Fire and Rescue Levy Special Revenues Fund, is mainly due to the increase in expenditures of \$8, which exceeded the increase in revenue, as well as the decrease in transfers. Fund balances for Other Governmental Funds increased 11 percent from the prior year. As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Board adopted its *Principles of Sound Financial Management* in 1988 and amended its *Principles* in April 2018. Following these *Principles* has enhanced the County's image and credibility with the public, credit rating agencies, and investors. Policy 1.02 requires a General Fund unassigned fund balance of 7.5 percent of the current year's General Fund revenues, a level that has been maintained consistently since 2006. The purpose of the unassigned fund balance is to provide the County with sufficient working capital and maintain a margin of safety to address emergency needs or unexpected declines in revenue. The County has done an excellent job achieving and maintaining its minimum fund balance requirement since establishment. Figure A-7 shows the County's unassigned General Fund balance as compared to the policy requirement. Additions to the unassigned fund balance come from a combination of revenues over projections and current year expenditure savings.

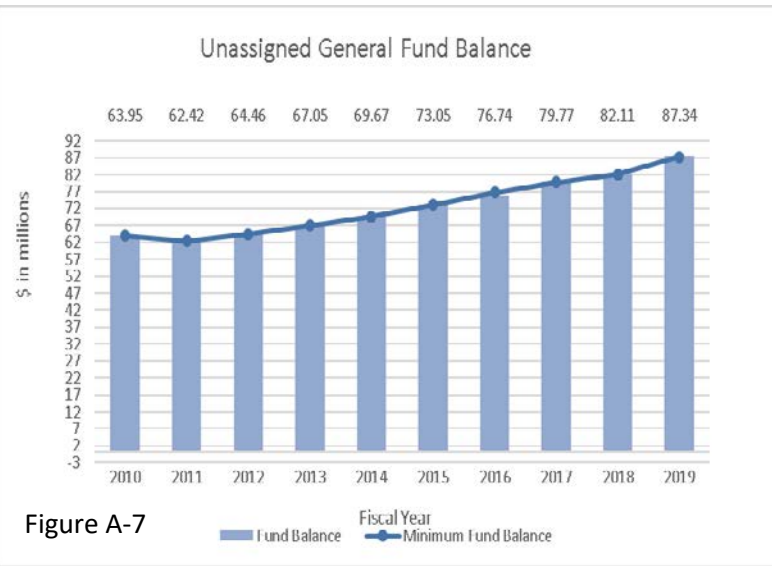


Figure A-7

### Governmental Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

- The County's General Fund balance increased \$1 or 1 percent due to expenditure increases of only four percent as well as an increase in General Fund revenue of six percent. The revenue increase is due primarily to an increase in property taxes as well as gains on investments.
- The financial results as detailed in the governmental funds demonstrate the County's accountability to its five strategic goal areas of robust economy, safe and secure community, well-being, quality education,

workforce development; and mobility aligned to address the impact of population growth and increased needs of the community.

- The County has continued to increase its investment in public safety during the current year, increasing expenditures by \$19 or 8 percent from the prior year; public safety expenditures continue to represent approximately 23 percent of total expenditures of governmental funds.
- Part of the County's mobility goal of alleviating congestion is further defined as initiatives in the Letter of Transmittal. The \$75 spent on the construction of various streets and roads, upon completion, will be transferred to and become assets of the Commonwealth of Virginia.
- The County's operating support to the School Board was \$473. This is a net 15 percent decrease from FY 2018. The decrease is primarily due to no bond issuances for school construction in 2019.

### **Proprietary Funds**

Unrestricted net position of the Landfill at the end of the years was almost \$10 while unrestricted net position was \$10 for Innovation Technology Park. Unrestricted net position of the Landfill increased by \$4 in fiscal year 2019; while Innovation Technology Park's unrestricted net position increased by \$3. The Parks and Recreation enterprise fund ended the fiscal year with an unrestricted net position of (\$0.6), which is a slight increase from negative (\$0.7) in 2018.

The Statement of Cash Flow, for the proprietary funds provides more detailed information than is found in the government-wide financial statements.

### **General Fund Budgetary Highlights**

Over the course of the year, the Board of County Supervisors revised the County's budget several times. These budget amendments fall into two categories:

- Amendments to appropriations approved shortly after the beginning of the year to reflect budget re-appropriations from the prior year.
- Increases in appropriations based on supplemental funding sources.

After these adjustments, budgetary expenditures were \$15 lower than the final budget amounts and budgetary revenues were more than the final budget by almost \$15. These two factors, combined with the effect of transfers to other funds, resulted in an increase in the total fund balance of the General Fund, of \$1 during the fiscal year. The most significant revenue variances were related to use of money (\$4 higher than final budget) and personal property taxes (\$7 higher than final budget). Actual expenditures were lower in all categories, most notably public safety; health and welfare; parks, recreation and cultural and community development.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal year 2019, the total reporting entity had invested \$2,343 in a broad range of capital assets, including land, buildings, improvements, machinery and equipment, library collections, infrastructure, and construction in progress (see Table A-3). This amount represents a net increase (including additions and deductions) of \$128 or nearly six percent, over fiscal year 2018. The Primary Government had invested \$654 in capital assets, net of accumulated depreciation. Accumulated depreciation remained stable between fiscal year 2019 and 2018. More detailed information about the County's capital assets is presented in Note Disclosure 9 to the financial statements.

<b>Table A-3</b>				
<b>County's Capital Assets</b>				
	<b>Total Primary Government</b>		<b>Total Reporting Entity</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Land & Construction in Progress	\$ 199	188	377	324
Buildings and other capital assets, net of depreciation	455	455	1,966	1,891
<b>Total</b>	<b>\$ 654</b>	<b>643</b>	<b>2,343</b>	<b>2,215</b>

### Major Capital Asset Additions

This year's major County capital asset additions included the following:

- Expenditures related to construction were capitalized for Neabsco Creek Boardwalk (\$2), Nokesville Fire and Rescue Station (\$7) and Coles Fire and Rescue Station (\$4.2).
- The County had increases in land and construction in progress on governmental activities related to the completion of the Gainesville Fire Station. Land purchases for Fire and Rescue Station #22, and Neabsco parking garage were \$3.7 and \$5.5 respectively. Additionally, the construction in progress balance as of the end of the fiscal year 2019 was \$39 for governmental activities and \$2 for business-type activities.
- The School Board reported capital asset increases of \$91, which includes increases to construction in progress of \$13. Major capital asset additions in fiscal year 2019 include: completed construction of one new school building, continued construction on two new schools, major renovations at five existing schools, replacement of 97 schools buses, 15 trucks, and four cars as well as additional purchases of seven school buses, seven trucks and five cars.
- The Adult Detention Center (ADC) component unit's assets increased \$28 for construction in progress on the ADC expansion Phase II project.

## Long-Term Debt And Other Obligations

At year-end the County's governmental activities had total debt and other obligations of \$1,436, of which, bonded debt outstanding represented \$960, all of which is backed by the full faith and credit of the government. Of the County's bonded debt \$20 represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

The County's total debt and obligations decreased to \$1,459 during the current fiscal year. The key components of the current year activities were payments on existing debt totaling \$69 on behalf of the School Board as well as the redemption of the General Ridge Golf Course debt of \$2. More detailed information about the County's long-term debt is presented in Note Disclosure 10 to the financial statements.

## Bond Ratings

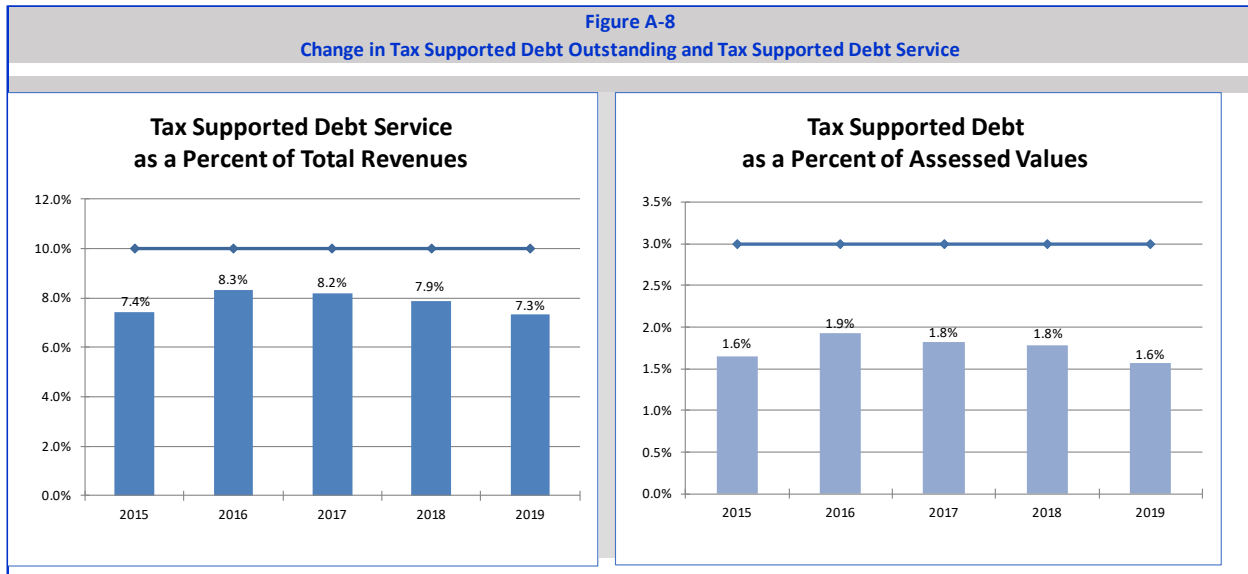
The County maintains ratings of AAA from Fitch Ratings, Aaa from Moody's Investors Services and AAA from Standard and Poor's. These ratings are the highest ratings awarded to a local government and is an achievement held by less than two percent of counties nationwide. All three ratings were reconfirmed during fiscal year 2019.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
General obligation bonds:						
Tax-exempt bonds	\$ 874	952	-	-	874	952
Taxable bonds	66	72	-	-	66	72
Revenue tax-exempt bonds	20	21	6	9	26	30
Total bonded debt	960	1,045	6	9	966	1,054
Loans payable	21	-	-	-	21	-
Capital lease obligations	78	92	-	-	78	92
Unpaid losses and related liabilities	21	21	-	-	21	21
Net pension and OPEB obligation	208	202	2	3	210	205
Surplus distribution payable	4	6	-	-	4	6
Compensated absences	37	36	1	1	38	37
Unamortized premiums	107	117	-	-	107	117
Accrued closure liability	-	-	14	13	14	13
Total long-term debt and other obligations	\$ 1,436	1,519	23	26	1,459	1,545

## Limitations on Debt

The County has no legal limitations on the amount of debt it can issue. The Board, however, has adopted certain financial policies limiting the amount of tax supported debt outstanding to no more than three percent of the assessed value of taxable property; and annual debt service payments to no more than 10 percent of County revenues. As of June 30, 2019, the amount of tax-supported debt outstanding represented 1.6 percent of the total

assessed valuation of taxable real and personal property of \$61 billion at January 1, 2018, which is the valuation date to determine fiscal year 2019 tax revenues. Debt service payments represented 7.8 percent of revenues in compliance with the County's *Principles of Sound Financial Management*. See Table 14 in the Statistical Section for further explanation of the calculations.



## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The key economic factors affecting the County include the following:

- The Board of County Supervisors has kept the real estate tax rate flat at \$1.125 per \$100 dollars of assessed value in fiscal year 2019.
- The real estate tax base has increased from \$57.9 billion supporting fiscal year 2018, to \$61.2 billion for fiscal year 2019, which is a 5.74 percent increase.
- The fiscal year 2020 General Fund budget is \$1,239, which is a 5 percent increase from fiscal year 2018.
- The ratio of employees to residents for the Primary Government of the County remains fairly consistent, increasing to 0.92 percent in fiscal year 2019 compared to 0.85 percent per 1,000 residents in fiscal year 2009.
- The population in the County has grown at an average rate of 16 percent over the past decade and the vast majority of those County residents are gainfully employed.
- The Virginia Employment Commission estimated the County's at-place employment (jobs located in the County) to be 130 thousand, in the first quarter of 2018. This represents a 2.1 percent increase over the prior year.
- Throughout the past decade, the County's unemployment rates have mirrored state and national trends. However more recently, the County's rates have been at consistently lower levels. The County had an unemployment rate of 2.6 percent and an average civilian labor force of 248,063 as of June 2019, according to the Bureau of Labor Statistics, representing slight improvements in the unemployment rate. As of June 2018, the County's unemployment rate was 2.9 percent and its civilian labor force stood at 244,037.

- The Census Bureau’s 2019 American Community Survey indicates that the County’s Median Household income rose from \$95,268 in 2013 to \$107,925 in 2017.

The aforementioned factors were considered in preparing the County’s budget for the 2020 fiscal year. Tax rates show a slight increase as the Board attempts to balance the impact of changes affecting real estate assessments on its citizens, while still providing the funding required to ensure that the County has the resources necessary to continue to provide vital services to the community as further details of the County’s budget can be found in the fiscal year 2020 Adopted Budget.

## **CONTACTING THE COUNTY’S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County’s finances and to demonstrate the County’s accountability for the money received. Questions about this report or inquiries for additional financial information may be addressed to the Office of the Finance Director, 1 County Complex Court, Prince William, Virginia, 22192-9201 or [financedirectorsoffice@pwcgov.org](mailto:financedirectorsoffice@pwcgov.org).

## **BASIC FINANCIAL STATEMENTS**

**T**he Basic Financial Statements include all funds, discretely presented component units and notes to provide an overview of the financial position and results of operation for the County as a whole. They also serve as an introduction to the more detailed statements and schedules that follow.

COUNTY OF PRINCE WILLIAM, VIRGINIA  
**Statement of Net Position**  
June 30, 2019  
(amounts expressed in thousands)

Exhibit 1

	Primary Government			Component Units	Total Reporting Entity
	Governmental Activities	Business-Type Activities	Total		
<b>ASSETS</b>					
Equity in pooled cash and investments	\$ 817,100	24,646	841,746	388,183	1,229,929
Investments	25,061	-	25,061	-	25,061
Property taxes receivable, net	5,863	-	5,863	-	5,863
Investment in direct financing leases	8,503	-	8,503	-	8,503
Accounts receivable, net	18,029	406	18,435	2,076	20,511
Notes receivable, current	-	178	178	-	178
Due from other governmental units	49,833	83	49,916	25,072	74,988
Due from primary government	-	-	-	811	811
Inventory	849	3,240	4,089	8,788	12,877
Prepaid items	675	31	706	4	710
Note receivable, non-current	-	579	579	-	579
Net pension assets	612	-	612	-	612
Restricted assets:					
Temporarily restricted:					
Restricted cash and temporary investments	11,903	15,045	26,948	65,680	92,628
Restricted investments	1,250	-	1,250	-	1,250
Other	792	-	792	-	792
Water and sewer availability credit	11,482	-	11,482	-	11,482
Capital assets:					
Land and construction in progress	170,106	28,882	198,988	178,556	377,544
Buildings and other capital assets, net of depreciation	437,846	16,771	454,617	1,511,117	1,965,734
Total assets	1,559,904	89,861	1,649,765	2,180,287	3,830,052
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred loss on refunding	22,600	299	22,899	-	22,899
Deferred outflows related to OPEB	7,251	68	7,319	21,625	28,944
Deferred outflows related to pensions	43,963	424	44,387	128,227	172,614
Total deferred outflows of resources	73,814	791	74,605	149,852	224,457
<b>LIABILITIES</b>					
Accounts payable	53,100	1,692	54,792	17,891	72,683
Wages and benefits payable	11,941	271	12,212	104,987	117,199
Deposits and escrows	32,722	159	32,881	-	32,881
Retainages	4,538	232	4,770	7,895	12,665
Accrued interest	17,664	83	17,747	-	17,747
Due to other governmental units	1,149	-	1,149	86	1,235
Due to component units	811	-	811	-	811
Unearned revenue	76,729	5,268	81,997	11,896	93,893
Noncurrent liabilities:					
Due within one year	114,502	717	115,219	23,513	138,732
Due in more than one year	1,321,356	22,680	1,344,036	991,099	2,335,135
Total liabilities	1,634,512	31,102	1,665,614	1,157,367	2,822,981
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Prepaid taxes	262,225	-	262,225	-	262,225
Deferred lease revenue	1,258	-	1,258	-	1,258
Deferred inflows related to OPEB	6,533	92	6,625	22,022	28,647
Deferred inflows related to pensions	16,912	192	17,104	89,347	106,451
Total deferred inflows of resources	286,928	284	287,212	111,369	398,581
<b>NET POSITION</b>					
Net investment in capital assets	539,411	39,852	579,263	1,689,673	1,501,676 <sup>A</sup>
Restricted for:					
Capital projects	792	-	792	58,175	(3,913) <sup>A</sup>
Net pension asset	612	-	612	-	612
Special levy districts	43,752	-	43,752	-	43,752
Development fee services	8,694	-	8,694	-	8,694
Housing	5,907	-	5,907	-	5,907
Transient occupancy tax	1,722	-	1,722	-	1,722
Grantor's / deed tax	7,295	-	7,295	-	7,295
Internal service fund	2,887	-	2,887	-	2,887
Public safety	6,205	-	6,205	-	6,205
Grants	9,524	-	9,524	-	9,524
Water and sewer availability credit	11,482	-	11,482	-	11,482
Education	-	-	-	46,284	46,284
Unrestricted	(926,005)	19,414	(906,591)	(732,729)	(809,180) <sup>A</sup>
Total net position / (deficit)	\$ (287,722)	59,266	(228,456)	1,061,403	832,947

The sum of the columns does not equal the Total Reporting Entity column by a difference of \$830,140 because the debt related to the School Board (\$796,785) and the debt related to the Adult Detention Center (\$33,355) is reflected in the primary government's general governmental activities row reducing the unrestricted row as Net Investment in Capital Assets. The Total Reporting Entity column matches the asset with the debt and reports the net amount in the component unit on the Net Investment in Capital Assets. The Net Investment in Capital Assets increased by School Board's unspent bond proceeds of \$62,880 with a corresponding decrease in the Restricted Capital Projects row.

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

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Business-Type Activities
<b>Primary Government:</b>						
<b>Governmental activities:</b>						
General government administration	\$ 47,572	1,925	2,303	211	(43,133)	-
Judicial administration	23,677	2,030	6,107	-	(15,540)	-
Public safety	335,421	15,514	8,554	9,854	(301,499)	-
Public works	107,447	8,748	29,303	67,572	(1,824)	-
Health and welfare	100,931	1,543	54,680	-	(44,708)	-
Education	468,667	-	-	-	(468,667)	-
Parks, recreational and cultural	57,677	8,123	568	87	(48,899)	-
Community development	65,623	17,551	-	-	(48,072)	-
Interest on long-term debt	49,473	-	-	-	(49,473)	-
<b>Total governmental activities</b>	<b>1,256,488</b>	<b>55,434</b>	<b>101,515</b>	<b>77,724</b>	<b>(1,021,815)</b>	<b>-</b>
<b>Business-type activities:</b>						
Landfill	18,274	20,381	-	-	-	2,107
Innovation Technology Park	590	3,408	-	-	-	2,818
Parks & Recreation	6,336	4,524	-	-	-	(1,812)
<b>Total business-type activities</b>	<b>25,200</b>	<b>28,313</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,113</b>
<b>Total primary government</b>	<b>\$ 1,281,688</b>	<b>83,747</b>	<b>101,515</b>	<b>77,724</b>	<b>(1,021,815)</b>	<b>3,113</b>
<b>Component Units:</b>						
School Board	\$ 1,183,841	24,934	170,960	128	-	-
Adult Detention Center	43,742	523	12,004	-	-	-
<b>Total component units</b>	<b>\$ 1,227,583</b>	<b>25,457</b>	<b>182,964</b>	<b>128</b>	<b>-</b>	<b>-</b>
<b>General revenues:</b>						
<b>Taxes:</b>						
Real property				\$ 713,059	-	-
Personal property				150,269	-	-
Local sales				68,710	-	-
Consumer's utility				14,443	-	-
Business, professional and occupational licenses (BPOL)				26,945	-	-
Recordation				10,687	-	-
Motor vehicle licenses				8,987	-	-
Other local taxes				13,215	-	-
Short term rental, bank stock, public utility gross receipts				4,431	-	-
Payments from primary government				-	-	-
<b>Grants and contributions not restricted to specific programs:</b>						
Federal revenues				81	-	-
State revenues				72,385	-	-
Local revenues				7,734	-	-
Investment earnings				43,026	-	1,494
Gain on disposal of capital assets				745	-	-
Insurance claims and recoveries				13	-	-
Miscellaneous				12,200	-	1,077
Transfers				(2,890)	-	2,890
<b>Total general revenues and transfers</b>				<b>1,144,040</b>		<b>5,461</b>
Change in net position				122,225		8,574
<b>Net position, beginning of year</b>				<b>(409,947)</b>		<b>50,692</b>
Restatement of beginning net position				-		-
<b>Net position, end of year</b>				<b>\$ (287,722)</b>		<b>59,266</b>

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

**and Changes in Net Position**

Government Total	Component Unit	Total Reporting Entity	Functions / Programs
			<b>Primary Government:</b>
			<b>Governmental activities:</b>
(43,133)	-	(43,133)	General government administration
(15,540)	-	(15,540)	Judicial administration
(301,499)	-	(301,499)	Public safety
(1,824)	-	(1,824)	Public works
(44,708)	-	(44,708)	Health and welfare
(468,667)	-	(468,667)	Education
(48,899)	-	(48,899)	Parks, recreational and cultural
(48,072)	-	(48,072)	Community development
(49,473)	-	(49,473)	Interest on long-term debt
<u>(1,021,815)</u>	<u>-</u>	<u>(1,021,815)</u>	Total governmental activities
			<b>Business-type activities:</b>
2,107	-	2,107	Landfill
2,818	-	2,818	Innovation Technology Park
<u>(1,812)</u>	<u>-</u>	<u>(1,812)</u>	Parks and Recreation
<u>3,113</u>	<u>-</u>	<u>3,113</u>	Total business-type activities
<u>(1,018,702)</u>	<u>-</u>	<u>(2,037,736)</u>	<b>Total primary government</b>
			<b>Component Units:</b>
-	(987,819)	(987,819)	School Board
-	(31,215)	(31,215)	Adult Detention Center
<u>-</u>	<u>(1,019,034)</u>	<u>(1,019,034)</u>	<b>Total component units</b>
			General revenues:
			Taxes:
713,059	-	713,059	Real property
150,269	-	150,269	Personal property
68,710	-	68,710	Local sales
14,443	-	14,443	Consumer's utility
26,945	-	26,945	Business, professional and occupational license (BPOL)
10,687	-	10,687	Recordation
8,987	-	8,987	Motor vehicle licenses
13,215	-	13,215	Other local taxes
4,431	-	4,431	Short term rental, bank stock, public utility gross receipts
-	633,538	633,538	Payment from primary government
			Grants and contributions not restricted to specific programs:
81	1,020	1,101	Federal revenues
72,385	446,089	518,474	State revenues
7,734	5,040	12,774	Local revenues
44,520	8,669	53,189	Investment earnings
745	-	745	Gain on disposal of capital assets
13	-	13	Insurance claims and recoveries
13,277	4,631	17,908	Miscellaneous
-	-	-	Transfers
<u>1,149,501</u>	<u>1,098,987</u>	<u>2,248,488</u>	Total general revenues and transfers
130,799	79,953	210,752	Change in net position
<u>(359,255)</u>	<u>980,816</u>	<u>621,561</u>	<b>Net position, beginning of year</b>
<u>-</u>	<u>634</u>	<u>634</u>	Restatement of beginning net position
<u>(228,456)</u>	<u>1,061,403</u>	<u>832,947</u>	<b>Net position, end of year</b>

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

## GOVERNMENTAL FUNDS

## Balance Sheet

June 30, 2019

(amounts expressed in thousands)

	Capital Projects					Total Governmental Funds
	General Fund	Streets and Roads	Other Capital Projects	Fire & Rescue Levy	Other Governmental Funds	
<b>ASSETS</b>						
Equity in pooled cash and investments	\$ 553,178	39,443	73,378	54,583	36,117	756,699
Restricted cash and temporary investments	-	2,205	1,489	-	52	3,746
Property taxes receivable, net	5,789	-	-	69	5	5,863
Accounts receivable, net	6,981	602	-	160	5,882	13,625
Due from other governmental units	21,882	26,981	653	-	317	49,833
Investments in direct financing leases	8,503	-	-	-	-	8,503
Inventory	307	-	-	-	13	320
Prepaid items	89	301	10	-	-	400
Other restricted assets	-	792	-	-	-	792
Total assets	\$ 596,729	70,324	75,530	54,812	42,386	839,781
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 27,752	17,348	2,856	1,066	360	49,382
Wages and benefits payable	10,706	-	-	-	773	11,479
Deposits and escrows	32,721	-	-	1	-	32,722
Due to other governmental units	223	906	-	-	20	1,149
Retainage	-	2,997	1,489	-	52	4,538
Unearned revenues	74,183	-	-	-	2,546	76,729
Total liabilities	145,585	21,251	4,345	1,067	3,751	175,999
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Prepaid taxes	243,507	-	-	17,255	1,463	262,225
Unavailable transportation revenues	-	15,136	-	-	-	15,136
Unavailable taxes	3,903	-	-	72	2	3,977
Unavailable lease revenues	8,503	-	-	-	-	8,503
Total deferred inflows of resources	255,913	15,136	-	17,327	1,465	289,841
<b>FUND BALANCES</b>						
Non-spendable	396	301	10	-	13	720
Restricted	9,524	-	-	36,418	37,157	83,099
Committed	88,951	33,636	71,175	-	-	193,762
Assigned	9,025	-	-	-	-	9,025
Unassigned	87,335	-	-	-	-	87,335
Total fund balances	195,231	33,937	71,185	36,418	37,170	373,941
Total liabilities, deferred inflows of resources and fund balances	\$ 596,729	70,324	75,530	54,812	42,386	839,781

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

Reconciliation of the Balance Sheet of Government Funds to the Statement of Net Position

As of June 30, 2019

(amounts expressed in thousands)

Fund balances--total governmental funds (Exhibit 3)	\$ 373,941
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds (excludes \$4,792, related to Internal Service Fund assets, which is included in Internal Service Fund net position below).	603,160
Deferred outflows of resources that are not financial resources and, therefore are not reported in the funds:	
Deferred loss on bond refundings	22,600
Deferred outflows of resources - OPEB (excludes \$235 related to Internal Service Fund)	7,016
Deferred outflows of resources - pension (excludes \$1,456 related to Internal Service Fund)	42,507
Deferred inflows of resources are not available to pay for current-period expenditures:	
Deferred inflows of resources - Unavailable transportation revenues	15,136
Deferred inflows of resources - Unavailable taxes	3,977
Deferred inflows of resources - Unavailable lease revenues	7,245
Deferred inflows of resources - OPEBs (excludes \$265 related to Internal Services Fund)	(6,268)
Deferred inflows of resources - pensions (excludes \$660 related to Internal Services Fund)	(16,252)
Internal Service Funds are used by management to charge costs of certain activities such as insurance, fleet operations, and data processing to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Position.	66,389
Interest on long-term debt is not accrued in governmental funds, but rather, is recognized as an expenditure when due.	(17,664)
Sewer and water availability credits were not recognized in the governmental funds, but rather, is recognized as an expenditure when used.	11,482
Assets not due in the current period, and, therefore, are not reported in the funds:	
Net pension assets	612
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds (Note Disclosure 10):	
Other long-term obligations (excludes \$8,235 related to Internal Service Fund)	\$ (198,934)
Loans payable	(21,153)
Bonds payable	(163,615)
School bonds payable	(796,785)
Capital lease obligations	(78,390)
Compensated absences (excludes \$1,779 related to Internal Service Fund)	(34,906)
Operating settlement - School Board	(810)
Premiums on bonds issued	(107,008)
Total long-term liabilities	<u>(1,401,603)</u>
Net position of governmental activities (Exhibit 1)	<u>\$ (287,722)</u>

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

Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2019  
(amounts expressed in thousands)

	Capital Projects					Other Governmental Funds	Total Governmental Funds
	General Fund	Streets and Roads	Other Capital Projects	Fire & Rescue Levy			
<b>REVENUES:</b>							
General property taxes	\$ 810,143	-	-	47,100	-	5,156	862,399
Other local taxes	138,456	-	-	-	-	8,961	147,417
Permits, privilege fees and regulatory licenses	2,070	-	-	-	-	18,086	20,156
Fines and forfeitures	3,456	-	-	-	-	-	3,456
From use of money and property	24,173	1,746	-	1,914	-	917	28,750
Charges for services	14,064	-	96	-	-	17,661	31,821
Intergovernmental revenues:							
Federal	22,557	4,312	-	-	-	28,191	55,060
State	132,216	11,678	940	-	-	23	144,857
Local	7,734	52,345	193	-	-	-	60,272
Miscellaneous	9,616	2,811	67	23	-	11	12,528
<b>Total revenues</b>	<b>1,164,485</b>	<b>72,892</b>	<b>1,296</b>	<b>49,037</b>	<b>-</b>	<b>79,006</b>	<b>1,366,716</b>
<b>EXPENDITURES:</b>							
Current:							
General government administration	45,704	-	-	-	-	-	45,704
Judicial administration	22,512	-	-	-	-	-	22,512
Public safety	259,115	-	21,153	32,176	-	15,138	327,582
Public works	33,232	-	-	-	-	291	33,523
Health and welfare	104,378	-	-	-	-	-	104,378
Education	473,433	-	-	-	-	-	473,433
Parks, recreational and cultural	49,645	-	-	-	-	-	49,645
Community development	10,767	-	-	-	-	47,752	58,519
Debt service:							
Principal retirement	97,685	-	-	-	-	-	97,685
Interest and other debt costs	48,358	-	-	-	-	-	48,358
Capital outlays	-	74,516	40,262	-	-	-	114,778
<b>Total expenditures</b>	<b>1,144,829</b>	<b>74,516</b>	<b>61,415</b>	<b>32,176</b>	<b>-</b>	<b>63,181</b>	<b>1,376,117</b>
Excess / (deficiency) of revenues over/ (under) expenditures	19,656	(1,624)	(60,119)	16,861	-	15,825	(9,401)
<b>OTHER FINANCING SOURCES / (USES):</b>							
Transfers in	48,562	14,984	48,358	-	-	4,550	116,454
Transfers out	(67,116)	(14,358)	(2,180)	(24,749)	-	(10,197)	(118,600)
Loan proceeds	-	-	21,153	-	-	-	21,153
Insurance claims and recoveries	13	-	-	-	-	-	13
Sale of surplus property	369	-	-	22	-	35	426
<b>Total other financing sources / (uses)</b>	<b>(18,172)</b>	<b>626</b>	<b>67,331</b>	<b>(24,727)</b>	<b>-</b>	<b>(5,612)</b>	<b>19,446</b>
Net change in fund balances	1,484	(998)	7,212	(7,866)	-	10,213	10,045
<b>FUND BALANCE, beginning of year</b>	<b>193,747</b>	<b>34,935</b>	<b>63,973</b>	<b>44,284</b>	<b>-</b>	<b>26,957</b>	<b>363,896</b>
<b>FUND BALANCE, end of year</b>	<b>\$ 195,231</b>	<b>33,937</b>	<b>71,185</b>	<b>36,418</b>	<b>-</b>	<b>37,170</b>	<b>373,941</b>

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

For the Year Ended June 30, 2019

(amounts expressed in thousands)

Net change in fund balances--total governmental funds (Exhibit 5)		\$ 10,045
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
Add capital acquisitions and transfers in	\$ 44,371	
Add donated equipment for public safety vehicles for general government	19	
Add donated land for parks, recreation and cultural	87	
Subtract depreciation (excludes \$1,814 related to Internal Service Fund assets included in Internal Service Fund net position below)	<u>(32,322)</u>	12,155
In the statement of activities, only the gain / (loss) on capital assets is reported, while in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets sold.		129
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Add revenues recognized for the water and sewer availability credits refunded		(309)
Add amortized premiums		9,981
Add current year's deferred inflows of resources related to transportation revenue	15,136	
Subtract prior year's deferred inflows of resources related to transportation revenue	<u>(16,213)</u>	(1,077)
Add current year's deferred inflows of resources related to deferred lease revenue (Note Disclosure 5)	7,245	
Subtract prior year's deferred inflows of resources related to deferred lease revenue	<u>(8,360)</u>	(1,115)
Add current year's deferred inflows of resources related to financing activities and uncollectible tax billings (Note Disclosure 4)	3,977	
Subtract prior year's deferred inflows of resources related to financing activities and uncollectible tax billings	<u>(3,049)</u>	928
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position (Note Disclosure 10).		
Add debt principal repayment		97,685
Subtract loan proceeds		(21,153)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Amortized bond refunding losses		(3,250)
Add prior year operating settlement - School Board	5,577	
Subtract current year operating settlement - School Board	<u>(811)</u>	4,766
Add prior year's compensated absences liability (excludes \$1,714 for Internal Service Fund)	34,086	
Subtract current year's compensated absences liability (excludes \$1,779 for Internal Service Fund)	<u>(34,906)</u>	(820)
Add prior year's net OPEB accrual (excludes \$107 for Internal Service Fund)	47,813	
Subtract current year's net OPEB accrual (excludes \$2,067 for Internal Service Fund)	<u>(47,892)</u>	(79)
Add prior year's net pension accruals (excludes \$6,239 for Internal Service Fund)	124,556	
Subtract current year's net pension accruals (excludes \$6,308 for Internal Service Fund)	<u>(123,428)</u>	1,128
Add prior year's accrued interest liability	19,794	
Subtract current year's accrued interest liability	<u>(17,664)</u>	2,130
Internal service funds are used by management to charge the costs of certain services to individual funds. The net revenue / (expense) of the internal service funds are reported with governmental activities:		
Add internal service funds' change in net position		<u>11,081</u>
Change in net position of governmental activities (Exhibit 2)		<u>\$ 122,225</u>

COUNTY OF PRINCE WILLIAM, VIRGINIA  
**PROPRIETARY FUNDS**  
**Statement of Fund Net Position**  
June 30, 2019  
(amounts expressed in thousands)

Exhibit 7

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Landfill	Innovation Technology Park	Parks & Recreation	Totals	
<b>ASSETS</b>					
Current assets:					
Equity in pooled cash and investments	\$ 17,414	7,129	103	24,646	60,401
Restricted cash and temporary investments	14,547	-	498	15,045	8,157
Investments	-	-	-	-	25,061
Accounts receivable, net	355	29	22	406	4,404
Notes receivable	178	-	-	178	-
Due from other governmental units	83	-	-	83	-
Inventory	6	3,171	63	3,240	529
Prepaid items	-	-	31	31	275
Total current assets	32,583	10,329	717	43,629	98,827
Non-current assets:					
Restricted investments	-	-	-	-	1,250
Notes receivable	579	-	-	579	-
Capital assets:					
Land and construction in progress	25,225	1,083	2,574	28,882	320
Buildings and other capital assets, net of depreciation	15,329	-	1,442	16,771	4,472
Total non-current assets	41,133	1,083	4,016	46,232	6,042
Total assets	73,716	11,412	4,733	89,861	104,869
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred loss on refunding	-	-	299	299	-
Deferred outflows related to OPEB	68	-	-	68	235
Deferred outflows related to pension	424	-	-	424	1,456
Total deferred outflows of resources	492	-	299	791	1,691
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	865	9	818	1,692	3,717
Wages and benefits payable	146	-	125	271	462
Deposits and escrows	-	150	9	159	-
Retainages	232	-	-	232	-
Accrued interest	-	-	83	83	-
Unpaid losses, related liabilities and IBNR	-	-	-	-	7,290
Unearned revenues	5,064	-	204	5,268	-
Current portion of surplus distributions payable	-	-	-	-	1,311
Current portion of bonds payable	-	-	680	680	-
Current portion of bond premiums	-	-	1	1	-
Compensated absences	32	-	4	36	120
Total current liabilities	6,339	159	1,924	8,422	12,900
Non-current liabilities:					
Accrued closure liability	14,266	-	-	14,266	-
Unpaid losses, related liabilities and IBNR	-	-	-	-	13,404
Surplus distributions payable	-	-	-	-	3,048
Bonds payable, net of current portion	-	-	5,410	5,410	-
Bond premiums, net of current portion	-	-	9	9	-
Net OPEB liabilities	660	-	-	660	1,975
Net pension liabilities	1,821	-	-	1,821	6,260
Compensated absences	464	-	50	514	1,659
Total non-current liabilities	17,211	-	5,469	22,680	26,346
Total liabilities	23,550	159	7,393	31,102	39,246
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows related to OPEB	92	-	-	92	265
Deferred inflows related to pensions	192	-	-	192	660
Total deferred inflows of resources	284	-	-	284	925
<b>NET POSITION</b>					
Net investments in capital assets	40,554	1,083	(1,785)	39,852	4,792
Restricted for self-insurance funds	-	-	-	-	2,887
Unrestricted	9,820	10,170	(576)	19,414	58,710
Total net position / (deficit)	\$ 50,374	11,253	(2,361)	59,266	66,389

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

Statement of Revenues, Expenses and Changes in Fund Net Position  
 For the Year Ended June 30, 2019  
 (amounts expressed in thousands)

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Landfill	Innovation Technology Park	Parks & Recreation	Totals	
<b>OPERATING REVENUES:</b>					
Charges for services	\$ 20,381	3,408	4,524	28,313	110,398
Miscellaneous	989	74	14	1,077	4,550
Total operating revenues	21,370	3,482	4,538	29,390	114,948
<b>OPERATING EXPENSES:</b>					
Personal services	4,708	-	1,113	5,821	14,569
Contractual services	4,977	168	3,183	8,328	23,946
Materials/supplies	3,772	4	648	4,424	9,516
Depreciation	2,030	-	295	2,325	1,814
Closure expenses	2,612	-	-	2,612	-
Costs of sale of land	-	260	-	260	-
Other	175	158	611	944	112
Claims and premiums	-	-	-	-	50,356
OPEB costs	-	-	-	-	4,554
Losses and loss adjustment expenses	-	-	-	-	2,762
Total operating expenses	18,274	590	5,850	24,714	107,629
Operating income / (loss)	3,096	2,892	(1,312)	4,676	7,319
<b>NON-OPERATING REVENUES / (EXPENSES):</b>					
Interest income / (expense)	1,309	206	(21)	1,494	4,295
Interest and other debt costs	-	-	(486)	(486)	-
Gain / (loss) on sale of capital assets	-	-	-	-	-
Total non-operating revenues/(expenses)	1,309	206	(507)	1,008	4,295
Income / (loss) before transfers	4,405	3,098	(1,819)	5,684	11,614
<b>TRANSFERS:</b>					
Transfers in from:					
General fund	-	35	4,190	4,225	122
Special revenue funds	-	-	-	-	402
Fire & rescue levy fund	-	-	-	-	98
Transfers out to:					
General fund	(1,169)	-	-	(1,169)	(1,366)
Capital projects funds	-	(166)	-	(166)	-
Total transfers	(1,169)	(131)	4,190	2,890	(744)
Capital contributions	-	-	-	-	211
Change in net position	3,236	2,967	2,371	8,574	11,081
<b>NET POSITION, beginning of the year</b>	47,138	8,286	(4,732)	50,692	55,308
<b>NET POSITION, end of the year</b>	\$ 50,374	11,253	(2,361)	59,266	66,389

COUNTY OF PRINCE WILLIAM, VIRGINIA  
**PROPRIETARY FUNDS**  
**Statement of Cash Flows**  
For the Year Ended June 30, 2019  
(amounts expressed in thousands)

Exhibit 9

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Landfill	Innovation Technology Park	Parks & Recreation	Totals	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash received from customers	\$ 20,656	3,467	4,510	28,633	113,457
Cash received from other entities	1,185	-	-	1,185	61
Payments for claims and premiums	-	-	-	-	(53,540)
Payments to suppliers for goods and services	(9,448)	(175)	(4,041)	(13,664)	(39,910)
Payments to employees for services	(4,939)	-	(1,307)	(6,246)	(15,412)
Payments of closure expenses	(1,825)	-	-	(1,825)	-
Net cash provided / (used) by operating activities	5,629	3,292	(838)	8,083	4,656
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>					
Surplus distributions paid	-	-	-	-	(388)
Proceeds from notes receivable	178	-	-	178	-
Transfers in	-	35	4,190	4,225	622
Transfers out	(1,169)	(166)	-	(1,335)	(1,366)
Net cash provided / (used) by non-capital financing activities	(991)	(131)	4,190	3,068	(1,132)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Acquisition of capital assets	(1,191)	-	(8)	(1,199)	(1,645)
Proceeds from the sale of capital assets	76	-	-	76	-
Principal paid on bonds, leases, and other debt	-	-	(2,635)	(2,635)	-
Interest paid on bonds, leases, and other debt	-	-	(357)	(357)	-
Net cash used by capital and related financing activities	(1,115)	-	(3,000)	(4,115)	(1,645)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Proceeds from maturities of investments	-	-	-	-	3,025
Purchases of investments	-	-	-	-	(2,000)
Interest and dividends received on investments	1,304	207	(22)	1,489	3,722
Net cash provided / (used) by investing activities	1,304	207	(22)	1,489	4,747
Net increase in cash and cash equivalents	4,827	3,368	330	8,525	6,626
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<b>27,134</b>	<b>3,761</b>	<b>271</b>	<b>31,166</b>	<b>61,932</b>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b>\$ 31,961</b>	<b>7,129</b>	<b>601</b>	<b>39,701</b>	<b>68,558</b>
<b>RECONCILIATION OF OPERATING INCOME / (LOSS) TO NET CASH PROVIDED / (USED) BY OPERATING ACTIVITIES:</b>					
Operating income / (loss)	\$ 3,096	2,892	(1,312)	4,676	7,319
Adjustments to reconcile operating income / (loss) to net cash provided / (used) by operating activities:					
Depreciation	2,030	-	295	2,325	1,814
Dividends applied to premiums	-	-	-	-	(1,212)
Deferred outflows related to OPEB	8	-	7	15	4
Deferred outflows related to pension	(32)	-	37	5	(82)
Deferred inflows related to OPEB	(5)	-	(9)	(14)	(11)
Deferred inflows related to pensions	60	-	(12)	48	197
Change in assets and liabilities:					
(Increase) / decrease in:					
Accounts receivable, net of accrued interest	146	(15)	(14)	117	(211)
Due from other governmental units	162	-	-	162	-
Due from other funds	34	-	-	34	-
Inventory	(1)	260	38	297	(107)
Prepaid items	-	-	39	39	37
Increase / (decrease) in:					
Accounts payable and salaries and benefits, net of accrued interest	(650)	5	399	(246)	(1,641)
Retainages	161	-	-	161	-
Unpaid losses and related expenses	-	-	-	-	(395)
Accrued closure liability	787	-	-	787	-
Due to other funds	-	-	(60)	(60)	-
Unearned revenues	129	-	(14)	115	(42)
Deposits and escrows	-	150	-	150	-
Other long term liabilities	(296)	-	(232)	(528)	(1,014)
Total adjustments	2,533	400	474	3,407	(2,663)
Net cash provided / (used) by operating activities	\$ 5,629	3,292	(838)	8,083	4,656

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

FIDUCIARY FUNDS

Statement of Fiduciary Net Position

June 30, 2019

(amounts expressed in thousands)

	Other Post-Employment Benefits (OPEB) and Pension Trust Fund	Private- Purpose Trust Funds	Agency Funds
<b>ASSETS</b>			
Equity in pooled cash and investments	-	958	748
Cash in other banks	-	-	39
Restricted cash	605	-	-
Accounts receivable, net of interest and dividends	-	77	-
Total accounts receivables	-	77	-
Restricted Investments:			
Money market mutual funds	610	-	-
Equity investments	81,077	-	-
Real estate investments	2,612	-	-
Fixed return investments	47,943	-	-
Life insurance annuity	17,050	-	-
Total investments	149,292	-	-
Total assets	149,897	1,035	787
<b>LIABILITIES</b>			
Accounts payable	3,952	1	-
Deposits and escrows	-	-	787
Total liabilities	3,952	1	787
<b>NET POSITION</b>			
Net position restricted for pension	58,729	-	
Net position restricted for OPEB	87,216	-	
Net position restricted for other purposes	-	1,034	
Total net position	145,945	1,034	

FIDUCIARY FUNDS

Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2019

(amounts expressed in thousands)

	Other Post-Employment Benefits (OPEB) and Pension Trust Fund	Private- Purpose Trust Funds
<b>ADDITIONS</b>		
Contributions:		
Member	\$ 1,372	-
Employer	9,137	-
Total contributions	10,509	-
Donations	-	233
Investment income:		
Interest and dividends	3,630	43
Net appreciation / (depreciation) in fair value of investments	4,586	-
Total investment income	8,216	43
Less investment expenses	266	-
Net investment income	7,950	43
Total additions	18,459	276
<b>DEDUCTIONS</b>		
Pension and other post-employment benefit payments	6,559	-
Refund of members' contributions	129	-
Administrative expenses	120	268
Total deductions	6,808	268
Change in net position	11,651	8
<b>NET POSITION, beginning of year</b>	134,294	1,026
<b>NET POSITION, end of year</b>	\$ 145,945	1,034

COUNTY OF PRINCE WILLIAM, VIRGINIA  
**COMPONENT UNITS**  
**Combining Statement of Net Position**  
June 30, 2019  
(amounts expressed in thousands)

Exhibit 12

	School Board	Adult Detention Center	Totals
<b>ASSETS</b>			
Equity in pooled cash and investments	\$ 376,600	11,583	388,183
Accounts receivable, net	2,074	2	2,076
Due from other governmental units	23,136	1,936	25,072
Due from primary government	811	-	811
Inventory	8,788	-	8,788
Prepaid items	4	-	4
Restricted assets:			
Restricted cash and temporary investments	64,182	1,498	65,680
Capital assets:			
Land and construction in progress	141,631	36,925	178,556
Buildings and other capital assets, net of depreciation	1,454,632	56,485	1,511,117
Total assets	2,071,858	108,429	2,180,287
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to OPEB	20,820	805	21,625
Deferred outflows related to pension	125,251	2,976	128,227
Total deferred outflows of resources	146,071	3,781	149,852
<b>LIABILITIES</b>			
Accounts payable	13,773	4,118	17,891
Wages and benefits payable	103,993	994	104,987
Retainages	6,397	1,498	7,895
Due to other governmental units	-	86	86
Unearned revenues	11,896	-	11,896
Noncurrent liabilities:			
Due within one year	23,233	280	23,513
Due in more than one year	24,105	3,333	27,438
Net OPEB liabilities	155,598	4,948	160,546
Net pension liabilities	790,324	12,791	803,115
Total liabilities	1,129,319	28,048	1,157,367
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to OPEB	21,393	629	22,022
Deferred inflows related to pensions	87,998	1,349	89,347
Total deferred inflows of resources	109,391	1,978	111,369
<b>NET POSITION</b>			
Net investment in capital assets	1,596,263	93,410	1,689,673
Restricted for:			
Capital projects	58,175	-	58,175
Food and nutrition services	35,554	-	35,554
Other purposes	10,730	-	10,730
Unrestricted	(721,503)	(11,226)	(732,729)
Total net position	\$ 979,219	82,184	1,061,403

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

COUNTY OF PRINCE WILLIAM, VIRGINIA  
**COMPONENT UNITS**  
**Combining Statement of Activities**  
For the Year Ended June 30, 2019  
(amounts expressed in thousands)

Exhibit 13  
Page 1 of 2

Functions / Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	School Board
School Board					
Instruction	\$ 768,448	3,263	132,861	128	(632,196)
Support services	407,909	20,364	31,846	-	(355,699)
Business-type activities	1,949	1,307	-	-	(642)
Education foundation	5,535	-	6,253	-	718
Adult Detention Center	43,742	523	12,004	-	-
<b>Total component units</b>	<b>\$ 1,227,583</b>	<b>25,457</b>	<b>182,964</b>	<b>128</b>	<b>(987,819)</b>

General revenues:

Payment from primary government	\$ 583,894
Federal revenues	1,020
State revenues	446,089
Local revenues	-
Investment earnings	8,633
Miscellaneous	4,544
Total general revenues	<u>1,044,180</u>
Change in net position	56,361
<b>Net position, beginning of year</b>	922,224
Restatement of beginning net position	634
<b>Net position, end of year</b>	<u>\$ 979,219</u>

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

**Revenue and Changes in Net Position**

<u>Adult Detention Center</u>	<u>Totals</u>	<u>Functions / Programs</u>
		School Board
-	(632,196)	Instruction
-	(355,699)	Support services
-	(642)	Business-type activities
-	718	Education foundation
<u>(31,215)</u>	<u>(31,215)</u>	Adult Detention Center
<u>(31,215)</u>	<u>(1,019,034)</u>	<b>Total component units</b>
		General revenues:
49,644	633,538	Payment from primary government
-	1,020	Federal revenues
-	446,089	State revenues
5,040	5,040	Local revenues
36	8,669	Investment earnings
87	4,631	Miscellaneous
<u>54,807</u>	<u>1,098,987</u>	Total general revenues
23,592	79,953	Change in net position
58,592	980,816	<b>Net position, beginning of year</b>
-	634	Restatement of beginning net position
<u>82,184</u>	<u>1,061,403</u>	<b>Net position, end of year</b>

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2019**

(amounts expressed in thousands, except percentages, ratios and years)

**NOTE (1) - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The County of Prince William, Virginia (the County) prepares its financial statements, commonly known as the Comprehensive Annual Financial Report (CAFR), in conformity with accounting principles generally accepted in the United States (GAAP), as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing governmental accounting and financial reporting standards which, along with subsequent GASB pronouncements (statements and interpretations), constitutes GAAP for governmental units. The accounting and reporting framework and significant accounting principles and practices utilized by the County are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the County’s financial activities for the fiscal year ended June 30, 2019.

**A. Principles Used to Determine the Reporting Entity**

The County is organized under the County Executive form of government, as provided for by Commonwealth of Virginia (the Commonwealth) law. Under this form of government, the policies concerning the financial and business affairs of the County are determined by the Board of County Supervisors (the Board). The Board is composed of eight elected members who serve four-year terms. The Board appoints a County Executive who is the government’s chief administrative officer and executes the Board’s policies and programs. The accompanying financial statements include the County’s primary government and component units over which the County exercises significant influence. Significant influence or accountability is based primarily on operational or financial benefit/burden relationships with the County (as distinct from legal relationships).

Due to restrictions of the State Constitution relating to the issuance of municipal debt, the County created public trusts to finance County services with revenue bonds or other non-general obligation financing. Financing services provided by these public trusts are solely for the benefit of the County. Public trusts created to provide financing services are blended into the County’s primary government although retaining separate legal identity. Component units that do not meet the criteria for blending are reported discretely.

Illustration 1-1 illustrates potential component units and the reporting method in the County’s CAFR.

<b>Illustration 1-1 Potential Component Units</b>			
<b>Potential Component Unit</b>	<b>Description of Activities and Relationship to the County</b>	<b>Inclusion Criteria</b>	<b>Reporting Method</b>
Prince William Parkway District	Exercise the powers and duties enumerated in the Code of Virginia related to the transportation improvement district.	Financial benefit/burden relationship exists; Two Boards are relatively the same.	Component Unit Blended in the Special Revenue Funds
Route 234 Bypass District	Authorized by the Code of Virginia and established by Board resolution. Set the appropriate tax rate to fund improvements within the district and act on transportation matters within the district.	Financial benefit/burden relationship exists; Two Boards are relatively the same.	Component Unit Blended in the Special Revenue Funds

**Illustration 1-1 (cont'd)**  
**Potential Component Units**

<b>Potential Component Unit</b>	<b>Description of Activities and Relationship to the County</b>	<b>Inclusion Criteria</b>	<b>Reporting Method</b>
Self-Insurance Group Workers' Compensation Association	Authorized by the Code of Virginia and licensed by the State Corporation Commission. Make available a long-term, stable source of cost-effective workers' compensation insurance protection for participating members.	Majority of Board is appointed by County; Financial benefit/burden relationship exists.	Component Unit Blended in the Internal Service Funds
Self-Insurance Group Casualty Pool	Authorized by the Code of Virginia and licensed by the State Corporation Commission. Make available a long-term, stable source of cost-effective casualty insurance protection for participating members.	Majority of Board is appointed by County; Financial benefit/ burden relationship exists.	Component Unit Blended in the Internal Service Funds
Adult Detention Center (ADC)	Authorized by the Code of Virginia. Establish policy for operation of Prince William County-Manassas regional adult detention center, providing care and confinement for County and adjoining city prisoners.	Majority of Board is appointed by County; County is able to impose its will; financial benefit/burden relationship exists.	Discretely Presented Component Unit
School Board	Authorized by the Code of Virginia and established by Board resolution. Make policies governing school division.	Board is separately elected; Fiscal dependency exists – School Board cannot issue bonded debt; Two Boards are not the same; School Board provides educational services to the County.	Discretely Presented Component Unit
District Home Board	Agreement between the five northern Virginia jurisdictions (Prince William County, Fairfax County, Loudoun County, Fauquier County and City of Alexandria) pursuant to the Code of Virginia. Establishes policy for operations of two district homes.	None	Jointly Governed Organization

**Illustration 1-1 (cont'd)**  
**Potential Component Units**

Potential Component Unit	Description of Activities and Relationship to the County	Inclusion Criteria	Reporting Method
Northern Virginia Health Center Commission	Board resolution created a commission for the operation of a nursing home pursuant to the Code of Virginia. Develops and establishes policies for the operation of a nursing home. Service agreement between five northern Virginia jurisdictions (Prince William County, Fairfax County, Loudoun County, Fauquier County and City of Alexandria).	None	Jointly Governed Organization
Northern Virginia Special Education Regional Program	Agreement between Prince William County School Division and the Cities of Manassas and Manassas Park to foster cooperation in the development and delivery of special education programs and other appropriate educational services.	None	Jointly Governed Organization
Governor's School @Innovation Park	Agreement between Prince William County School Division and the Cities of Manassas and Manassas Park to deliver an advanced and intensive program in science, technology, engineering, and mathematics (STEM) for selected high school juniors and seniors.	None	Jointly Governed Organization
Manassas Regional Airport	Agreement between Prince William County and the City of Manassas for the establishment and operation of a regional airport	None	Jointly Governed Organization
Industrial Development Authority (IDA)	Authorized by the Code of Virginia and established by Board resolution. Promotes industry and economic development by inducing businesses to locate or remain in the State and County.	None	Related Organization; Note Disclosure 17

**Illustration 1-1 (cont'd)**  
**Potential Component Units**

Potential Component Unit	Description of Activities and Relationship to the County	Inclusion Criteria	Reporting Method
Service Authority	Authorized by the Code of Virginia and established by Board resolution. Provide water and sewer utilities to County residents.	None	Related Organization; Note Disclosure 17
Northern Virginia Criminal Justice Training Academy (NVCJTA)	Established by Board resolution. Construct an Emergency Vehicle Operations Center in which the County has a 30% interest.	None	Related Organization; Note Disclosure 17
Northern Virginia Transportation Authority (NVTA)	Authorized by the Code of Virginia. Focused on delivering real transportation solutions and value for Northern Virginia's transportation	None	Related Organization; Note Disclosure 17
Potomac & Rappahannock Transportation Commission (PRTC)	Joint venture between Prince William County and Stafford County, the Cities of Manassas, Manassas Park and Fredericksburg. Manages and operates OmniRide (regional) and OmniLink (County-wide) bus system as well as the Virginia Railway Express (VRE), the regional train system. Operations are funded by the State 2% Motor Fuel Tax. Each jurisdiction has a representative on the PRTC Board. The County also funds PRTC's lease payments.	No ongoing financial interest; Ongoing financial responsibility exists; No explicit and measurable equity interest is deemed to exist.	Joint Venture; Note Disclosure 18

Prince William Self-Insurance Group Workers' Compensation Association (the Association) and the Prince William Self-Insurance Group Casualty Pool (the Pool), blended component units of the County, issue separately audited financial statements. Copies of these financial statements may be obtained by writing to the Prince William County Finance Department, Office of Risk & Wellness Services, 4379 Ridgewood Center Drive, Prince William, Virginia 22192.

The Adult Detention Center, a discretely presented component unit of the County, does not prepare separately audited financial statements.

The School Board, a discretely presented component unit of the County, issues separately audited financial statements. Copies of these financial statements may be obtained by writing to the School Board's Finance Division, P.O. Box 389, Manassas, Virginia 20118.

All accounts of the County and its component units are reported as of and for the year ended June 30, 2019.

## **B. Basis of Presentation**

The basic financial statements include both government-wide financial statements, which are based on the County as a whole, and fund financial statements, which are based on major individual funds.

### *Government-wide Financial Statements*

The government-wide financial statements (statement of net position and statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. The focus of the government-wide financial statements is more on sustainability of the County as an entity and the change in aggregate financial position resulting from activities of the fiscal period. As a general rule, the effect of inter-fund activity has been eliminated from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and other charges for support. Likewise, the primary government is reported separately from the County's discretely presented component units.

In the government-wide statement of net position, the governmental and business-type activities columns are presented on a consolidated basis by column and are presented using the economic resources measurement focus and the accrual basis of accounting, which incorporates long-term assets as well as long-term debt and obligations. Inter-fund balances between governmental funds and inter-fund balances between enterprise funds are included in the government-wide statement of net position.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a given functional category (public safety, public works, etc.) or business-type activity (landfill, etc.) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific functional category or business-type activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given functional category or business-type activity and 2) grants and contributions that are restricted to meet the operational or capital requirements of a particular functional category or business-type activity. Taxes and other items that are not properly included among program revenues are reported instead as general revenues.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

### *Fund Financial Statements*

The financial transactions of the County are recorded in individual funds. Each fund is a separate accounting entity with a self-balancing set of accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, reserves, fund equity, revenues and expenditures/expenses. Emphasis is on major funds in the governmental or business-type categories. GASB Statement No. 34 sets forth minimum criteria for the determination of major funds. The County has elected to present additional funds as major due to the specific community focus. The non-major funds in each category are combined in a column in the fund financial statements and detailed in the combining and individual fund statements and schedules section.

The governmental fund financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. This is the manner which GAAP has prescribed as the most appropriate to (a) demonstrate legal and covenant compliance, (b) demonstrate the source and use of liquid financial resources, and (c) demonstrate how the County's actual experience conforms to the budget fiscal plan. As the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, reconciliations are presented which briefly explain the adjustments necessary to reconcile the governmental fund financial statements to the government-wide financial statements.

The County's internal service funds (which typically provide services to other funds of the government) are presented in a consolidated column in the proprietary fund financial statements. Since the principle users of these services are the County's governmental activities, the financial statements of the internal service funds are consolidated into the governmental activities' column in the government-wide financial statements. To the extent possible, the costs of these services are allocated in the appropriate functional category of the Government-Wide Statement of Activities.

The County's enterprise funds, presented in the proprietary fund financial statements, are presented using the economic resources measurement focus and the accrual basis of accounting. The County's enterprise funds use the services of the internal service funds and these transactions are not eliminated when producing the government-wide statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the Landfill Fund, the Innovation Technology Park Fund and the internal service funds are charges to customers for sales and services. Operating expenses of the enterprise funds and internal service funds include the costs of providing services, such as personnel, contracting and supplies, as well as depreciation. Additionally, landfill closure costs are included in operating expenses of the Landfill Fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County's fiduciary funds are presented in the fund financial statements by type (supplemental pension trust fund, length of service award pension trust fund, other post-employment benefits master trust fund, private-purpose trust funds, and agency funds). Since by definition, assets of these funds are held for the benefit of a third party (pension participants, other post-employment benefit participants, private parties, etc.) and cannot be used to satisfy obligations of the County, these funds are not incorporated into the government-wide financial statements.

The following major funds are used by the County:

*Governmental Funds:*

The focus of governmental fund measurement in the fund financial statements is based on the determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the major governmental funds of the County:

- General Fund – The General Fund accounts for numerous primary services of the County (Police, Fire, Public Works, Community Development, Debt Service, etc.) and is the primary operating unit of the County. It accounts for all financial resources of the general government, except those required to be accounted for by another fund.
- Streets and Roads Capital Projects Fund – The Streets and Roads Capital Projects Fund is used to account for the resources and expenditures related to the construction of sidewalks and roads within the County.
- Other Capital Projects Fund – The Other Capital Projects Fund is used to account for the resources and expenditures related to construction projects such as libraries and parks, facilities to be used by police, detention and fire and rescue agencies, and storm water management ponds and channels.
- Fire & Rescue Levy Special Revenue Fund – The Fire & Rescue Levy Special Revenue fund is used to account for fire and rescue services. Revenues are principally derived from tax levy and interest earnings. Expenditures consist of the cost of delivering fire and rescue services.

*Proprietary Funds:*

The focus of proprietary fund measurement is based on the determination of operating income, changes in net position, financial position, and cash flows, which is similar to a business enterprise. The following is a description of the major proprietary funds of the County:

- Landfill Fund – The Prince William County Landfill provides refuse disposal services.
- Innovation Technology Park Fund – Innovation Technology Park provides land for economic development purposes.
- Parks & Recreation Fund – The Prince William County Department of Parks, Recreation and Tourism provides recreation services to County residents at the golf courses and Splashdown Water Park.

In addition to the major funds discussed above, the County reports on the following fund types:

- The County operates a construction crew, an information technology center, and a fleet maintenance facility. In addition, the County operates four self-insurance funds – three for risk management services that provide insurance for workers' compensation, general liability, and other insurance needs of the County and the Adult Detention Center, and one that provides health insurance for eligible participating County employees. The effect of inter-fund activity has been eliminated from the government-wide financial statements. The excess revenues or expenses for the fund are allocated to the appropriate functional activity. The internal service funds are included in governmental activities column for government-wide reporting purposes. Inter-fund services that are provided and used are not eliminated in the process of consolidation.

#### *Fiduciary Funds:*

Fiduciary funds are used to account for assets held by the government acting as a trustee or agent for entities external to the governmental unit. Trust funds and agency funds are the two types of fiduciary funds. The measurement focus for trust fiduciary funds is economic resources and the basis of accounting is accrual basis for fiduciary funds, reporting resources held in a custodial capacity.

- Supplemental Pension Plan Trust Fund – The County accounts for a defined benefit trust to provide Supplemental Pension Plan benefits to uniformed police officers and fire fighters.
- LOSAP Trust Fund – The County accounts for a length of service award program that provides benefits for certified volunteer fire department and rescue squad members.
- Other Post-Employment Benefits (OPEB) Master Trust Fund – The County uses this fund to account for post-employment benefits other than pensions for eligible employees of the County and to account for post-employment benefits that provide death, disability, and healthcare benefits for public safety employees and volunteer fire department and rescue squad members.
- Private-Purpose Trust Funds – The County accounts for the operation of a business and industrial park - Innovation Owners' Association, Historic Preservation Foundation, and library, animal, police and liberty donations.
- Agency Funds – The County accounts for receipts and disbursements of monies for certain County welfare, mental health services and federal self-sufficiency program recipients.

#### **C. Basis of Accounting**

The basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied. The government-wide financial statements, the proprietary fund financial statements, the fiduciary fund financial statements, and the component unit financial statements are presented on an accrual basis of accounting. The governmental fund financial statements are presented on a modified accrual basis of accounting.

*Accrual Basis of Accounting.* Revenues are recognized when earned and expenses are recognized when incurred.

The Prince William County Supplemental Plan for Police Officers and Uniformed Fire and Rescue Personnel (Plan) [irrevocable] Trust Fund financial statements are prepared using the accrual basis of accounting. The Plan does not issue a stand-alone financial report, and it is not included in the financial report of another entity. Member and employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the term of the Plan.

The Prince William County Volunteer Fire and Rescue Personnel Length of Service Award Program (LoSAP) [irrevocable] Trust Fund financial statements are prepared using the accrual basis of accounting. The LoSAP plan does not issue a stand-alone financial report, and it is not included in the financial report of another entity. Employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the LoSAP plan.

The OPEB Master Trust Fund financial statements are prepared using the accrual basis of accounting. Plan members do not contribute directly to the OPEB Master Trust Fund but pay their respective employers 100% of published blended rates for premium plans. Each Employer may contribute to the Trust such amounts as it deems appropriate to pre-fund and/or pay benefit. An Employer is not obligated by the Trust Agreement to make any contributions. Therefore, contributions are recognized when due and the Employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Trust Agreement.

*Method Used to Value Investments.* Investments are reported at fair value, which for OPEB Master Trust Fund is determined by the mean and most recent bid and asked prices as obtained from dealers that make market in such securities. Securities for which market quotations are not readily available are valued at fair value as determined by the custodian under the direction of the OPEB Master Trust Fund Finance Board (Trustees) with assistance of a valuation service.

*Modified Accrual Basis of Accounting.* Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; both measurable and available. "Available" means collectible within the current period or soon enough thereafter to

be used to pay liabilities of the current period. For this purpose, the County considers the availability period for all significant revenue sources to be 60 days after the end of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes due, but not collected within 60 days after year-end, are reflected as deferred inflows of resources. Derived tax revenues such as sales and utility taxes that are collected by the Commonwealth or utility companies, and subsequently remitted to the County, are recognized as revenues and receivables when the underlying exchange transaction occurs, which is generally two months preceding receipt by the County. Licenses, permits and fines are recorded as revenues when received. Intergovernmental revenues, consisting primarily of Federal, State and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure, except for Streets and Roads Capital Projects Fund that considers the availability period for all significant revenue sources to be 60 days after the end of the current fiscal period. Revenues from general-purpose grants are recognized in the period to which the grant applies. Interest earnings are recorded as earned.

Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

#### **D. Budgets and Budgetary Accounting**

Formal budgetary integration is employed as a management control device during the year. Budgets for all governmental funds of the Primary Government and Discretely Presented Component Units of the County are adopted by the Board annually on a non-GAAP basis which excludes the effects of fair value adjustments to the carrying amounts of investments required by GASB Statement No. 31. Reconciliations between the non-GAAP basis amounts presented for budgetary comparisons and the GAAP basis amounts presented elsewhere in the CAFR are shown on the face of the budgetary comparison schedules (Schedules 1, 2, 14, 15, 16, 17, 18, 19, 20, 21 and 22).

Project length financial plans are adopted for all capital projects funds. In mid-February, the County Executive submits to the Board, a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

The Board holds work sessions to review the proposed budget and conducts two public hearings to obtain taxpayer comments. The budget is legally adopted by the Board within the timelines stipulated by the Code of Virginia (1950), as amended (Code of Virginia).

The Board appropriates the budget on an annual basis. During the year, several supplemental appropriations are necessary. The Board adopts resolutions for supplemental appropriations that increase or decrease the adopted budget. Departmental expenditures may not exceed Board approved appropriations, which lapse at the end of the year.

The Board appropriates available balances from one fiscal year to the next resulting from projected surplus revenues and budget savings generated during the year through departmental spending control efforts. The Board also authorizes the Director of Finance to administratively reduce the amount of available balances approved should the actual funds to support the appropriation be insufficient after completion of the County's year end closing cycle.

The budget is controlled at certain legal as well as administrative levels. The Code of Virginia requires the County to annually adopt a balanced budget. The Board's Annual Adopted Budget resolution places legal restrictions on expenditures at the department level (i.e., the level at which expenditures may not legally exceed appropriations). Management approves budget transfers of any amount between major expenditure categories within departments and in certain limited cases these are reviewed by the Board. Budget transfers of twenty thousand dollars or more between departments are approved by the Board. The Board approves resolutions for supplemental appropriations that increase or decrease (amend) the original budget. Only the Board can amend the budget. All budgets and appropriations lapse at the end of each fiscal year.

Annual transfers out are appropriated in the General and Special Revenue Funds for the component units of the County. Expenditures in all governmental funds of the County were within authorized budget limitations.

Where required, the governmental fund financial statements provide budgetary comparison schedules that demonstrate compliance at the legal level of budgetary control.

## **E. Encumbrances**

Encumbrance accounting, the recording of purchase orders, contracts, and other mandatory commitments for the expenditure of monies to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in all governmental funds. Encumbrances outstanding at year-end are reported as restricted, committed, or assigned fund balance, depending on the source of funding and/or the specific constraints on the funds encumbered, since they do not constitute expenditures or liabilities. Encumbrances are normally re-appropriated each year by Board resolution. For more detailed information, see Note Disclosure 11, *Fund Balances / Net Position*.

## **F. Cash and Investments**

For purposes of the statement of cash flows, all cash on hand, deposits and highly liquid investments with original maturities of three months or less, as well as the County's cash management pool, are grouped into equity in pooled cash and investments. These pooled cash and investments, as well as restricted cash and temporary investments are considered to be cash and cash equivalents.

The County invests in an externally managed investment pool, the State Treasurer's Local Government Investment Pool (LGIP), which is not SEC-registered. The Treasury Board of the Commonwealth of Virginia has regulatory oversight of the LGIP, which is managed as a "2a-7 like pool". The portfolio securities are valued by the amortized cost method with maturities of thirteen months or less. The fair value of the County's position in the LGIP is the same as the value of the pool shares. The LGIP does not have any limitations or restrictions on participant withdrawals.

The County maintains a single cash and investment pool for use by all funds and component units, except for the Supplemental Pension Plan Trust Fund, certain enterprise and internal service funds, the School Board Student Activity Fund, the School Education Foundation, and the Community Services Board Payee Accounts. Each fund participates on a dollar equivalent and daily transaction basis. Interest is distributed monthly based on average daily cash balances. A "zero balance account" mechanism provides for daily sweeps of deposits made to the County's checking accounts, resulting in an instantaneous transfer to the investment account. Hence, the majority of the County's funds are invested at all times.

Bond proceeds are maintained to comply with the provisions of the Tax Reform Act of 1986 or as required by various bond indentures.

Investments are carried at fair value based on quoted market prices. Interest earnings are allocated monthly to the respective funds based on the percentage of each fund's average daily balance of cash investments in the total pool.

## **G. Fair Value Measurements**

Fair value was estimated for each class of financial instrument for which it was practical to estimate fair value. Fair value is defined as the price in the principal market that would be received for an asset to facilitate an orderly transaction between market participants on the measurement date. Market participants are assumed to be independent, knowledgeable, able and willing to transact an exchange and not acting under duress. Fair value hierarchy disclosures are based on the quality of inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). Adjustments to transaction prices or quoted market prices may be required in illiquid or disorderly markets in order to estimate fair value. The three levels of the fair value hierarchy are defined as follows:

Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets.

Level 2 – inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, significant other observable inputs, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – inputs to the valuation methodology are significant unobservable for the asset or liability and are significant to the fair value measurement.

#### **H. Inventories and Prepaid items**

Inventory is valued at cost for all governmental funds and at lower of cost or market for all other funds using the first-in, first-out method. Inventory in the General and certain Enterprise and Internal service funds consists of expendable supplies held for consumption and land held for resale. The cost is recorded as expenditure at the time individual inventory items are consumed. Reported inventories for governmental funds are offset equally by a non-spendable fund balance which indicates they do not constitute available expendable resources, even though they are a component of assets.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government wide and fund financial statements. Items are expensed in the period they are used.

#### **I. Due from Other Funds, Component Units and Governmental Units**

Noncurrent portions of long-term inter-fund loans receivable (reported in due from accounts in the asset section) and amounts due from other governments are equally offset by a committed fund balance account which indicates that they do not constitute available expendable resources and therefore are not available for appropriation.

#### **J. Compensated Absences**

In governmental fund types, the cost of vacation and sick pay benefits (compensated absences) is recognized when payments are made to employees. A liability for all governmental fund type vested accrued vacation and sick pay benefits is recorded as noncurrent liabilities in the government-wide statement of net position. Proprietary fund types accrue vacation and sick leave benefits in the period they are earned.

#### **K. Self-Insurance and Health Insurance Long-Term Liabilities**

The County, and the Adult Detention Center component unit participate in the Prince William Self-Insurance Group Casualty Pool and Workers' Compensation Association, which provide casualty insurance and workers' compensation protection for the members. Under GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, the Pool and the Association are classified as "entities other than pools" because the County and its component units are the only participants. The County provides three self-insured health insurance program options to its employees. Estimated liability for claims payable includes estimates of losses on claims reported and actuarial determinations of claims incurred but not reported.

#### **L. Capital Assets**

The cost of capital assets acquired for general government purposes is recorded as an expenditure in the governmental funds and as an asset in the government-wide financial statements to the extent the County's capitalization threshold has been met. Capital assets acquired by proprietary funds are recorded as assets in both the government-wide financial statements and in the proprietary fund financial statements to the extent the County's capitalization threshold has been met. The County capitalizes assets (non-software) costing at least five thousand dollars and having an estimated useful life longer than one year. The County capitalizes software costing at least one hundred thousand dollars and having an estimated useful life longer than one year. The School Board component unit's capitalization thresholds differ from the County's. Details of their capitalization thresholds are discussed in their separately issued financial statements.

All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are recorded at acquisition value as of the date of donation per GASB Statement No.72, *Fair Value Measurement and Application*.

Maintenance, repairs, and minor renovations are charged to operations when incurred. Expenditures that materially increase values, change capacities, or extend useful lives are capitalized. Upon sale or retirement, the cost and related accumulated depreciation is eliminated from the respective accounts, and any resulting gain or loss is included in the determination of change in net position for the period.

In accordance with GASB Statement No. 34 and GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, the County's infrastructure and commercial "off-the-shelf" software has been capitalized retroactively, *Basic Financial Statements – and Management's Discussion and Analysis -- for State and Local Governments* to 1980. Of the \$234 million in infrastructure capitalized at June 30, 2019, approximately \$185 million was valued using actual historical cost records;

approximately \$49 million was estimated using current replacement cost for a similar asset and deflating this cost through the use of price indices to the acquisition year. \$60 million of intangible software capitalized at June 30, 2019, was valued using project costing models. The County does not capitalize streets and roads as these are transferred to and become property of the Commonwealth of Virginia upon completion.

Capital assets of the primary government and the Adult Detention Center component unit are depreciated using the straight-line method over the estimated useful lives of purchased, donated and leased assets as follows:

Public domain (infrastructure)	40-50 years
Buildings	20-40 years
Improvements to sites	2-50 years
Equipment	2-20 years
Vehicles	3-10 years
Library collections	5 years
Intangible assets	5-15 years

Depreciation on the County's solid waste landfill liner system is calculated based on the percentage of the landfill liner's capacity used each year.

Details of the School Board component unit's depreciation methods and estimated useful lives are discussed in their separately issued financial statements.

Impaired capital assets that are no longer used are reported at the lower of carrying value or fair value. An asset is considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life of the capital asset.

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

Proceeding assets in the Statement of Net Position and Balance Sheets, deferred outflows of resources are reported in a separate section. Deferred outflows represent a consumption of resources that benefit future period(s) and will be recognized in future periods as an expense when they are used. Prince William County has the following deferred outflows of resources: deferred loss on refunding and deferred outflows related to pensions and OPEB. Proceeding liabilities in the Statement of Net Position and Balance Sheets, deferred inflows of resources are reported in a separate section. Deferred inflows represent an acquisition of resources that will be used in future reporting periods and will be recognized as revenues in future periods. Prince William County has the following deferred inflows of resources: prepaid and unavailable taxes, transportation revenue, deferred lease revenue and deferred inflows related to pensions and OPEB.

**N. Pensions and Other Post-Employment Benefits (OPEB)**

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 Prince William County's defined benefit pension plans and the additions to/deductions from the County's defined benefit pension plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS), Prince William County Supplemental Plan for Police Officers and Uniformed Fire and Rescue Personnel Plan and Prince William County Volunteer Fire and Rescue Personnel Length of Service Award Program (LoSAP). 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.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County's Virginia Retirement System (VRS) OPEB Plans and the additions to/deductions from the Prince William County's OPEB Master Trust Fund net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS), Prince William County Premium Plan, Prince William County Retiree Health Insurance Credit Plan (RHICP) and Prince William County Line of Duty Act (LODA) Plan. 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.

**O. Fund Balance**

Non-spendable fund balances represent amounts that cannot be spent because they are not in spendable form. Restricted fund balances represent those portions of fund equity appropriable for expenditure or legally segregated for a specific future use. Committed and assigned fund balances represent the County's managerial plans for future use of financial resources. Unassigned, fund balance is the residual classification for the General Fund. For more detail information, see Note Disclosure 11, *Fund Balances / Net Position*.

The Board of County Supervisors adopted its *Principles of Sound Financial Management* (the Policy) first in 1988. These principles have been amended in 1993, 1996, 1999, 2009, 2012, 2016 and 2018. Policy I, Fund Balance, provides guidelines on how the Board of County Supervisors and County Executives are to maintain levels of fund balance to meet the County's needs and challenges and to mitigate current and future risks as much as possible. See Illustration 1-2 below for specific fund balance requirements per the Policy.

Illustration 1-2 Fund Balance Requirements					
Fund Balance	Purpose	Minimum Funding Requirement Each Fiscal Year	Events Funds Can Be Used For	Timeframe to Replenish Funds	Allowed Uses of Excess Funds
Unassigned General Fund Balance	To provide the County with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing.	No less than 7.5% of each year's General Fund revenues.	Must be appropriated via resolution by the Board of County Supervisors to be used. Not to be used to fund recurring operating expenditures outside of the current fiscal year.	Must be replenished to the minimum amount within the following two (2) fiscal years and must be included in the County's adopted Five-Year Plan.	<ol style="list-style-type: none"> <li>1. Retained as part of the Unassigned General Fund Balance</li> <li>2. Used to supplement "pay as you go" capital outlay expenditures</li> <li>3. Prepay existing County debt</li> <li>4. Transferred to the Revenue Stabilization Fund Reserve within Committed Fund balance</li> </ol>
Committed Funds – Revenue Stabilization Fund Reserve	To provide the County with sufficient working capital and a margin of safety to withstand local and regional economic shocks and unexpected declines in revenue without borrowing, defined as an event impacting the County's General Fund revenues greater than 3.0% as compared to the current Adopted Budget.	No less than 2.0% of each fiscal year's General Fund revenues.	Must be appropriated via resolution by the Board of County Supervisors to be used.	Must be replenished to the minimum level described within five (5) years following the year in which the funds were used and must be included in the County's Adopted Five-Year Plan.	<ol style="list-style-type: none"> <li>1. Retained in the Revenue Stabilization Fund Reserve within Committed Fund</li> <li>2. Transferred to Unassigned General Fund Balance</li> <li>3. Transferred to the Capital Reserve within Committed Fund balance</li> <li>4. Used to replenish the Economic Development Opportunity Fund within Committed Fund balance</li> </ol>
Committed Funds – Capital Reserve	To provide the County with sufficient working capital and a margin of safety to withstand unexpected, but necessary, project cost overruns without additional borrowing.	Minimum of 2.0% of the current Capital Projects Funds Appropriations included in the Adopted Six-Year Capital Improvement Program.	Must be appropriated via resolution by the Board of County Supervisors to be used.	Must be replenished to the minimum level within five (5) fiscal years after the event occurred and must be included in the County's Adopted Five-Year Plan.	N/A
Committed Funds – Economic Development Opportunity Fund (EDOF) Reserve	To provide the County with a source of working capital that can be used to incentivize economic development in key targeted industries to support the Board's Robust Economy strategic goal of growing the commercial tax base.	Targeted fund amount of \$3,000 if all other required reserve minimum requirements are met.	Must be appropriated via resolution by the Board of County Supervisors to be used.	Shall be replenished to targeted amount at the end of each fiscal year after all other reserves are fully funded to minimum requirements.	N/A

**P. Leases**

For capital leases in the governmental fund types, acquisition costs are recorded as expenditures with an offsetting entry to other financing sources.

**Q. Deferred Gain (Loss) on Debt Refundings**

Losses resulting from advance or current refundings of debt in government-wide and proprietary statements are deferred and amortized over the shorter of the life of the new debt or the remaining life of the old debt. The amount is deferred and reported as an unamortized gain (loss) on refunding and is amortized and reported as a component of interest expense.

**R. Governmental Accounting Standards Board (“GASB”) Pronouncements**

The County implemented the following GASB pronouncements with effective implementation dates for fiscal year ended June 30, 2019:

- GASB Statement No. 83, *Certain Asset Retirement Obligations* — This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs).
- GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* — This Statement requires that additional essential information related to debt be disclosed in the notes to the financial statements, including unused lines of credit; assets pledged as collateral for debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, see Note Disclosure 10, *Long-Term Debt*. This Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

**S. Restatement**

Accounting principles generally accepted in the United States of America establish Prince William County Public Schools (PWCS) as a discretely presented component unit of the County while the Education Foundation for Prince William County Public Schools (SPARK) is a discretely presented component unit of the School Board.

The reporting method SPARK is organized under the laws of the Commonwealth of Virginia as a not-for-profit corporation. In June 2018, the Financial Accounting Standards Board (FASB) released Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*, to provide clarifying guidance on accounting for the grants and contracts of nonprofit organizations. As a result of this change in accounting principle, SPARK restated its fiscal year 2018 financial statement to decrease deferred revenue by \$634 and increase net assets with donor restrictions by \$634. SPARK issues separately audited financial statements. Copies of these financial statements may be obtained by writing to the Education Foundation for Prince William County Public Schools, P.O. Box 389, Manassas, Virginia 20108.

**T. Subsequent Events**

The County has evaluated subsequent events occurring after June 30, 2019 through February 18, 2020, in connection with the preparation of these financial statements. Such events have been disclosed in Note Disclosure 20, *Subsequent Events*.

**NOTE (2) - CASH AND INVESTMENTS**

**A. Cash Deposits**

All cash of the County is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act (the Act), §2.2-4400 through 2.2-4411 of the Code of Virginia. Under the Act, qualified public depositories shall elect to secure deposits by either the pooled method or the dedicated method. Every qualified public depository shall deposit with a qualified escrow agent eligible collateral equal to or in excess of the required collateral. If any qualified public depository fails, the collateral pool becomes available to satisfy the claims of governmental entities. The Commonwealth Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act. Funds deposited in accordance with the requirements of the Act are considered fully secured and are not subject to custodial credit risk.

## B. Investments

### County Investments

Code of Virginia §2.2-4501 through 2.2-4600 authorizes the County to invest in obligations of the United States or agencies thereof; obligations of the Commonwealth or political subdivisions thereof; obligations of other states not in default; obligations of the International Bank for Reconstruction and Development (World Bank); the Asian Development Bank, the African Development Bank; “prime quality” commercial paper; negotiable certificates of deposits and negotiable bank notes; corporate notes; banker’s acceptances; overnight, term and open repurchase agreements; money market mutual funds; the State Treasurer’s Local Government Investment Pool (LGIP); non-negotiable certificates of deposit and deposits with federally insured banks and savings institutions that are qualified to accept public deposits. However, in some instances, the County’s own investment policy is more stringent as to authorized investments as discussed below.

Bond proceeds shall be invested in accordance with the requirements and restrictions outlined in bond documents. Bond proceeds shall be invested in the Virginia State Non-Arbitrage Program (SNAP) (or its equivalent) or in individual portfolios that provide assistance to local governments in the investment of bond proceeds and the preparation of rebate calculations in compliance with treasury arbitrage rebate regulations in accordance with the Code of Virginia requirements and the County’s own investment policy.

In accordance with State Corporation Commission of Virginia (SCC) regulations for the licensing of the Prince William County Self-Insurance Group (PWSIG) Workers’ Compensation Association and Casualty Pool, the Association and the Pool are required to deposit securities with the State Treasurer. As of June 30, 2019, the Self-Insurance Workers’ Compensation Association had \$992 in U.S. Government Agency Securities deposited with the State Treasurer to comply with the \$750 requirement, including \$250 serving as a security deposit in lieu of a surety bond. The remainder serves as additional collateral because the Association does not maintain aggregate excess insurance. As of June 30, 2019, the Casualty Pool had \$800 in U.S. Government Agency Securities deposited with the State Treasurer to comply with the \$500 requirement since the Pool does not maintain aggregate excess insurance. While these securities are held by the State Treasurer, they are in the name of the Association and the Pool and are included in the investments of those funds.

The County and its discretely presented component units’ investments are subject to interest rate, credit, custodial and concentration of credit risks as described below:

**Interest Rate Risk** – As a means of limiting its exposure to fair value losses arising from increasing interest rates, the County’s investment policy states that at the time of purchase, the weighted average maturity of the portfolio as a whole may not exceed five (5) years. Further, the County may not directly invest in securities maturing in more than ten (10) years from the date of purchase (unless the investment is maturity matched to long term cash flow requirements).

The weighted average maturity for the PWSIG Workers’ Compensation Association and Casualty Pool portfolios may not exceed three (3) years except where to the extent that assets are purchased specifically for collateral deposits with the Commonwealth of Virginia as required by the SCC. The final maturity of any individual security may not exceed five (5) years from the time of purchase, except where an asset is matched to a specific obligation of the PWSIG.

Illustration 2-1 reflects the fair value and the weighted average maturity (WAM) of the County's investments as of June 30, 2019.

<b>Illustration 2-1</b>			
<b>Fair Value and Weighted Average Maturity of Investments</b>			
<b>June 30, 2019</b>			
		<b>Fair Value</b>	<b>Weighted Average Maturity (Years)</b>
<b>Primary Government, School Board, and ADC</b>			
Money Markets and Money Market Mutual Funds:			
Local Government Investment Pool (LGIP)	\$	260,584	0.003
State Non-Arbitrage Program (SNAP)		62,880	0.003
PFM Money Market		62,217	0.003
Other		39,283	0.003
NOW Accounts		46,973	0.003
Negotiable Certificate of Deposits		10,059	0.759
Commercial Paper		9,944	0.249
U.S. Government Agency		621,513	5.462
Securities Corporate Bonds		180,160	1.956
Municipal Bonds		<u>60,533</u>	3.326
Total Primary Government, School Board, and ADC		<u>1,354,146</u>	
Total Reporting Entity Investments	\$	<u><u>1,354,146</u></u>	2.776

WAM expresses investment time horizons, the time when investments become due and payable, in years, weighted to reflect the dollar size of the individual investments within an investment type. The portfolio's WAM is derived by dollar-weighting the WAM for each investment type. For purposes of the WAM calculation, the County assumes that all of its investments will be held to maturity.

**Credit Risk** – State statutes authorize the County to invest in various instruments as described above. The County's Investment Policy provides for investment in obligations of other states and political subdivisions outside of the Commonwealth of Virginia rated at least AA by two Nationally Recognized Statistical Rating Organizations (NRSROs). It is also County policy to invest in negotiable certificates of deposits from banks with a rating of at least A-1 by Standard & Poor's and P-1 by Moody's Investors Service for maturities of one year or less. The County may also invest in corporate notes that have a rating of at least Aa by Moody's Investors Service and AA by Standard & Poor's. Furthermore, the County will only invest in money market or mutual funds with a rating of AAA by at least one NRSRO; "prime quality" commercial paper rated by at least two of the following: Moody's Investors Service within its NRSRO/Moody's rating of Prime 1; Standard & Poor's within its rating of A-1; Fitch ratings within its rating of F-1; or by their corporate successors, provided that at the time of any such investment the issuing corporation has a net worth of at least \$50 million and the net income of the issuing corporation has averaged \$3 million per year for the previous five years and all existing senior bonded indebtedness of the issuer is rated A or its equivalent by at least two of the following: Moody's Investors Service, Standard & Poor's or Fitch Ratings; and banker's acceptances with U.S. banks or domestic offices of international banks provided that the bank's assets exceed \$500 million or \$1 billion respectively.

Bond proceeds must be invested in accordance with the requirements and restrictions outlined in bond documents. As such, bond proceeds, per County policy, are exempt from portfolio composition, individual issuers, and maturity limitations set forth in the Investment Policy.

It is the PWSIG's policy to invest in obligations issued or guaranteed by the U.S. government, an agency thereof, or U.S. Government Sponsored Enterprises (GSEs); repurchase agreements collateralized by obligations issued or guaranteed by the U.S. Government, an agency thereof, or GSEs; non-negotiable certificates of deposit and time deposits of Virginia banks and savings institutions federally insured to the maximum extent possible and collateralized under the Virginia Security for Public Deposits Act; municipal debt with a rating of at least AA by one NRSRO, negotiable certificates of deposit and negotiable bank deposit notes of domestic banks and domestic offices of foreign banks with a rating of at least P-1 by Moody's Investors Service and A-1 by Standard and Poor's; bankers' acceptances with major U.S. banks and domestic offices of international banks provided that the bank's assets exceed \$500 million or \$1 billion respectively; "prime quality" commercial paper rated by at least two of the

following: P-1 by Moody’s Investors Service, A-1 by Standard & Poor’s or F-1 by Fitch Ratings ; corporate notes with a minimum rating of Aa by Moody’s Investor’s Services and AA by Standard & Poor’s; money market, mutual funds or the LGIP with a minimum credit rating of AAA by at least one NRSRO.

During the year, the County made investments in money market mutual funds, LGIP, SNAP, PFM Asset Management, U.S. Government Agency Securities, NOW Accounts, Certificates of Deposit, Corporate Bonds, Commercial Paper and Municipal Bonds. The County’s investment ratings as of June 30, 2019, are presented in Illustration 2-2.

<b>Illustration 2-2</b>		
<b>County, School Board, and ADC Investment Credit Risk</b>		
<b>June 30, 2019</b>		
<b>Investment Type</b>	<b>Credit Quality (Rating)</b>	<b>Credit Exposure as a % of Total Investments</b>
Money Markets and Money Market Mutual Funds:		
Local Government Investment Pool (LGIP)	AAA	19.24%
State Non-Arbitrage Program (SNAP)	AAA	4.64%
PFM Asset management	AAA	4.59%
Other	AAA	5.97%
NOW Accounts	Not applicable	0.40%
Certificate of Deposits	Not applicable	0.74%
Commercial Paper	A-1	0.73%
U.S. Government Agency Securities	AA- or Higher	45.92%
Corporate Bonds	AA- or Higher	13.30%
Municipal Bonds	AA- or Higher	4.47%
		100.00%

**Custodial Credit Risk** – Custodial risk is the risk that in the event of the failure of the counter party, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. However, the County’s investment policy requires that all securities purchased by the County be properly and clearly labeled as an asset of Prince William County and held in safekeeping by a third-party custodial bank or institution in compliance with §2.2-4515 of the Code of Virginia. Therefore, the County has no custodial credit risk.

**Concentration of Credit Risk** – To minimize credit risk, the County’s Investment Policy seeks to diversify its portfolio by limiting the percentage of the portfolio that may be invested in any one type of instrument at the time of purchase as follows: 100% for U.S. Agency Obligations (not to exceed 40% for any one agency); 10% for any municipal issuance outside of the Commonwealth of Virginia (not to exceed 5% in any one issuer); 35% for “prime quality” commercial paper (not to exceed 5% in any one issuer); 40% for negotiable certificates of deposit (not to exceed 5% for any one issuer); 40% for bankers’ acceptances (not to exceed 5% for any one issuer); 10% for U.S. Treasury Certificates; 30% for repurchase agreements (not to exceed 30% with the County’s primary bank and 10% with any other institution/dealer); 60% for money market funds (not to exceed 20% in any one money market fund); 20% for corporate notes (not to exceed 5% for any one issuer); 40% for non-negotiable certificates of deposit (not to exceed 15% for any one issuer); and no more than 25% in Local Government Investment Pools (LGIP).

The PWSIG Investment Policy seeks to diversify its portfolio by security type and by issuer by limiting the percentage of the portfolio that may be invested at the time of purchase in any one type of instrument as follows: 100% for U.S. Treasury and Agency securities; 50% municipal debt (not to exceed 10% per issuer); 50% for repurchase agreements (not to exceed 20% per issuer); 30% for bankers’ acceptances, negotiable certificates of deposit and/or negotiable bank deposit notes (not to exceed 5% per issuer); 35% for commercial paper (not to exceed 5% per issuer); 40% for non-negotiable certificates of deposit (not to exceed 10% per issuer); 25% for corporate notes (not to exceed 10% per issuer) and 80% for money market funds/investment pools (not to exceed 40% per issuer).

Supplemental Pension Plan Investments

§51.1-803 of the Code of Virginia authorizes the County’s Supplemental Pension Plan to invest its funds with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with the same aims. Such investments are not subject to custodial credit risk.

The County’s Supplemental Pension Plan’s investments are subject to interest rate, credit and concentration of credit risk as described below:

**Interest Rate Risk** – In accordance with state statute and the policy of the Supplemental Pension Plan, investments of the Plan are diversified so as to minimize the risk of large losses unless under the circumstances it is clearly not prudent to do so. The Supplemental Pension Plan contains primarily mutual fund type assets of varying characteristics. The specific content of each fund can change daily and is managed by the director/manager of each fund. Consequently, the ability to quantify interest rate risk at the Supplemental Pension Plan level is not possible.

Illustration 2-3 reflects the fair value and the duration of the County’s Supplemental Pension Plan fixed income investments as of June 30, 2019. Weighted-average maturity expresses investment time horizons, the time when investments become due and payable, in years, weighted to reflect the dollar size of the individual investments within an investment type. Duration is a measure of a fixed income’s cash flows using present values, weighted for cash flows as a percentage of the investment’s full price. Modified duration estimates the sensitivity of a bond’s price to interest rate changes.

<b>Illustration 2-3</b>		
<b>Supplemental Pension Plan Fair Value and Weighted Average Maturity/Duration of Investments</b>		
<b>June 30, 2019</b>		
	<b>Fair Value</b>	<b>Weighted-Average Maturity(a)/ Modified Duration (b) (Years)</b>
<b>Supplemental Pension Plan Trust Fund:</b>		
Money Market Mutual Funds	\$ 574	0.101 (a)
US Government Agency Securities	480	0.09 (b)
US Treasury Notes	2,477	7.42 (b)
Corporate Bonds	3,252	0.41 (b)
Tactical Asset Allocation Funds	3,948	Not applicable
Equity Mutual Funds	21,963	Not applicable
Real Assets	2,612	Not applicable
Bond Mutual Funds	5,768	4.97 (b)
Total Supplemental Pension Plan Trust Fund Investments	<u>\$ 41,074</u>	

**Credit Risk** – The Supplemental Pension Plan investment policy is silent as to credit risk. The Board of Trustees is ultimately responsible for making the decisions that affect the Supplemental Pension Plan’s Investments. An independent investment consulting firm assists with the attainment of the Plan’s objectives and monitors the Plan’s compliance with its stated investment policies. During the year, the Plan invested in money market, fixed income bond funds and equity mutual funds.

The Supplemental Pension Plan’s investment rating as of June 30, 2019, is presented in Illustration 2-4.

Illustration 2-4 Supplemental Pension Plan Credit Risk June 30, 2019		
Investment Type	Credit Quality (Rating)	Credit Exposure as a % of Total Investments
Supplemental Pension Plan Trust Fund Investments:		
Money Market Mutual Funds	AAA	1.40%
US Government Agency Securities	AAA	1.17%
US Treasury Notes	AAA	6.03%
Corporate Bonds	BBB + or higher	7.92%
Tactical Asset Allocation Funds	Not rated	9.61%
Equity Mutual Funds	Not rated	53.47%
Real Assets	Not rated	6.36%
Bond Mutual Funds	A+	14.04%
		100.00%

**Concentration of Credit Risk** – The long-term objective of the Supplemental Pension Plan is to achieve a total return equivalent to or greater than the Plan’s long-term benefit obligation over the time horizon. The Board of Trustees has selected an asset allocation policy designed to achieve a return equal to or greater than the long-term objective. The excess return over the long-term objective is designed both to reduce the probability of missing the target return over the long-term and to provide for any future growth or benefit enhancements desired.

The Board of Trustees will seek to limit the overall level of risk, as defined by tracking error or the standard deviation of excess return, relative to the comparison benchmark and volatility, as measured by standard deviation, consistent with the chosen asset allocation policy.

Illustration 2-5 shows permissible asset classes, with target investment percentages.

Illustration 2-5 Statement of Investment Policy Supplemental Pension Plan Concentrations June 30, 2019			
Asset Class	Policy Percent	Target Range Percent	Actual Percentage
Supplemental Pension Plan Trust Fund Investments:			
Tactical	10%	5% - 15%	1.40%
Equity	54%	50% - 58%	63.08%
Real Assets	6%	2% - 10%	6.36%
Fixed Income	30%	25% - 35%	29.16%
	100%		100.00%

For Domestic Equity, International Equity and REITs, the maximum weighting, on a market value basis, in any one company for active Investment Managers is 5% of the portfolio value. For domestic fixed income, international fixed income, hedge funds and cash equivalents the maximum weighting, on a market value basis, in any one security for active Investment Managers is 2% of the portfolio value. This does not apply to U.S. government and agency issues. It is desirable to rebalance the portfolio periodically to minimize deviations from the Asset Allocation mix. The Plan shall be rebalanced in the event any individual asset class allocation differs from the permissible range described in the Asset Allocation.

*Concentrations.* At June 30, 2019, the Supplemental Pension Plan’s investments were in money market, bond and equity mutual funds and therefore not subject to concentration of credit risk.

Prince William County Volunteer Fire and Rescue Personnel Length of Service Award Program (LoSAP) Investments

The County has appointed a Board of Trustees to oversee certain policies and procedures related to the operation and administration of the Prince William County Volunteer Fire and Rescue Personnel Length of Service Award Program. The Board of Trustees has the authority to invest the funds in the best interest of the Trust to satisfy the purpose of the Trust.

Illustration 2-6 reflects the fair value of the County’s LoSAP Trust investments as of June 30, 2019.

<b>Illustration 2-6</b>		
<b>LoSAP Fair Value and Weighted Average Maturity/Duration of Investments</b>		
<b>June 30, 2019</b>		
	<b>Fair Value</b>	<b>Weighted-Average Maturity(a)/ Modified Duration (b) (Years)</b>
<b>LoSAP Trust Fund Investments:</b>		
Life Insurance Funds - Mass Mutual Annuity	\$ <u>17,050</u>	Not Applicable

*Concentrations.* At June 30, 2019, the LoSAP Plan’s investments were 100% invested in an insurance annuity fund and are not subject to concentration of credit risk.

Other Post-Employment Benefits (OPEB) Master Trust Investments

The County has appointed a Finance Board (Trustees) pursuant to the Code of Virginia §15.2-1547 to oversee certain policies and procedures related to the operation and administration of the Other Post-Employment Benefits Master Trust. The Finance Board has the authority to implement the investment policy and guidelines in the best interest of the Trust to best satisfy the purposes of the Trust.

§51.1-803 of the Code of Virginia authorizes the County’s Other Post-Employment Benefits Master Trust to invest its funds with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with the same aims. Such investments are not subject to custodial credit risk.

Illustration 2-7 reflects the fair value of the County's Other Post-Employment Benefits Master Trust fixed income investments as of June 30, 2019. Weighted-average maturity expresses investment time horizons, the time when investments become due and payable, in years, weighted to reflect the dollar size of the individual investments within an investment type. Duration is a measure of a fixed income's cash flows using present values, weighted for cash flows as a percentage of the investment's full price. Modified duration estimates the sensitivity of a bond's price to interest rate changes.

<b>Illustration 2-7</b>		
<b>Other Post-Employment Benefits (OPEB) Fair Value and Weighted Average Maturity/Duration of Investments</b>		
<b>June 30, 2019</b>		
	Fair Value	Weighted-Average Maturity(a)/ Modified Duration (b) (Years)
<b>Other Post-Employment Benefits (OPEB) Master Trust Fund:</b>		
Money Market Mutual Funds	\$ 36	0.003(a)
Equity Mutual Funds	55,166	Not applicable
Bond Mutual Funds:		
Baird Core Fixed Income	\$ 10,519	5.56(b)
Doubleline Core Fixed Income	10,464	4.57(b)
PGIM Total Return	8,460	6.20(b)
Vanguard Intermediate-Term	4,352	5.40(b)
Vanguard High Yield Corporate	2,171	3.30(b)
Total Bond Mutual Funds	<u>35,966</u>	
Total Other Post-Employment Benefits Master Trust Fund Investments	<u>\$ 91,168</u>	

The Other Post-Employment Benefits Master Trust's rating and credit exposure as of June 30, 2019, is shown in Illustration 2-8.

<b>Illustration 2-8</b>		
<b>Other Post-Employment Benefits Master Trust (OPEB) Credit Risk</b>		
<b>June 30, 2019</b>		
Investment Type	Credit Quality (Rating)	Credit Exposure as a % of Total Investments
<b>Other Post-Employment Benefits (OPEB) Master Trust Fund Investments:</b>		
Money Market Mutual Funds	AAA	0.04%
Equity Mutual Funds	Not rated	60.51%
Bond Mutual Funds:		
Baird Core Fixed Income	AA	11.54%
Doubleline Core Fixed Income	A	11.48%
PGIM Total Return	A	9.28%
Vanguard Intermediate-Term	A	4.77%
Vanguard High Yield Corporate	BB	2.38%
		<u>100.00%</u>

**Concentration of credit risk:**

Permissible asset classes, with target investment percentages are shown in illustration 2-9.

<b>Illustration 2-9</b>			
<b>Statement of Investment Policy</b>			
<b>Other Post-Employment Benefits (OPEB) Master Trust Fund Concentrations</b>			
<b>June 30, 2019</b>			
<b>Asset Class</b>	<b>Policy Percent</b>	<b>Target Range Percent</b>	<b>Actual Percent</b>
<b>Other Post-Employment Benefits Master Trust Fund</b>			
<b>Investments:</b>			
Domestic Equity	40%	20% - 60%	42.12%
International Equity	20%	0% - 40%	18.39%
Other Growth Assets	0%	0% - 20%	0.00%
Fixed Income	40%	20% - 60%	39.45%
Other Income Assets	0%	0% - 20%	0.00%
Real Estate Investment Trusts (REITs)	0%	0% - 20%	0.00%
Cash Equivalents	0%	0% - 20%	0.04%
	<u>100%</u>		<u>100.00%</u>

No more than the greater of 5% or weighting in the relevant index (Russell 3000 Index for U.S. issues and MSCI ACWI ex-U.S. for non-U.S. issues) of the total equity portfolio valued at market may be invested in the common equity of any one corporation; ownership of the shares of one company shall not exceed 5% of those outstanding; and not more than 40% of equity valued at market may be held in any one sector, as defined by the Global Industry Classification Standard (GICS). Fixed income securities of any one issuer shall not exceed 5% of the total bond portfolio at time of purchase. The 5% limitation does not apply to issues of the U.S. Treasury or other Federal Agencies. Alternatives may consist of non-traditional asset classes such as hedge funds, private equity, real estate and commodities, when deemed appropriate. The total allocation to this category may not exceed 30% of the overall portfolio. Private equity and publicly traded Real Estate Investment Trusts (REITS) will be categorized in the Other Growth Assets category. For purposes of asset allocation targets and limitations, single strategy hedge funds will be categorized under the specific asset class of the fund. At June 30, 2019, the OPEB Master Trust Fund's investments were in money market, bond and equity mutual funds and therefore not subject to concentration of credit risk.

There are no investments other than those issued or explicitly guaranteed by the U.S. Government that represent 5% or more of the OPEB Master Trust fiduciary net position.

## Reconciliation of Cash and Investments

Reconciliation of total cash and investments to the entity-wide financial statements at June 30, 2019, is shown in Illustration 2-10.

<b>Illustration 2-10</b>					
<b>Reconciliation of Cash and Investments to Entity-Wide Financial Statements</b>					
<b>June 30, 2019</b>					
<b>Investments</b>					
	Primary Government and Component Units			\$	1,354,146
	Supplemental Pension Plan Trust Fund				41,074
	LoSAP Trust Fund				17,050
	Other Post-Employment Benefits (OPEB) Master Trust Fund				91,168
	<b>Total Investments</b>				<b>1,503,438</b>
<b>Add: Cash on hand</b>					
	Deposits				46
					10,353
	<b>Total Cash and Investments</b>				<b>1,513,837</b>
<b>Less:</b>					
	Supplemental Pension Plan Trust Fund's cash and investments				(41,679)
	LoSAP Trust Fund cash and investments				(17,050)
	OPEB Master Trust Fund cash and investments				(91,168)
	Private-Purpose Trust Funds				(958)
	Agency Funds' equity in pooled cash and investments				(787)
	School Board Agency Funds' cash and investments				(13,327)
	<b>Total Reporting Entity cash and investments</b>			<b>\$</b>	<b>1,348,868</b>
	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Total</b>	<b>Component Units</b>	<b>Total Reporting Entity</b>
<b>Primary Government:</b>					
Equity in Pooled Cash and Investments	\$ 817,100	24,646	841,746	388,183	1,229,929
Investments	25,061	-	25,061	-	25,061
Restricted Cash and Temporary Investments	11,903	15,045	26,948	65,680	92,628
Restricted Investments	1,250	-	1,250	-	1,250
<b>Total Cash and Investments</b>	<b>\$ 855,314</b>	<b>39,691</b>	<b>895,005</b>	<b>453,863</b>	<b>1,348,868</b>

## Fair Value Measurements

Fair value was estimated for each class of financial instrument for which it was practical to estimate fair value. Fair value is defined as the price in the principal market that would be received for an asset to facilitate an orderly transaction between market participants on the measurement date. Market participants are assumed to be independent, knowledgeable, able and willing to transact an exchange and not acting under duress. Fair value hierarchy disclosures are based on the quality of inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Adjustments to transaction prices or quoted market prices may be required in illiquid or disorderly markets in order to estimate fair value. The three levels of the fair value hierarchy are defined as follows:

Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets.

Level 2 – inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and market-corroborated inputs.

Level 3 – inputs to the valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement.

Fair values of the County's investment portfolio are estimated using unadjusted prices obtained by its investment manager from third party pricing services, where available. For securities where the County is unable to obtain fair values from a pricing service or broker, fair values are estimated using information obtained from the County's investment manager.

Management performs several procedures to ascertain the reasonableness of investment values included in the financial statements including 1) obtaining and reviewing internal control reports from the County's investment manager that obtain fair values from third party pricing services, 2) discussing with the County's investment manager its process for reviewing and validating pricing obtained from outside pricing services, 3) reviewing the security pricing received from the County's investment manager and monitoring changes in unrealized gains and losses. The County has evaluated the various types of securities in its investment portfolio to determine an appropriate fair value hierarchy level based upon trading activity and the observability of market inputs. The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the County believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair values of certain financial instruments could result in a different fair value measurement at the reporting date.

Due to the relatively short-term nature of cash and cash equivalents their carrying amounts are reasonable estimates of fair value.

Illustration 2-11 shows the fair value levels used by the County to value investments.

<b>Illustration 2-11</b>				
<b>Fair Value - Primary Government, School Board and ADC</b>				
<b>June 30, 2019</b>				
		Fair Value Measurement Using:		
		Level 1	Level 2	Level 3
<b>Primary Government, School Board, ADC</b>				
Investment by Fair Value				
US Government Agency Securities	\$ 621,513	-	621,513	-
Corporate Bonds	180,160	-	180,160	-
Municipal Bonds	60,533	-	60,533	-
	<u>862,206</u>	<u>-</u>	<u>862,206</u>	<u>-</u>
Investments by Amortized Cost				
LGIP	260,584			
SNAP	62,880			
PFM Money Market	62,217			
Other Money Market Accounts	39,283			
Certificate of Deposits	10,059			
Negotiable Certificate of Deposits	9,944			
	<u>444,967</u>			
Cash and Cash Equivalents				
NOW Accounts	46,973			
<b>Total</b>	<b>\$ <u>1,354,146</u></b>			

Illustration 2-12 shows the fair value levels used in the Supplemental Pension Plan, LoSAP Trust Fund and OPEB Master Trust Fund to value investments.

<b>Illustration 2-12</b>				
<b>Fair Value - Supplement Pension, LoSAP Trust and OPEB Master Trust Funds</b>				
<b>June 30, 2019</b>				
		Fair Value Measurement Using:		
		Level 1	Level 2	Level 3
<b>Supplement Pension Plan Trust Fund</b>				
Investments by Fair Value				
US Government Agency Securities	\$	480	-	480
US Treasury Notes		2,477	2,477	-
Corporate Bonds		3,252	-	3,252
Tactical Asset Allocation Funds		3,948	3,948	-
Equity Mutual Funds		21,963	21,963	-
Real Assets		2,612	-	2,612
Bond Mutual Funds		5,768	-	5,768
		<u>40,500</u>	<u>28,388</u>	<u>9,500</u>
				<u>2,612</u>
Investments by Amortized Cost				
Money Market Mutual Funds		574		
		<u>41,074</u>		
<b>LoSAP Trust Fund</b>				
Investments by Amortized Cost				
Life Insurance Funds - Mass Mutual annuity		17,050		
		<u>17,050</u>		
<b>OPEB Master Trust Fund</b>				
Investments by Fair Value				
Equity Mutual Funds		55,166	55,166	-
Bond Mutual Funds		35,966	-	35,966
		<u>91,132</u>	<u>55,166</u>	<u>35,966</u>
Investments by Amortized Cost				
Money Market Mutual Funds		36		
		<u>91,168</u>		
<b>Total</b>	<b>\$</b>	<u><u>149,292</u></u>		

Restricted cash and investments consist of a closure fund required by the Virginia Resource Authority (VRA) for the Landfill, capitalized interest accounts required to be used for debt service, unspent debt proceeds required to be used for capital projects, and retainages as depicted in Illustration 2-13.

<b>Illustration 2-13</b>		
<b>Restricted Cash and Investments</b>		
<b>June 30, 2019</b>		
	<b>Restricted Cash &amp; Temporary Investments</b>	<b>Restricted Investments</b>
<b>Primary Government</b>		
<b>Capital Projects Funds:</b>		
Retainages	\$ 3,694	\$ -
Total Capital Projects Funds	<u>3,694</u>	<u>-</u>
<b>Other Governmental Funds:</b>		
Retainages	52	-
Total Other Governmental Funds	<u>52</u>	<u>-</u>
<b>Enterprise Funds:</b>		
VRA Closure Fund	14,315	-
Parks & Recreation	498	-
Retainages	232	-
Total Enterprise Funds	<u>15,045</u>	<u>-</u>
<b>Internal Service Funds:</b>		
PWSIG	8,157	-
Insurance Pool Collateral	-	1,250
Total Internal Service Funds	<u>8,157</u>	<u>1,250</u>
Total Primary Government	<u>26,948</u>	<u>1,250</u>
<b>Component Units</b>		
<b>ADC:</b>		
Retainages	1,498	-
Total ADC	<u>1,498</u>	<u>-</u>
<b>School Board:</b>		
School Bonds	62,880	-
Education Foundation	1,302	-
Total School Board	<u>64,182</u>	<u>-</u>
Total Component Units	<u>65,680</u>	<u>-</u>
Total Reporting Entity	<u>\$ 92,628</u>	<u>\$ 1,250</u>

**NOTE (3) - PROPERTY TAXES RECEIVABLE**

The County's real estate and personal property taxes are levied respectively of the July 1, 2019, tax levy, on the assessed value as of the prior January 1, for all property located in the County. Real estate taxes are due in two installments on July 15 and December 5 and personal property taxes are due on October 5. After October 5, personal property taxes are due 30 days following the levy date until the end of the fiscal year. Penalties and interest are assessed on taxes not paid by the due dates. Property tax levies are recorded as receivables and revenue, net of allowance for estimated uncollectible on the payment due dates. Property taxes due, but not collected within 60 days after fiscal year-end, are reflected as deferred inflows of resources.

Assessed values are established at 100% of appraised market value. The personal property tax is limited to vehicles and all business property. A valuation of all property is completed annually. The assessed value of real and personal property at January 1, 2018, upon which the July 1, 2019, levy was based, was approximately \$68 billion.

Current real estate and personal property tax collections for the year ended June 30, 2019, were 99.8% and 97.5%, respectively of the July 1, 2018, tax levy. Real property taxes attach an enforceable lien on property if not paid on the due date. Collections received on or before June 30, 2019, related to property taxes due on July 15 of the following fiscal year are recorded as deferred inflows of resources at June 30, 2019.

The County calculates its allowance for uncollectible accounts using historical collection data. Taxes receivable as of June 30, 2019, is detailed in Illustration 3-1.

<b>Illustration 3-1</b>				
<b>Property Taxes Receivable</b>				
<b>June 30, 2019</b>				
		<b>Gross Tax Receivable</b>	<b>Allowance for Uncollectible Accounts</b>	<b>Net Tax Receivable</b>
Real estate taxes	\$	2,812	1,375	1,437
Personal property taxes		7,097	2,671	4,426
<b>Total</b>	<b>\$</b>	<b>9,909</b>	<b>4,046</b>	<b>5,863</b>

**NOTE (4) – UNEARNED REVENUE/DEFERRED INFLOWS OF RESOURCES**

Unearned revenue, as shown in Illustration 4-1, represents amounts for which asset recognition criteria were met, but for which revenue recognition criteria were not met.

<b>Illustration 4-1</b>	
<b>Unearned Revenue</b>	
<b>June 30, 2019</b>	
<b>Primary Government</b>	
Other Unearned Revenue – Prepaid recreation fees, developer fees, health premiums and other	\$ 81,997
Total Primary Government	81,997
<b>Component Unit</b>	
School Board	11,896
Total Component Unit	11,896
Total Reporting Entity	\$ 93,893

Deferred inflows of resources, as shown in Illustration 4-2, represents amounts for which asset recognition criteria were met, but which were not available to finance expenditures of the current period under the accrual basis of accounting.

<b>Illustration 4-2</b>	
<b>Deferred Inflows of Resources</b>	
<b>June 30, 2019</b>	
<b>Primary Government</b>	
Prepaid Taxes – Taxes due subsequent to June 30, 2019, but paid in advance by taxpayers	\$ 262,225
Deferred lease revenue – Uncollected revenues associated with direct financing leases	1,258
Deferred inflows related to OPEB	6,625
Deferred inflows related to pensions	17,104
Total Primary Government	287,212
<b>Component Units</b>	
Deferred inflows related to OPEB	22,022
Deferred inflows related to pensions	89,347
Total Component Unit	111,369
Total Reporting Entity	\$ 398,581

Deferred inflows of resources for General fund represents amounts for which the revenue recognition was not met under the modified accrual basis of accounting for the period ended June 30, 2019.

<b>Illustration 4-3</b>	
<b>Governmental Funds Deferred Inflows of Resources</b>	
<b>June 30, 2019</b>	
<b>General Fund</b>	
Prepaid Taxes – Taxes due subsequent to June 30, 2019, but paid in advance by taxpayers	\$ 243,507
Unavailable taxes – Taxes not paid within sixty days of June 30, 2019	3,903
Deferred lease revenue – Uncollected revenues associated with direct financing leases	8,503
Total General Fund	255,913
<b>Streets and Roads Capital Projects Fund</b>	
Unavailable transportation revenue -- Revenue not received within sixty day of June 30, 2019	15,136
Total Street and Roads Capital Projects Fund	15,136
<b>Fire &amp; Rescue Levy</b>	
Prepaid Taxes – Taxes due subsequent to June 30, 2019, but paid in advance by taxpayers	17,255
Unavailable taxes – Taxes not paid within sixty days of June 30, 2019	72
Total Fire & Rescue Levy	17,327
<b>Other Governmental Funds</b>	
Prepaid Taxes – Taxes due subsequent to June 30, 2019, but paid in advance by taxpayers	1,463
Unavailable taxes – Taxes not paid within sixty days of June 30, 2019	2
Total Other Governmental Fund	1,465
Total Deferred Inflows of Resources of Governmental Funds	\$ 289,841

**NOTE (5) – INVESTMENT IN DIRECT FINANCING LEASES/ACCOUNTS RECEIVABLE**

The County has investments in direct financing leases, consisting of financing arrangements with various volunteer fire and rescue companies and other organizations operating within the County. Under the terms of these financing arrangements, the County obtains leasehold interests in specific properties, and uses those leasehold interests as collateral to obtain financing. The County uses the proceeds from these financings to reimburse the organizations for capital expenses related to the renovation or construction of facilities. In separate-but-related agreements, the County subleases the original leasehold interests and any existing and future improvements back to the organizations; each sublease contains a clause which transfers title of the properties, as well as any existing and future improvements of the properties back to each respective organization at the time the related debt is fully extinguished.

Illustration 5-1 shows the investment in direct financing leases.

<b>Illustration 5-1</b>	
<b>Investment in Direct Financing Leases</b>	
<b>June 30, 2019</b>	
	<b>Volunteer Fire &amp; Rescue Companies</b>
Total minimum lease payments to be received	\$ 8,503
Less: Deferred inflows of resources	1,258
Net investment in direct financing leases	<u>\$ 7,245</u>

Illustration 5-2 shows the scheduled minimum lease payments as of June 30, 2019.

<b>Illustration 5-2</b>	
<b>Scheduled Minimum Lease Payments</b>	
<b>June 30, 2019</b>	
	<b>Volunteer Fire &amp; Rescue Companies</b>
FY 2020	\$ 1,444
FY 2021	1,399
FY 2022	1,360
FY 2023	1,318
FY 2024	955
FY 2025 thru 2029	2,027
Total minimum lease payments	<u>\$ 8,503</u>

Accounts receivable, as shown in Illustration 5-3, are recorded net of allowance for uncollectible accounts.

<b>Illustration 5-3</b>					
<b>Accounts Receivable</b>					
<b>June 30, 2019</b>					
		<b>Component Units</b>			<b>Reporting Entity Total</b>
		<b>Primary Government</b>	<b>School Board</b>	<b>ADC</b>	
Accrued interest	\$	3,485	-	-	3,485
Enterprise operations		622	-	-	622
Utility/consumption taxes		1,675	-	-	1,675
Transient occupancy taxes		1,706	-	-	1,706
Stormwater management fees		166	-	-	166
Cable franchise taxes		467	-	-	467
Other post-employment benefits		4,129	-	-	4,129
Other		8,414	2,074	2	10,490
		<u>20,664</u>	<u>2,074</u>	<u>2</u>	<u>22,740</u>
Allowance for doubtful accounts		(2,229)	-	-	(2,229)
Total Accounts Receivables, Net	\$	<u>18,435</u>	<u>2,074</u>	<u>2</u>	<u>20,511</u>

**NOTE (6) - DUE FROM AND TO OTHER GOVERNMENTAL UNITS**

Amounts due from other governmental units are detailed in Illustration 6-1.

<b>Illustration 6-1</b>		
<b>Due from Other Governmental Units</b>		
<b>June 30, 2019</b>		
<b>PRIMARY GOVERNMENT</b>		
<b>General Fund:</b>		
From other localities	\$ 63	
From the Federal Government	2,337	
From the Commonwealth		
Local sales taxes	11,891	
Other	<u>7,591</u>	\$ 21,882
<b>Street and Road Capital Projects Fund:</b>		
From the Federal Government	3,434	
From the Commonwealth	9,158	
From other localities	<u>14,389</u>	26,981
<b>Other Capital Projects Fund:</b>		
From the Federal Government	14	
From the Commonwealth	447	
From other localities	<u>192</u>	653
<b>Nonmajor Governmental Funds:</b>		
From the Federal Government	277	
From the Commonwealth	<u>40</u>	317
<b>Landfill Enterprise Fund:</b>		
From other localities	<u>83</u>	83
Total Primary Government		<u>49,916</u>
<b>COMPONENT UNITS</b>		
<b>School Board:</b>		
From the Federal Government	7,263	
From the Commonwealth	<u>15,873</u>	23,136
<b>Adult Detention Center:</b>		
From other localities	<u>1,936</u>	1,936
Total Component Units		<u>25,072</u>
Total Reporting Entity		<u>\$ 74,988</u>

Illustration 6-2 details the amounts due to other governmental units at June 30, 2019.

<b>Illustration 6-2</b>		
<b>Due to Other Governmental Unit</b>		
<b>June 30, 2019</b>		
<b>PRIMARY GOVERNMENT</b>		
<b>General Fund:</b>		
To Other Localities	\$ 179	
To the Federal Government	44	
Total General Fund	<u>223</u>	223
<b>Streets and Roads Capital Projects Fund:</b>		
To Other Localities	906	
Total Street and Roads Capital Projects Fund	<u>906</u>	906
<b>Nonmajor Governmental Funds:</b>		
To the Commonwealth	20	
Total Nonmajor Government Funds	<u>20</u>	20
Total Primary Government		<u>1,149</u>
<b>COMPONENT UNIT - Adult Detention Center</b>		
<b>Adult Detention Center:</b>		
To Other Localities	86	
Total Component Unit -Adult Detention Center	<u>86</u>	86
Total Reporting Entity	\$	<u><u>1,235</u></u>

**NOTE (7) – INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS**

Inter-fund balances and transfers are generally made for the purpose of providing operational support for the receiving fund. During the year ended June 30, 2019, the County did not make inter-fund transfers.

Illustration 7-1 details the transfers between funds for the year ended June 30, 2019.

Illustration 7-1 Inter-fund Transfers For the Year Ended June 30, 2019			
<b>Transfer to General Fund from:</b>			<b>Transfer from General Fund to:</b>
Streets and Roads - Capital Projects Fund	\$ 12,078	\$ 14,984	Streets and Roads – Capital Projects Fund
Other - Capital Projects Fund	2,180	43,235	Other - Capital Projects Fund
Fire & Rescue Levy Fund	24,336	-	Fire & Rescue Levy Fund
Nonmajor Governmental Funds	7,433	4,550	Nonmajor Governmental Funds
Landfill - Enterprise Fund	1,169	-	Landfill - Enterprise Fund
Parks & Recreation - Enterprise Fund	-	4,190	Parks & Recreation - Enterprise Fund
Innovation - Enterprise Fund	-	35	Innovation - Enterprise Fund
Internal Service Funds	1,366	122	Internal Service Funds
<b>Total General Fund Transfers In</b>	<b>48,562</b>	<b>67,116</b>	<b>Total General Fund Transfers Out</b>
<b>Transfer to Streets and Roads - Capital Projects Fund from:</b>			<b>Transfer from Streets and Roads - Capital Projects Fund to:</b>
General Fund	14,984	12,078	General Fund
Other Capital Projects Fund	-	2,280	Other Capital Projects Fund
<b>Total Streets and Roads - Capital Projects Fund Transfers In</b>	<b>14,984</b>	<b>14,358</b>	<b>Total Streets and Roads - Capital Projects Fund Transfers Out</b>
<b>Transfer to Other - Capital Projects Fund from:</b>			<b>Transfer from Other - Capital Projects Fund to:</b>
General Fund	43,235	2,180	General Fund
Streets and Roads - Capital Projects Fund	2,280	-	Streets and Roads - Capital Projects Fund
Fire & Rescue Levy Fund	315	-	Fire & Rescue Levy Fund
Nonmajor Governmental Funds	2,362	-	Nonmajor Governmental Funds
Innovation - Enterprise Fund	166	-	Innovation - Enterprise Fund
<b>Total Other - Capital Projects Fund Transfers In</b>	<b>48,358</b>	<b>2,180</b>	<b>Total Other - Capital Projects Fund Transfers Out</b>
<b>Transfers to Fire &amp; Rescue Levy Fund from:</b>			<b>Transfers from Fire &amp; Rescue Levy Fund to:</b>
General Fund	-	24,336	General Fund
Other - Capital Projects Fund	-	315	Other - Capital Projects Fund
Internal Service Funds	-	98	Internal Service Funds
<b>Total Fire &amp; Rescue Levy Fund Transfers In</b>	<b>-</b>	<b>24,749</b>	<b>Total Fire &amp; Rescue Levy Funds Transfers Out</b>
<b>Transfer to Nonmajor Governmental Funds from:</b>			<b>Transfer from Nonmajor Governmental Funds to:</b>
General Fund	4,550	7,433	General Fund
Other - Capital Projects Fund	-	2,362	Other - Capital Projects Fund
Internal Service Funds	-	402	Internal Service Funds
<b>Total Nonmajor Governmental Funds Transfers In</b>	<b>4,550</b>	<b>10,197</b>	<b>Total Nonmajor Governmental Fund Transfers Out</b>
<b>Transfers to Landfill Enterprise Fund from:</b>			<b>Transfers from Landfill Enterprise Fund to:</b>
General Fund	-	1,169	General Fund
<b>Total Landfill Enterprise Fund Transfers In</b>	<b>-</b>	<b>1,169</b>	<b>Total Landfill Enterprise Fund Transfers Out</b>
<b>Transfers to Innovation - Enterprise Fund from:</b>			<b>Transfers from Innovation - Enterprise Fund to:</b>
General Fund	35	-	General Fund
Other - Capital Projects Fund	-	166	Other - Capital Projects Fund
<b>Total Innovation - Enterprise Fund Transfers In</b>	<b>35</b>	<b>166</b>	<b>Total Innovation - Enterprise Fund Transfers Out</b>
<b>Transfers to Parks &amp; Recreation - Enterprise Fund from:</b>			<b>Transfers from Parks &amp; Recreation - Enterprise Fund to:</b>
General Fund	4,190	-	General Fund
<b>Total to Parks &amp; Recreation - Enterprise Fund Transfers In</b>	<b>4,190</b>	<b>-</b>	<b>Transfers from Parks &amp; Recreation Enterprise Transfers Out</b>
<b>Transfers to Internal Service Funds from:</b>			<b>Transfers from Internal Service Funds to:</b>
General Fund	122	1,366	General Fund
Fire & Rescue Levy Fund	98	-	Fire & Rescue Levy Fund
Nonmajor Governmental Funds	402	-	Nonmajor Governmental Funds
<b>Total Internal Service Funds Transfers In</b>	<b>622</b>	<b>1,366</b>	<b>Total Internal Service Funds Transfers Out</b>
<b>Total Primary Government Transfers In</b>	<b>\$ 121,301</b>	<b>\$ 121,301</b>	<b>Total Primary Government Transfers Out</b>

**NOTE (8) – RECEIVABLES /PAYABLES WITH COMPONENT UNITS**

Receivables/payables transactions between the primary government and component units are generally made for the purpose of providing operational support for the receiving fund. Illustration 8-1 summarizes the amounts due from the primary government and due to the component units at June 30, 2019.

<b>Illustration 8-1</b>		
<b>Due To Primary Government/Due From Component Units</b>		
<b>June 30, 2019</b>		
	<b>Due from Primary Government</b>	<b>Due to Component Unit</b>
<b>PRIMARY GOVERNMENT</b>		
Governmental Activities	\$ -	811
<b>COMPONENT UNITS</b>		
School Board	811	-
Total Reporting Entity	\$ 811	811

**NOTE (9) - CAPITAL ASSETS**

Illustration 9-1 summarizes the changes in capital assets of the governmental activities for the year ended June 30, 2019.

<b>Illustration 9-1</b>				
<b>Governmental Activities – Changes in Capital Assets</b>				
	June 30, 2018	Additions / Transfers	Deletions / Transfers	June 30, 2019
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 121,201	9,395	-	130,596
Construction in progress	37,770	32,526	(30,786)	39,510
<b>Total capital assets not being depreciated</b>	<b>158,971</b>	<b>41,921</b>	<b>(30,786)</b>	<b>170,106</b>
Buildings and other capital assets, being depreciated:				
Buildings and improvements to sites	360,239	10,603	-	370,842
Equipment	86,305	5,820	(1,628)	90,497
Vehicles	53,829	6,904	(2,869)	57,864
Infrastructure	232,055	1,653	-	233,708
Intangibles	51,253	9,024	-	60,277
Library collections	17,995	1,359	(1,003)	18,351
<b>Total buildings and other capital assets being depreciated</b>	<b>801,676</b>	<b>35,363</b>	<b>(5,500)</b>	<b>831,539</b>
Less accumulated depreciation for:				
Buildings and improvements to sites	(158,499)	(10,289)	-	(168,788)
Equipment	(66,571)	(8,106)	1,590	(73,087)
Vehicles	(36,371)	(6,379)	2,869	(39,881)
Infrastructure	(55,199)	(5,547)	-	(60,746)
Intangibles	(36,071)	(1,913)	-	(37,984)
Library collections	(12,308)	(1,902)	1,003	(13,207)
<b>Total accumulated depreciation</b>	<b>(365,019)</b>	<b>(34,136)</b>	<b>5,462</b>	<b>(393,693)</b>
<b>Buildings and other capital assets, net</b>	<b>436,657</b>	<b>1,227</b>	<b>(38)</b>	<b>437,846</b>
<b>Capital assets, net</b>	<b>\$ 595,628</b>	<b>43,148</b>	<b>(30,824)</b>	<b>607,952</b>

Depreciation expense was charged to the following functions of the governmental activities:

General government administration	\$	5,266
Judicial administration		851
Public safety		12,821
Public works		1,298
Health and welfare		290
Parks, recreational and cultural		5,614
Community development		6,182
Capital assets held by the internal service funds are charged to the various functions based on their usage of the assets		1,814
<b>Total</b>	<b>\$</b>	<b>34,136</b>

Illustration 9-2 summarizes the changes in capital assets of the business-type activities for the year ended June 30, 2019.

<b>Illustration 9-2</b>				
<b>Business-type Activities – Changes in Capital Assets</b>				
	June 30, 2018	Additions/Transfers	Deletions/Transfers	June 30, 2019
<b>Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 26,987	-	-	26,987
Construction in progress	1,720	175	-	1,895
Total capital assets not being depreciated	28,707	175	-	28,882
Buildings and other capital assets, being depreciated				
Buildings and improvements to sites	73,288	-	-	73,288
Equipment	9,184	1,033	(579)	9,638
Infrastructure	1,566	-	-	1,566
Vehicles	2,541	-	(41)	2,500
Total buildings and other capital assets being depreciated	86,579	1,033	(620)	86,992
Less accumulated depreciation for:				
Buildings and improvements to sites	(60,839)	(1,436)	-	(62,275)
Equipment	(5,530)	(683)	496	(5,717)
Infrastructure	(117)	(78)	-	(195)
Vehicles	(1,944)	(128)	38	(2,034)
Total accumulated depreciation	(68,430)	(2,325)	534	(70,221)
Buildings and other capital assets, net	18,149	(1,292)	(86)	16,771
Capital assets, net	\$ 46,856	(1,117)	(86)	45,653

Depreciation expense was charged to the following functions of business-type activities:

Landfill	\$ 2,030
Parks, recreational & cultural	295
Total	<u>\$ 2,325</u>

Illustration 9-3 summarizes the changes in capital assets of the Adult Detention Center component unit activities for the year ended June 30, 2019.

<b>Illustration 9-3</b>				
<b>Adult Detention Center Component Unit – Changes in Capital Assets</b>				
	June 30, 2018	Additions/ Transfers	Deletions/ Transfers	June 30, 2019
<b>Adult Detention Center:</b>				
Capital assets not being depreciated:				
Land	\$ 31	-	-	31
Construction in progress	8,490	28,404	-	36,894
<b>Total capital assets not being depreciated</b>	<b>8,521</b>	<b>28,404</b>	<b>-</b>	<b>36,925</b>
Buildings and other capital assets, being depreciated:				
Buildings and improvements to sites	85,887	-	-	85,887
Equipment	958	218	(144)	1,032
Vehicles	615	43	(37)	621
<b>Total buildings and other capital assets being depreciated</b>	<b>87,460</b>	<b>261</b>	<b>(181)</b>	<b>87,540</b>
Less accumulated depreciation:				
Buildings and improvements to sites	(27,526)	(2,238)	-	(29,764)
Equipment	(700)	(136)	131	(705)
Vehicles	(579)	(44)	37	(586)
<b>Total accumulated depreciation</b>	<b>(28,805)</b>	<b>(2,418)</b>	<b>168</b>	<b>(31,055)</b>
<b>Buildings and other capital assets, net</b>	<b>58,655</b>	<b>(2,157)</b>	<b>(13)</b>	<b>56,485</b>
<b>Capital assets, net</b>	<b>\$ 67,176</b>	<b>26,247</b>	<b>(13)</b>	<b>93,410</b>

Depreciation expense was charged to the following functions of Adult Detention Center:

Public safety	\$	<u>2,418</u>
Total	\$	<u><u>2,418</u></u>

Illustration 9-4 summarizes the construction in progress of governmental activities.

Illustration 9-4 Governmental Activities - Construction in Progress at June 30, 2019 June 30, 2019			
	Amount Authorized	Expended to Date	Project Balance
<b>PRIMARY GOVERNMENT</b>			
800 MHz Radio Communications System	\$ 2,637	314	2,323
Land Use Information System	2,059	608	1,451
Business Continuity and Disaster Recovery	2,730	1,093	1,637
Potomac Heritage National Scenic Trial - Featherstone Segment	873	166	707
Potomac Heritage National Scenic Trial-Neabsco Boardwalk Segment	4,852	4,736	116
Rollins Ford Park - Phase I & II	7,852	931	6,921
Broad Run Trail	1,004	544	460
Catharpin Park Trail	30	1	29
Lake Ridge Trail	1,130	426	704
Neabsco Trail	335	275	60
Coles Fire and Rescue Station Reconstruction	10,961	9,472	1,489
Nokesville Fire and Rescue Reconstruction	10,726	8,583	2,143
Public Safety Training Center Rifle Range	400	307	93
McCoart Complex Security System	328	302	26
West End Fire and Rescue Station	12,929	986	11,943
Neabsco Commuter Garage/Potomac Town Center Commuter Lot	37,425	179	37,246
Locust Shade Park Waterline	2,354	564	1,790
Locust Shade Maintenance Building	1,300	203	1,097
Courthouse Security System	4,789	280	4,509
Animal Shelter Expansion	15,125	1,365	13,760
Social Services Electronic Document Management System	556	225	331
Catharpin Park Phase II	4,907	82	4,825
Potomac Heritage National Scenic Trail - Occoquan Refuge	433	58	375
ADA Parking McCoart	320	95	225
Human Capital Management System Replacement	13,000	208	12,792
Helling Park Improvements	482	117	365
Harbor Park Drive	710	107	603
Potomac Heritage National Scenic Trail - Highman's Parcel	40	25	15
Potomac Heritage National Scenic Trail - Neabsco Creek Wetlands Boardwalk	304	188	116
Jenkins Park Improvements	309	114	195
Covered Storage - Parks	450	55	395
Long Park Auxillary Building	665	112	553
Veterans Memorial Park Improvements	123	22	101
Hammill Mill Park Park Improvements	130	58	72
Orchard Bridge Park Field Improvements	51	9	42
Howison Park Improvements	397	73	324
Cloverdale Park Improvements	239	34	205
Ben Lomond ADA Trail	93	10	83
Technology Infrastructure Improvements	8,000	2,279	5,721
Other Technology Improvements	1,572	1,053	519
911 Call Center Redundancy	1,020	23	997
Fire and Rescue Equipment	61	23	38
Fire and Rescue Vehicles	2,757	2,757	-
Interactive Virtual Incident Simulator	255	249	6
Commuter Parking Lot Lightpoles	236	13	223
Fleet Management Information System	400	186	214
	\$ <u>157,349</u>	<u>39,510</u>	<u>117,839</u>

The \$1,895 construction in progress balance as of June 30, 2019 of business-type activities recorded in the Landfill enterprise fund represents capital improvements at the landfill complex, including the construction and installation of landfill liners and wetland mitigation to improve the landfill and protect public health, groundwater and the environment. The Parks & Recreation enterprise fund did not have any construction in progress as of June 30, 2019.

The \$36,894 construction in progress balance as of June 30, 2019 of the Adult Detention Center component unit represents capital improvements related to the jail expansion project.

Illustration 9-5 summarizes the changes in capital assets of the School Board component unit activities for the year ended June 30, 2019.

<b>Illustration 9-5</b>				
<b>School Board Component Unit – Changes in Capital Assets</b>				
	<b>June 30, 2018</b>	<b>Additions/ Transfers</b>	<b>Deletions/ Transfers</b>	<b>June 30, 2019</b>
<b>School Board:</b>				
Capital assets not being depreciated:				
Land	\$ 94,842	871	-	95,713
Construction in progress	33,066	121,010	(108,158)	45,918
<b>Total capital assets not being depreciated</b>	<b>127,908</b>	<b>121,881</b>	<b>(108,158)</b>	<b>141,631</b>
Buildings and other capital assets, being depreciated:				
Buildings and improvements to sites	1,752,951	108,869	-	1,861,820
Library collections	3,465	467	(510)	3,422
Equipment	47,919	1,606	(100)	49,425
Intangibles	5,840	-	-	5,840
Vehicles	106,377	12,606	(7,913)	111,070
<b>Total buildings and other capital assets being depreciated</b>	<b>1,916,552</b>	<b>123,548</b>	<b>(8,523)</b>	<b>2,031,577</b>
Less accumulated depreciation for:				
Buildings and improvements to site	(453,053)	(34,328)	-	(487,381)
Library collections	(1,998)	(685)	509	(2,174)
Equipment	(32,762)	(3,137)	92	(35,807)
Intangibles	(3,272)	(548)	-	(3,820)
Vehicles	(47,644)	(7,864)	7,745	(47,763)
<b>Total accumulated depreciation</b>	<b>(538,729)</b>	<b>(46,562)</b>	<b>8,346</b>	<b>(576,945)</b>
<b>Buildings and other capital assets, net</b>	<b>1,377,823</b>	<b>76,986</b>	<b>(177)</b>	<b>1,454,632</b>
<b>Capital assets, net</b>	<b>\$ 1,505,731</b>	<b>198,867</b>	<b>(108,335)</b>	<b>1,596,263</b>

Depreciation expense was charged to the following School Board component unit functions:

Instruction:	
Regular	\$ 33,683
Special	998
Other	18
Support Services:	
General administration	1,154
Student services	10
Curricular/staff development	6
Pupil transportation	7,615
Maintenance	395
Central business services	2,430
Food services	71
Business-Type Activities	
Aquatics Center	182
Total	\$ <u>46,562</u>

## **NOTE (10) - LONG-TERM DEBT**

The following loan payable was issued in fiscal year 2019:

- On February 12, 2019 the Board of County Supervisors approved Resolution No. 19-097 to approve and authorize the execution and delivery of a loan and payment agreement in the aggregate amount of \$21,153 to finance a portion of the cost of the County's Adult Detention Center expansion through the Industrial Development Authority (IDA). On February 22, 2019, the County and IDA entered into a loan agreement with Wells Fargo Bank for a draw-down loan in the principal amount of up to \$21,153. As of June 30, 2019, the \$21,153 has been fully drawn down by the County to pay construction costs associated with the jail expansion project.

Unless otherwise noted, the County offers its debt through public sales. Official Statements are prepared in conjunction with each sale. Depending on the type of debt, different remedies may be pursuable under Virginia law. The County's Official Statements, in which terms, collateral, or remedies may be described, are reviewed by counsel prior to issuance of the debt. It is recommended that investors review these specifics and that they be read in conjunction with this CAFR. The County's Official Statements may be found on the Municipal Securities Rulemaking Board's website: <https://emma.msrb.org/>.

### **Bonds Payable:**

The majority of the County's bonds payable are general obligations of the County and are secured by its full faith and credit. Some of the County's bonds are subject to arbitrage, and as such, actuarial calculations are made, and liabilities are recorded annually.

A portion of the bonds are intended to be repaid from specific revenue sources as outlined below:

- The outstanding Parks & Recreation enterprise fund Refunding Bonds of \$6,090 are paid from revenues of Forest Greens Golf Course and Splashdown Water Park.

On May 7, 2019, the Board of County Supervisors approved Resolution No. 19-259 authorizing and approving the redemption of the Prince William County Park Authority Facilities County Contribution Revenue Bonds Series 2010 relating to the General's Ridge Golf Course. Approximately \$1,985 of the principal amount of the 2010 bonds outstanding allocable to the financing or refinancing of the General's Ridge Golf Course were redeemed in fiscal year 2019.

The Commonwealth imposes no legal debt limitation on counties. Except for Virginia Public School Authority general obligation issuances, a referendum must be approved by the voters prior to the issuance of general obligation bonds. The County established a self-imposed limit on its total bonded debt of 3% of the net assessed valuation of taxable property. The County includes general obligation bonds, appropriation debt supported by tax revenue, and School Board bonds and literary fund loans in its determination of total bonded debt. As of June 30, 2019, the County's total bonded debt, as defined above, was \$968,449 less than the self-imposed limitation. In addition, there are a number of limitations and restrictions contained in the various bond indentures. The County is in compliance with all such limitations and restrictions.

The County's general obligation bonds, which also include, the County's Build America Bonds (BABs), Qualified School Construction Bonds (QSCBs), and refunding bonds are subject to the State Aid Intercept Provision as per §15.2-2659 of the Code of Virginia, 1950, as amended, which in the event of the county defaulting, provides the Commonwealth the ability to step in and work with the County to make the bondholders whole.

Revenue bonds issued through the Prince William County Industrial Development Authority (IDA) are subject to terms that allow the IDA's Revenue Bond Trustees to accelerate all outstanding bond payments immediately due and payable without advance notice if a default was to occur.

The County is also party to a Contributions Agreement related to the Board taking on the Park Authority's Series 2010 Bonds when the Park Authority was merged into the County in 2012. Any payments related to the Contribution Agreement are subject to annual appropriation and cannot be compelled to be paid in the event of a default if the funding is not appropriated by the County Board and are not collateralized with County assets.

The annual debt service requirements of general obligation and lease revenue bonds outstanding in governmental funds as of June 30, 2019, including interest payments, are shown in Illustration 10-1. Refer to Schedule 39 for information related to maturity dates and interest rates for these obligations.

<b>Illustration 10-1</b>				
<b>Governmental Activities – Debt Service Requirements – General Obligation and Revenue Bonds</b>				
		<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>Designated for Roads, Parks &amp; Other General County Projects</b>				
Year Ending June 30:				
2020	\$	15,515	6,683	22,198
2021		15,320	6,091	21,411
2022		14,225	5,477	19,702
2023		14,180	4,839	19,019
2024		14,175	4,155	18,330
2025 thru 2029		51,325	12,621	63,946
2030 thru 2034		30,365	4,328	34,693
2035 thru 2036		8,510	313	8,823
Subtotal		163,615	44,507	208,122
<b>Designated for School Board Projects</b>				
Year Ending June 30:				
2020		68,000	34,370	102,370
2021		66,575	31,120	97,695
2022		64,250	27,931	92,181
2023		61,265	24,875	86,140
2024		58,360	21,988	80,348
2025 thru 2029		242,355	71,770	314,125
2030 thru 2034		169,165	25,840	195,005
2035 thru 2038		66,815	3,955	70,770
Subtotal		796,785	241,849	1,038,634
Total	\$	960,400	286,356	1,246,756

The annual debt service requirements of all bonds outstanding in business-type activities as of June 30, 2019, including interest payments, are shown in Illustration 10-2. Refer to Schedule 40 for information related to maturity dates and interest rates for these obligations.

<b>Illustration 10-2</b>			
<b>Business-type Activities – Debt Service Requirements – Revenue Bonds</b>			
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Year Ending June 30:			
2020	\$ 680	237	917
2021	715	210	925
2022	730	185	915
2023	760	158	918
2024	790	128	918
2025 thru 2027	2,415	191	2,606
Subtotal	6,090	1,109	7,199
Add: unamortized premium on issuance of revenue bonds	10		
Total	\$ 6,100		

#### **Operating and Capital Leases**

The County leases real estate and equipment under operating and capital leases expiring at various dates through 2027. All leases are non-cancelable except they are contingent upon the Board appropriating funds for each year's payments. The County also has various short-term leases for real estate and equipment with initial or remaining non-cancelable lease terms of less than one year as of June 30, 2019. Total rental expense under operating leases of the primary government for the year ended June 30, 2019, was \$8,013. Illustration 10-3 summarizes the minimum lease commitments under the County's operating leases.

<b>Illustration 10-3</b>		
<b>Minimum Lease Commitments – Operating Leases</b>		
Year Ending June 30:		
2020	\$	6,710
2021		6,370
2022		5,133
2023		4,564
2024		3,707
2025 thru 2027		6,202
Total minimum payments	\$	32,686

The County's capital leases are issued through the Virginia Resource Authority (VRA), who has the authority to declare all outstanding bond payments immediately due and payable without advance notice of a default was to occur. The principal and interest on the VRA Capital leases are not subject to acceleration upon the event of default. These obligations are also subject to the State Aid Intercept Provision as per §15.2-2659 of the Code of Virginia, 1950, as amended, which in the event of the County to make defaulting, provides the Commonwealth the ability to step in and work with the County to make creditors whole. Additionally, the County participates in some leasehold interest leasing agreements attached to some of the County's facilities throughout the County. In the event the County was to default on our obligations under this type of lease, the creditor has the right to accelerate the payment of all unpaid principal and interest balances immediately as a remedy.

Illustration 10-4 presents the assets that were acquired through capital lease obligations.

<b>Illustration 10-4</b>		
<b>Assets Acquired Through Capital Lease Obligations</b>		
	<b>Governmental Activities</b>	<b>ADC Component Unit</b>
<b>Other capital assets:</b>		
Buildings	\$ 92,138	6,459
Improvements	13,576	105
Machinery and Equipment	1,828	-
Vehicles	1,203	-
Less: accumulated depreciation	(53,918)	(4,642)
<b>Total assets acquired through capital lease obligations</b>	<b>\$ 54,827</b>	<b>1,922</b>

Illustration 10-5 presents a summary of minimum lease commitments on all capital leases. Refer to Schedule 39 for information related to maturity dates and interest rates for these obligations.

<b>Illustration 10-5</b>		
<b>Minimum Lease Commitments – Capital Lease Obligations</b>		
<b>Primary Government</b>		
Year Ending June 30:		
2020	\$	13,642
2021		16,363
2022		12,592
2023		12,167
2024		9,919
2025 thru 2029		26,673
2030		1,898
<b>Total minimum payments</b>		<b>93,254</b>
Less: Interest		(14,864)
<b>Present value of future minimum payments</b>	<b>\$</b>	<b>78,390</b>

**Loans Payable:**

On February 12, 2019 the Board of County Supervisors approved Resolution No. 19-097 to approve and authorize the execution and delivery of a loan and payment agreement with the Industrial Development Authority (IDA) in the aggregate amount of \$21,153 to finance a portion of the cost of the County’s Adult Detention Center expansion project.

On February 22, 2019, the County entered into a tri-party direct borrowing debt obligation among the County, the IDA, and Wells Fargo Bank N.A. The debt obligation is a variable rate draw down loan in the amount of \$21,153. The loan bears interest monthly at the LIBOR Index Rate. The full principal of the loan is due on August 22, 2023. The proceeds of the loan will finance a portion of the expansion of the County’s Adult Detention Center and will pay the costs of issuance associated with the Loan. The obligation of the IDA or the County to pay debt service on the loan is subject to appropriation by the Board of County Supervisors. The full \$21,153 has been advanced to the County and no collateral was pledged. Default under the Loan Agreement may allow the entire principal amount plus accrued interest to become immediately due and payable. In the event of default, Wells Fargo may seek other remedies with financial consequences against the IDA and / or County.

**Changes in Long-Term Liabilities:**

Changes in long-term liabilities of governmental activities for the year ended June 30, 2019, are shown in Illustration 10-6.

<b>Illustration 10-6</b>						
<b>Governmental Activities – Changes in Long-Term Liabilities</b>						
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due in More Than One Year</b>	<b>Due within One Year</b>
General obligation bonds:						
Designated for Roads, Parks and Other General County projects	\$ 179,185	-	(15,570)	163,615	148,100	15,515
Designated for School Board projects	865,535	-	(68,750)	796,785	728,785	68,000
Subtotal	1,044,720	-	(84,320)	960,400	876,885	83,515
Capital lease obligations	91,755	-	(13,365)	78,390	68,295	10,095
Loans payable	-	21,153	-	21,153	21,153	-
Unpaid losses and related liabilities (Note Disclosure 15)	21,381	46,432	(47,119)	20,694	13,404	7,290
Net pension liabilities	152,631	3,924	-	156,555	156,555	-
Net OPEB liabilities	48,935	1,833	(154)	50,614	50,614	-
Surplus distribution payable	5,958	-	(1,599)	4,359	3,048	1,311
Compensated absences	35,800	14,972	(14,087)	36,685	34,209	2,476
Unamortized premium	116,989	-	(9,981)	107,008	97,193	9,815
<b>Total</b>	<b>\$ 1,518,169</b>	<b>88,314</b>	<b>(170,625)</b>	<b>1,435,858</b>	<b>1,321,356</b>	<b>114,502</b>

Long-term liabilities of governmental activities are generally liquidated by the General Fund. Therefore, during fiscal year 2019, funds of the intra-county services fund were used to liquidate approximately 4.78% of compensated absences.

Changes in long-term liabilities of business-type activities for the year ended June 30, 2019, are shown in Illustration 10-7.

<b>Illustration 10-7</b>						
<b>Business-Type Activities – Changes in Long-Term Liabilities</b>						
	Beginning Balance	Additions	Reductions	Ending Balance	Due in More Than One Year	Due Within One Year
Revenue bonds	\$ 8,725	-	(2,635)	6,090	5,410	680
Unamortized premium on Issuance of revenue bonds	14	-	(4)	10	9	1
Revenue bonds, net	8,739	-	(2,639)	6,100	5,419	681
Compensated absences	519	522	(491)	550	514	36
Net pension liabilities	2,223	-	(402)	1,821	1,821	-
Net OPEB liabilities	782	-	(122)	660	660	-
Accrued closure liabilities (Note Disclosure 12)	13,479	2,612	(1,825)	14,266	14,266	-
<b>Total</b>	<b>\$ 25,742</b>	<b>3,134</b>	<b>(5,479)</b>	<b>23,397</b>	<b>22,680</b>	<b>717</b>

Changes in deferred outflows of resources of business-type activities for the year ended June 30, 2019, are shown in Illustration 10-8.

<b>Illustration 10-8</b>				
<b>Governmental Activities – Changes in Deferred Outflow of Resources</b>				
	Beginning Balance	Additions	Reductions	Ending Balance
Unamortized deferred loss on refunding	\$ 25,847	-	(3,247)	22,600
Related to OPEB	5,479	1,772	-	7,251
Related to pensions	35,427	8,536	-	43,963
<b>Total</b>	<b>\$ 66,753</b>	<b>10,308</b>	<b>(3,247)</b>	<b>73,814</b>

Changes in deferred outflows of resources of business-type activities for the year ended June 30, 2019, are shown in Illustration 10-9.

<b>Illustration 10-9</b>				
<b>Business-Type Activities – Changes in Deferred Outflow of Resources</b>				
	Beginning Balance	Additions	Reductions	Ending Balance
Unamortized deferred loss on refunding	\$ 428	-	(129)	299
Related to OPEB	83	-	(15)	68
Related to pensions	429	-	(5)	424
<b>Total</b>	<b>\$ 940</b>	<b>-</b>	<b>(149)</b>	<b>791</b>

Changes in long-term liabilities of the component units for the year ended June 30, 2019, is shown in Illustration 10-10.

<b>Illustration 10-10</b>						
<b>Component Units – Changes in Long-Term Liabilities</b>						
	Beginning Balance	Additions	Reductions	Ending Balance	Due in More Than One Year	Due Within One Year
<b>School Board:</b>						
Capital Lease obligations	\$ 313	-	(156)	157	-	157
Compensated absences	33,052	10,329	(11,392)	31,989	20,131	11,858
Net pension liabilities	814,142	-	(23,818)	790,324	790,324	-
Net OPEB liabilities	170,259	-	(14,661)	155,598	155,598	-
Pollution remediation	493	1,220	(991)	722	-	722
Claims liabilities	15,442	93,106	(94,078)	14,470	3,974	10,496
<b>Total School Board component unit</b>	<b>1,033,701</b>	<b>104,655</b>	<b>(145,096)</b>	<b>993,260</b>	<b>970,027</b>	<b>23,233</b>
<b>Adult Detention Center:</b>						
Compensated absences	3,488	722	(597)	3,613	3,333	280
Net pension liabilities	14,225	-	(1,434)	12,791	12,791	-
Net OPEB liabilities	4,403	545	-	4,948	4,948	-
<b>Total Adult Detention Center component unit</b>	<b>22,116</b>	<b>1,267</b>	<b>(2,031)</b>	<b>21,352</b>	<b>21,072</b>	<b>280</b>
<b>Total</b>	<b>\$ 1,055,817</b>	<b>105,922</b>	<b>(147,127)</b>	<b>1,014,612</b>	<b>991,099</b>	<b>23,513</b>

### Defeasance of Long-Term Debt

In prior years the County defeased certain bonds, some of which have been called and repaid. Accordingly, the trust account assets and the liability for the defeased bonds were not included in the County's financial statements. At June 30, 2019, \$71,820 in principal of bonds outstanding is considered defeased by the County.

#### A. Component Unit Debt

The Code of Virginia establishes the School Board as a legal entity holding title to all school assets but having no taxing authority. The County must issue debt through bond referendum, Virginia Public School Authority or Literary Fund. Historically, the County has reported all School Board assets along with the related debt in the School Board component unit column of its CAFR. GASB 34 provided specific guidance that requires localities to separate internal activities (within the primary government) from intra-entity activities (between the primary government and its component units). This guidance prevents local governments from allocating debt incurred "on-behalf" of school boards to the School Board component unit column.

Therefore, the School Board assets are included in the component unit column while the debts related to those assets are included in the Primary Government – Governmental Activities column on Exhibit 1. At June 30, 2019, the County has outstanding debt of \$796,785 reflected in the Primary Government – Governmental Activities column on Exhibit 1 as a reduction to the unrestricted net position of the County. Similarly, assets of the Adult Detention Center are included in the component unit column, while the debts related to those assets are included in the Primary Government – Governmental Activities column on Exhibit 1. At June 30, 2019, the County has outstanding debt of \$33,355 reflected in the Primary Government – Governmental Activities column on Exhibit 1 as a reduction to the unrestricted net position of the County, respectively that relates to the Adult Detention Center.

To assist the readers in understanding this relationship and to more accurately reflect the total entity's financial condition, a total Reporting Entity column has been added to match the asset and related debt information.

**NOTE (11) – FUND BALANCES / NET POSITION**

Illustration 11-1 details the fund balances of the County’s Governmental funds and Adult Detention Center (ADC) component unit at June 30, 2019.

<b>Illustration 11-1</b>						
<b>Fund Balances</b>						
<b>June 30, 2019</b>						
	<b>Governmental Funds</b>					<b>ADC Component Unit</b>
	<b>General Fund</b>	<b>Capital Projects Funds</b>	<b>Fire &amp; Rescue Funds</b>	<b>Levy Other Funds Governmental</b>	<b>Total Governmental Funds</b>	
<b>Nonspendable Fund Balance:</b>						
Inventory	\$ 307	-	-	13	320	-
Prepaid expenditures	89	311	-	-	400	-
<b>Total Nonspendable Fund Balance</b>	<b>396</b>	<b>311</b>	<b>-</b>	<b>13</b>	<b>720</b>	<b>-</b>
<b>Restricted Fund Balance:</b>						
Grants	9,524	-	-	-	9,524	-
General government administration	-	-	-	7,295	7,295	-
Public safety	-	-	36,418	14,197	50,615	-
Public works	-	-	-	9,056	9,056	-
Community development	-	-	-	6,609	6,609	-
<b>Total Restricted fund balance</b>	<b>9,524</b>	<b>-</b>	<b>36,418</b>	<b>37,157</b>	<b>83,099</b>	<b>-</b>
<b>Committed Fund Balance:</b>						
Capital reserve	46,206	-	-	-	46,206	-
Revenue stabilization reserve	23,289	-	-	-	23,289	-
Economic development opportunity fund (EDOF)	4,417	-	-	-	4,417	-
General government administration	1,543	24,062	-	-	25,605	-
Judicial administration	1,014	4,093	-	-	5,107	-
Public safety	-	7,521	-	-	7,521	-
Public works	10,140	33,636	-	-	43,776	-
Health and welfare	-	194	-	-	194	-
Education	722	-	-	-	722	-
Parks, recreational, and cultural	1,620	22,369	-	-	23,989	-
Community development	-	12,936	-	-	12,936	-
<b>Total Committed Fund Balance</b>	<b>88,951</b>	<b>104,811</b>	<b>-</b>	<b>-</b>	<b>193,762</b>	<b>-</b>
<b>Assigned Fund Balance:</b>						
General government administration	1,673	-	-	-	1,673	-
Judicial administration	134	-	-	-	134	-
Public safety	2,431	-	-	-	2,431	695
Public works	1,861	-	-	-	1,861	-
Health and welfare	889	-	-	-	889	-
Education	-	-	-	-	-	-
Parks, recreational, and cultural	1,123	-	-	-	1,123	-
Community development	914	-	-	-	914	-
<b>Total Assigned Fund Balance</b>	<b>9,025</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,025</b>	<b>695</b>
<b>Total Unassigned Fund Balance</b>	<b>87,335</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>87,335</b>	<b>7,628</b>
<b>Total Fund Balance</b>	<b>\$ 195,231</b>	<b>105,122</b>	<b>36,418</b>	<b>37,170</b>	<b>373,941</b>	<b>8,323</b>

For further information about each classification of fund balance, see Note 1.

**Fund Balance Classification.** The County considers restricted amounts to have been spent first when both restricted and unrestricted fund balance is available. When amounts from multiple fund balance classifications are eligible to be expended, the County considers the amounts to be spent first from the category with the most stringent constraints and last from the category with the least stringent constraints.

**Non-spendable Fund Balance.** The amounts that are either not in spendable form or are legally or contractually required to be maintained intact.

**Restricted Fund Balances.** The portion of fund balance appropriated for expenditures or legally segregated for a specific future use. The County’s restricted fund balance includes amounts restricted for unspent bond proceeds, cash equivalents, grants, debt service, net pension assets, and revenues from Special Revenue funds.

**Committed Fund Balance.** The County’s highest level of decision-making authority is the Board of County Supervisors. The formal action required to establish, modify, or rescind a fund balance commitment is a resolution of the Board of County Supervisors.

**Assigned Fund Balance.** Assignment of fund balance occurs only through the encumbrance of funds for specific future transactions identified during the current fiscal year and aren’t related to transactions captured in restricted or committed fund balances. Department directors have the authority to approve such encumbrances; the County Executive has the authority to modify or rescind any fund balance assignment per §100.12(D)2. (a) of the County’s Purchasing Regulations.

**Unassigned Fund Balance.** Unassigned fund balance is the residual classification for the general fund.

Illustration 11-2 details the encumbrances of the County’s Governmental funds and Adult Detention Center (ADC) component unit at June 30, 2019.

<b>Illustration 11-2</b>						
<b>Encumbrances at June 30, 2019</b>						
<b>Governmental Funds</b>						
	<b>General Fund</b>	<b>Capital Projects Funds</b>	<b>Fire &amp; Rescue Levy Funds</b>	<b>Other Funds Governmental</b>	<b>Total Governmental Funds</b>	<b>ADC Component Unit</b>
Encumbrances	\$ 9,025	103,531	7,423	643	120,622	5,757

**NOTE (12) – LANDFILL / CLOSURE AND POST CLOSURE CARE COST**

In fiscal year 2019, the Landfill enterprise fund had no outstanding debt and there were no bond coverage requirements.

State and federal laws and regulations require the County to place a final cover on its Independent Hill landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of the end of each fiscal year. The \$14,266 reported as landfill closure and post closure care liability at June 30, 2019, represents the cumulative amount reported to date based on the use of 100% of the Phase I landfill, and 32.7% of Phase II and III of the landfill, which are the only remaining disposal phases in the southern portion of the landfill. The total landfill capacity for the southern portion which include phases I, II and III for post closure is 54.64%

The total maximum exposure liability for closure and post closure care for Phases II and III of the landfill is estimated at \$34,820 at June 30, 2019. The County will recognize the remaining total estimated cost of closure and post closure care for the southern portion of the landfill of \$20,554 as the remaining estimated capacity of the southern portion of the landfill is filled. These amounts are based on what it would cost to perform all closure and post closure care in 2019. The County expects to complete filling the southern portion of the landfill site in the year 2032 and to close the remaining phases of the southern portion of the landfill by 2038. The northern portion of the landfill is estimated to be closed around 2060. The total current cost of landfill closure and post closure care is an estimate and subject to changes resulting from inflation, deflation, technology, or changes in applicable laws or regulations.

**NOTE (13) - DEFINED BENEFIT PENSION PLANS**

**1. Prince William County Pension Plans**

The County maintains three pension plans for its employees:

- Virginia Retirement System (VRS) Pension Plan
- Prince William County Supplemental Plan for Police Officers and Uniformed Fire and Rescue Personnel (Supplemental Pension Plan)
- Prince William County Volunteer Fire and Rescue Personnel Length of Service Award Program (LoSAP)

The aggregate amount of net pension liability, related deferred outflows of resources, deferred inflows of resources, and pension expense for the County's pension plans as of June 30, 2019 with measurement date of June 30, 2018 are summarized in Illustration 13-1 below.

<b>Illustration 13-1</b>				
<b>Prince William County Defined Benefit Pension Plans</b>				
<b>Net Pension Liability and Related Accounts as of June 30, 2019</b>				
	<b>Net Pension Liability (Asset)**</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Pension Expense</b>
Virginia Retirement System	\$ 159,704	16,841	37,163	18,396
Supplemental Pension Plan	(612)	1,447	1,900	566
Length of Service Award Program	11,464	165	8,300	4,961
Total Pensions – County Funded	\$ 170,556	18,453	47,363	23,923
Primary Government:				
Governmental Funds	\$ 149,684	16,252	42,506	21,518
Intra-County Services	5,941	626	1,383	684
Health Insurance	319	34	74	37
Total Governmental Funds	155,944	16,912	43,963	22,239
Landfill	1,821	192	424	210
Total Proprietary Funds	1,821	192	424	210
Total Primary Government (A)	157,765	17,104	44,387	22,449
Component Units:				
Adult Detention Center (B)	12,791	1,349	2,976	1,474
Total Pensions – County Funded (A+B)	\$ 170,556	18,453	47,363	23,923
School Board's Pensions Plans* (C)	\$ 790,324	87,998	125,251	57,568
Total Component Units (B+C)	803,115	89,347	128,227	59,042
Total Reporting Entity (A+B+C)	\$ 960,880	106,451	172,614	81,491

Note: Amounts are allocated to the funds based on proportion of pension contributions paid.  
\* Please see Schools separately issued financial statements for further information and Illustration 13-31 below.  
\*\* This amount represents net pension liability less net pension assets.

**Summary Financial Statements for Single-Employer Defined Benefit Pension Plans Self-Insured by the County for the fiscal year ending June 30, 2019:**

Illustration 13-2 is a summary of the Statement of Fiduciary Net Position of the Supplemental Pension Plan and LoSAP trust funds. See the following discussion for further information on each plan.

<b>Illustration 13-2</b>			
<b>Prince William County - Pension Trust Funds</b>			
<b>Statement of Fiduciary Net Position</b>			
<b>As of June 30, 2019</b>			
	<b>Supplemental Pension Plan Trust Fund</b>	<b>LoSAP Trust Fund</b>	<b>Total Pension Plan Trust Funds</b>
<b>Assets</b>			
Restricted cash	\$ 605	-	605
Restricted investments	41,074	17,050	58,124
Total Assets	<u>41,679</u>	<u>17,050</u>	<u>58,729</u>
<b>Liabilities</b>			
Accounts payable	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net position</b>			
Net position restricted for pensions	41,679	17,050	58,729
Total net position	<u>\$ 41,679</u>	<u>17,050</u>	<u>58,729</u>

Illustration 13-3 is a summary of the Statement of Changes in Fiduciary Net Position of the Supplemental Pension Plan and LoSAP trust funds.

<b>Illustration 13-3</b>				
<b>Prince William County - Pension Trust Funds</b>				
<b>Statement of Changes in Fiduciary Net Position</b>				
<b>For the year ended June 30, 2019</b>				
		<b>Supplemental Pension Plan Trust Fund</b>	<b>LoSAP Trust Fund</b>	<b>Total Pension Plan Trust Funds</b>
<b>Additions</b>				
Member contributions	\$	1,372	-	1,372
Employer contributions		1,372	941	2,313
Total contributions		2,744	941	3,685
<b>Investment Income:</b>				
Total investment income		2,013	492	2,505
Less: investment expense		(89)	-	(89)
Net investment income		1,924	492	2,416
Total additions		4,668	1,433	6,101
<b>Deductions:</b>				
Benefit payments		2,118	505	2,623
Refund of members' contributions		129	-	129
Administrative expenses		71	47	118
Total deductions		2,318	552	2,870
Change in net position		2,350	881	3,231
Net position, beginning of year		39,329	16,169	55,498
Net position, end of year	\$	41,679	17,050	58,729

## A. County's Pension Plans

### i. County's Virginia Retirement System (VRS)

#### County's Plan Description:

*County's plan administration.* The County and the Adult Detention Center component unit contribute to the Virginia Retirement System (VRS), a multi-employer, agent pension plan administered by the Virginia Retirement System (the "System"), along with plans for other employer groups in the Commonwealth of Virginia. All full-time, salaried permanent (professional) employees of the County and the Adult Detention Center are automatically covered by VRS upon employment. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

Professional and non-professional employees of the School Board are also covered by the VRS. Professional employees participate in a VRS statewide teacher cost-sharing pool, and non-professional employees participate as a separate group in the multi-employer, agent retirement system. The Prince William County Public Schools retirement plans are reported separately in their audited financial statements. Copies of these financial statements may be obtained by writing to the School Board's Finance Division at P.O. Box 389, Manassas, Virginia 20108.

County's Benefits provided. The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and a Hybrid Retirement Plan. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are discussed in Illustration 13-4.

<b>Illustration 13-4</b> <b>Prince William County - Virginia Retirement System (VRS) Pension Plan</b> <b>VRS Retirement Plan Provisions</b>		
VRS Plan 1	VRS Plan 2	Hybrid Plan
<i>About the Plans</i>		
<p>Plan 1 is a defined benefit plan. The retirement benefits are based on a member's age, creditable service and average final compensation at retirement using a formula.</p>	<p>Plan 2 is a defined benefit plan. The retirement benefits are based on a member's age, creditable service and average final compensation at retirement using a formula.</p>	<p>The Hybrid Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <p>The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</p> <p>The benefit from the defined contribution component of the plan depends on the member and County contributions made to the plan and the investment performance of those contributions.</p> <p>In addition to the monthly benefit payments payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</p>
<i>Eligible Members</i>		
<p><b>Eligible Members:</b> Employees are in Plan 1 if their membership date is before July 1, 2010, and were vested as of January 1, 2013, and they have not taken a refund.</p> <p><b>Hybrid Opt-In Election:</b> VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Plan during a special election window held January 1 through April 30, 2014. The Hybrid Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan</p>	<p><b>Eligible Members:</b> Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election:</b> Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Plan during a special election window held January 1 through April 30, 2014. The Hybrid Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an ORP and had prior service under Plan 2 were not eligible to</p>	<p><b>Eligible Members:</b> Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> <li>• County employees*</li> <li>• Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.</li> </ul> <p><b>*Non-Eligible Members:</b> Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>• County employees who are covered by enhanced benefits for hazardous duty employees.</li> </ul> <p>Those employees eligible for an ORP must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>

**Illustration 13-4 (cont'd)**  
**Prince William County - Virginia Retirement System (VRS) Pension Plan**  
**VRS Retirement Plan Provisions**

VRS Plan 1	VRS Plan 2	Hybrid Plan
<i>Eligible Members (cont'd)</i>		
("ORP") and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	elect the Hybrid Plan and remain as Plan 2 or ORP.	
<i>Retirement Contributions</i>		
Employees contribute 5% of their compensation each month to their member contributions account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The County makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and County contributions to provide funding for the future benefit payments.	Same as Plan 1.	A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the County to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required for both the member and the County. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the County is required to match those voluntary contribution according to specified percentages.
<i>Creditable Service</i>		
Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the County offers the health insurance credit.	Same as Plan 1.	<b>Defined Benefit Component:</b> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the County offers the health insurance credit.  <b>Defined Contribution Component:</b> Under the defined contribution component, creditable service is used to determine vesting for the County contribution portion of the plan.
<i>Vesting</i>		
Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of	Same as Plan 1.	<b>Defined Benefit Component:</b> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service.

<b>Illustration 13-4 (cont'd)</b> <b>Prince William County - Virginia Retirement System (VRS) Pension Plan</b> <b>VRS Retirement Plan Provisions</b>		
VRS Plan 1	VRS Plan 2	Hybrid Plan
<i>Vesting (cont'd)</i>		
<p>creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in their personal contributions that they make.</p>		<p>Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><b>Defined Contribution Component:</b> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the County contributions from the defined contribution component of the plan. Members are always 100% vested in the personal contributions that they make into the plan.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of County contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> <li>• After two years, a member is 50% vested and may withdraw 50% of County contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of County contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of County contributions.</li> </ul> <p>Distribution is not required by law until age 70 ½.</p>
<i>Calculating the Benefit</i>		
<p>The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	Same definition under Plan 1.	<p><b>Defined Benefit Component:</b> See definition under Plan 1</p> <p><b>Defined Contribution Component:</b> The benefit is based on contributions made by the member and any matching contributions made by the County, plus net investment earnings on those contributions.</p>
<i>Average Final Compensation</i>		
The member's average final compensation is the average of	The member's average final compensation is the average of	Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

**Illustration 13-4 (cont'd)**  
**Prince William County - Virginia Retirement System (VRS) Pension Plan**  
**VRS Retirement Plan Provisions**

VRS Plan 1	VRS Plan 2	Hybrid Plan
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*Average Final Compensation (cont'd)*

the 36 consecutive months of highest compensation as a covered employee.	the 60 consecutive months of highest compensation as a covered employee.	
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*Service Retirement Multiplier*

<p>The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for each employee class is as follows:</p> <ul style="list-style-type: none"> <li>• 1.70% for non-hazardous duty members</li> <li>• 1.85% for sheriffs and regional jail superintendents</li> <li>• 1.70% or 1.85% as elected by the County for eligible County hazardous duty employees other than sheriffs and regional jail superintendents.</li> </ul>	<p>Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p>Same as Plan 1 for sheriffs, regional jail superintendents and all other hazardous duty employees.</p>	<p><b>Defined Benefit Component:</b> The retirement multiplier for the defined benefit component is 1.00%. For members that opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p>This is not applicable for sheriffs, regional jail superintendents and all other hazardous duty employees.</p> <p><b>Defined Contribution Component:</b> Not applicable.</p>
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*Normal Retirement Age*

<p><b>VRS:</b> Age 65.</p> <p><b>County hazardous duty employees:</b> Age 60.</p>	<p><b>VRS:</b> Normal Social Security retirement age.</p> <p><b>County hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Defined Benefit Component:</b></p> <p><b>VRS:</b> Same as Plan 2.</p> <p><b>County hazardous duty employees:</b> Not applicable.</p> <p><b>Defined Contribution Component:</b> Members are eligible to receive distribution upon leaving employment, subject to restrictions.</p>
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*Earliest Unreduced Retirement Eligibility*

<p><b>VRS:</b> Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p><b>County hazardous duty employees:</b> Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p><b>VRS:</b> Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><b>County hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Defined Benefit Component:</b></p> <p><b>VRS:</b> Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><b>County hazardous duty employees:</b> Not applicable.</p> <p><b>Defined Contribution Component:</b></p> <p>Members are eligible to receive distribution upon leaving employment, subject to restrictions.</p>
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**Illustration 13-4 (cont'd)**  
**Prince William County - Virginia Retirement System (VRS) Pension Plan**  
**VRS Retirement Plan Provisions**

VRS Plan 1	VRS Plan 2	Hybrid Plan
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*Earliest Reduced Retirement Eligibility*

<p><b>VRS:</b> Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p> <p><b>County hazardous duty employees:</b> Age 50 with at least five years of creditable service.</p>	<p><b>VRS:</b> Age 60 with at least five years (60 months) of creditable service.</p> <p><b>County hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Defined Benefit Component:</b></p> <p><b>VRS:</b> Age 60 with at least five years (60 months) of creditable service.</p> <p><b>County hazardous duty employees:</b> Not applicable.</p> <p><b>Defined Contribution Component:</b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
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*Cost of Living Adjustment (COLA) in Retirement*

<p>The COLA matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><b>Eligibility:</b> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><b>Exceptions to COLA Effective Dates:</b> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term</li> </ul>	<p>The COLA matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><b>Eligibility:</b> Same as Plan 1.</p> <p><b>Exceptions to COLA Effective Dates:</b> Same as Plan 1.</p>	<p><b>Defined Benefit Component:</b> Same as Plan 2.</p> <p><b>Defined Contribution Component:</b> Not applicable.</p> <p><b>Eligibility:</b> Same as Plan 1 and Plan 2.</p> <p><b>Exceptions to COLA Effective Dates:</b> Same as Plan 1 and Plan 2.</p>
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<b>Illustration 13-4 (cont'd)</b> <b>Prince William County - Virginia Retirement System (VRS) Pension Plan</b> <b>VRS Retirement Plan Provisions</b>		
VRS Plan 1	VRS Plan 2	Hybrid Plan
<i>Cost of Living Adjustment (COLA) in Retirement (cont'd)</i>		
<p>disability under the Virginia Sickness and Disability Program (VSDP).</p> <ul style="list-style-type: none"> <li>The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.</li> <li>The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</li> </ul>		
<i>Disability Coverage</i>		
Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.	Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.	<p>Employees of the County (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless the County provides a County-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<i>Purchase of Prior Service</i>		
Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	Same as Plan 1.	<p><b>Defined Benefit Component:</b> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> <li>Hybrid Retirement Plan members are ineligible for ported service.</li> </ul> <p><b>Defined Contribution Component:</b> Not applicable.</p>

*County Employees Covered by Benefit Terms.* As of June 30, 2017 actuarial valuation, the following County employees and members were covered by benefit terms of the pension plan in Illustration 13-5.

<b>Illustration 13-5</b>	
<b>Prince William County - Virginia Retirement System (VRS) Pension Plan</b>	
<b>Plan Membership as of the Valuation Date of June 30, 2017</b>	
Inactive plan members or their beneficiaries currently receiving benefits	2,102
Inactive members:	
Vested inactive members	619
Non-vested inactive members	1,004
Inactive members active elsewhere in VRS	646
Total inactive members	2,269
Active employees	3,895
Total covered members	8,266

*County contributions.* The VRS contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia* (1950), as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The County's contractually required employer contribution rate for the fiscal year ended June 30, 2019, was 12.98% of the covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the VRS pension plans from the County were \$35,335 and \$31,711 for the years ended June 30, 2019, and June 30, 2018, respectively.

**County's Net Pension Liability:**

The County's net pension liability (NPL) is calculated separately for each employer and represents the County's total pension liability determined in accordance with GASB Statement No. 68, less the County's fiduciary net position. The NPL was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

*County's actuarial Assumption.* The total pension liability for employees in the County's VRS pension plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the assumptions displayed in Illustration 13-6, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

**Illustration 13-6**  
**Prince William County - Virginia Retirement System Pension Plan**  
**Actuarial Methods and Assumptions**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent closed
Asset Valuation Method	5-year smoothed market
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation*
Inflation	2.5%
<b>General Employees:</b>	
Salary Increase	3.5% - 5.35%, including inflation
Mortality Rates	15% of deaths are assumed to be service related
Mortality	
Pre-Retirement	RP-2014 Employee rates to age 80, Healthy Annuitant Rates at age 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates
Post-Retirement	RP-2014 Employee rates to age 49, Healthy Annuitant Rates at age 50 and older projected with scale BB to 2020; males set forward 3 years; females 1% increase compounded from ages 70 to 90
Post-Disablement	RP-2014 Disability Life Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates
<b>Public Safety Employees with Hazardous Duty Benefits:</b>	
Salary Increase	3.5% - 4.75%, including inflation
Mortality Rates	45% of deaths are assumed to be service related
Mortality	
Pre-Retirement	RP-2014 Employee rates to age 80, Healthy Annuitant Rates at age 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year
Post-Retirement	RP-2014 Employee rates to age 49, Healthy Annuitant Rates at age 50 and older, projected with scale BB to 2020; males set forward 1 year, 1% increase compounded from ages 70 to 90; females set forward 3 years
Post-Disablement	RP-2014 Disability Life Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016.

*County's changes in assumptions and benefit terms.* Changes to the actuarial assumptions as a result of the experience study are as follows:

County's General Employees.

Mortality Rates (pre-retirement, post-retirement health, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line-of-Duty Disability	Increase rate from 14% to 15%

County's Public Safety Employees with Hazardous Duty Benefits.

Mortality Rates (pre-retirement, post-retirement health, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year of age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line-of-Duty Disability	Decrease rate from 60% to 45%

County's long-term expected rate of return. The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in Illustration 13-7.

<b>Illustration 13-7</b>			
<b>Prince William County - Virginia Retirement System Pension Plan</b>			
<b>Long-Term Expected Rate of Return</b>			
<b>Asset Class (Strategy)</b>	<b>Target Allocation</b>	<b>Arithmetic Long-Term Expected Rate of Return</b>	<b>Weighted Average Long- Term Expected Rate of Return</b>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
<b>Total</b>	<b>100.00%</b>		<b>4.80%</b>
	Inflation		2.50%
	*Expected arithmetic nominal return		<b>7.30%</b>

\*The above allocation provides a one-year return of 7.3%. However, one-year returns do not consider the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future

returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.5%.

*County's discount rate.* The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the County's VRS Retirement Plan will be subject to the portion of the VRS Board certified rates that are funded by the Virginia General Assembly. From July 1, 2018, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the VRS plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**County's Changes in Net Pension Liability:**

<b>Illustration 13-8</b>			
<b>Prince William County - Virginia Retirement System Pension Plan</b>			
<b>Changes in Net Pension Liability</b>			
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position- Increase (Decrease)</b>	<b>Net Pension Liability</b>
Balances at June 30, 2017	\$ 1,228,141	1,059,440	168,701
Changes for the year:			
Service cost	33,491	-	33,491
Interest	84,034	-	84,034
Differences between expected and actual experience	(2,509)	-	(2,509)
Contributions - employer	-	32,552	(32,552)
Contributions - employee	-	13,721	(13,721)
Net investment income	-	78,483	(78,483)
Benefit payments, including refunds of employee contributions	(55,297)	(55,297)	-
Administrative expenses	-	(671)	671
Other changes	-	(72)	72
Net changes	59,719	68,716	(8,997)
Balances at June 30, 2018	\$ 1,287,860	1,128,156	159,704

*Sensitivity of the County's net pension liability to changes in the discount rate.* Illustration 13-9 presents the net pension liability of the County measured as of June 30, 2018, for fiscal year ending as of June 30, 2019, using the discount rate of 7.0%, as well as what the County's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate.

<b>Illustration 13-9</b>			
<b>Prince William County - Virginia Retirement System Pension Plan</b>			
<b>Sensitivity of Net Pension Liability to Changes in the Discount Rate</b>			
	<b>1% Decrease (6.0%)</b>	<b>Current Discount Rate (7.0%)</b>	<b>1% Increase (8.0%)</b>
County's net pension liability	\$ 327,950	159,704	19,745

**County's Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:**

For the fiscal year ended June 30, 2019 and measured as of June 30, 2018, the County recognized pension expense of \$18,396. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pension from the sources displayed in Illustration 13-10.

<b>Illustration 13-10</b>		
<b>Prince William County - Virginia Retirement System Pension Plan</b>		
<b>Deferred Outflows and (Inflows) of Resources</b>		
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 423	7,082
Change in actuarial assumptions	1,405	-
Net difference between projected and actual earnings on pension plan investments	-	9,759
Employer contributions subsequent to the measurement date	<u>35,335</u>	<u>-</u>
<b>Total</b>	<b>\$ <u>37,163</u></b>	<b><u>16,841</u></b>

\$35,335 reported as deferred outflows of resources related to pensions resulting from the County's contributions to the VRS subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as displayed in Illustration 13-11.

<b>Illustration 13-11</b>		
<b>Prince William County - Virginia Retirement System Pension Plan</b>		
<b>Amortization of Deferred Outflows and (Inflows) of Resources</b>		
<b>Year ended June 30,</b>		
2020	\$	1,354
2021		(2,862)
2022		(12,249)
2023		(1,256)
2024		-
Thereafter		<u>-</u>
<b>Total</b>	<b>\$</b>	<b><u>(15,013)</u></b>

*Pension Plan Data.* Detailed information about the VRS Political Subdivision Retirement Plan is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the 2018 report may be obtained from the VRS website at <http://www.varetire.org/pdf/publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

ii. **Prince William County Supplemental Plan for Police Officers and Uniformed Fire and Rescue Personnel (the Supplemental Pension Plan)**

Plan Activity for the fiscal year ending June 30, 2019:

Illustration 13-12 is a summary of the Statement of Fiduciary Net Position of the Supplemental Pension Plan.

<b>Illustration 13-12</b>			
<b>Prince William County - Supplemental Pension Plan</b>			
<b>Statement of Fiduciary Net Position</b>			
<b>As of June 30, 2019</b>			
<b>Assets</b>			
Restricted cash		\$	605
Restricted investments			41,074
	Total assets		<u>41,679</u>
<b>Liabilities</b>			
Accounts payable			-
	Total liabilities		<u>-</u>
<b>Net position</b>			
Net position restricted for pensions			41,679
	Total net position	\$	<u>41,679</u>

Illustration 13-13 is a summary of the Statement of Changes in Fiduciary Net Position of the Supplemental Pension Plan.

<b>Illustration 13-13</b>			
<b>Prince William County - Supplemental Pension Plan</b>			
<b>Statement of Changes in Fiduciary Net Position</b>			
<b>For the year ended June 30, 2019</b>			
<b>Additions</b>			
Member contributions		\$	1,372
Employer contributions			1,372
	Total contributions		<u>2,744</u>
<b>Investment Income:</b>			
Total investment income			2,013
Less: investment expense			<u>(89)</u>
	Net investment income		<u>1,924</u>
	Total additions		<u>4,668</u>
<b>Deductions:</b>			
Benefit payments			2,118
Refund of members' contributions			129
Administrative expenses			71
	Total deductions		<u>2,318</u>
Change net position			2,350
Net position, beginning of year			<u>39,329</u>
Net position, end of year		\$	<u>41,679</u>

### **County's Plan Description:**

*County's plan administration.* The Supplemental Pension Plan is a single-employer defined benefit pension plan administered by the Plan's Board of Trustees. Terms and provisions of the Plan may be recommended for amendment to the Board of County Supervisors by the Plan's Board of Trustees. The Supplemental Pension Plan was amended per Resolution No. 17-472 and restated per Resolution No. 17-471 on October 3, 2017 and subsequently amended per Resolution 18-292 on May 8, 2018, and per Resolution Number 19-227 on April 30, 2019 by the Board of County Supervisors. The plan does not issue a stand-alone financial report.

Each police officer and uniformed Fire & Rescue Department personnel employed by the County prior to July 1, 1985, is eligible to participate in the Plan as of July 1, 1985, if they were covered by and participating in the VRS and elected to participate in the Plan. Each police officer and uniformed Fire & Rescue Department personnel, hired after June 30, 1985, becomes a participant on his or her date of employment. The Supplemental Pension Plan provides retirement and death benefits to plan members and beneficiaries. [Note: The 2019 Plan amendment extends Plan benefits to sworn employees of the Sheriff's Office and the Prince William-Manassas Regional Adult Detention Center effective on the later of the employee's date of hire or July 1, 2019.]

*County's benefits provided.* The Plan is designed to provide a benefit upon the retirement of participants, the amount of which considers the length of service and the compensation paid by the County to such employees with recognition given to the benefits that will be provided by the VRS. The normal retirement date is the earlier of the participant's 55<sup>th</sup> birthday or the completion of 25 years of credited service. Benefits, at the participants' irrevocable election, are i) the larger of 1.5% of the participant's final average annual compensation times credited service or 1.65% of the participant's final average compensation in excess of \$1.2 multiplied by the years of credited service; ii) a temporary annuity of \$0.64 thousand per month for 15 years for participants employed on or after March 30, 2001; or iii) a lump sum benefit of the participant's contribution with interest plus the employer's contributions during the period of employment. Final average compensation for participants hired or rehired before July 1, 2010 is the highest compensation received during the 36 consecutive calendar months producing the highest average, or if the participant has less than 36 consecutive months of credited service, it is the average annual compensation received during the entire period of credited service prior to the termination of employment. Final average compensation for participants hired after June 30, 2010, is the highest compensation received during the 60 consecutive calendar months producing the highest average, or if the participant has less than 60 consecutive months of credited service, it is the average annual compensation received during the entire period of credited service prior to the termination of employment.

Participants shall vest 100% in the benefit provided under the Plan upon attainment of the participant's normal retirement date. Participants are considered vested and eligible for early retirement after 20 years of credited service. Early retirement benefits at the participants' election are i) a temporary annuity of \$0.32 thousand per month for 15 years multiplied by the ratio of number of completed years of service at early retirement date to 25 years or ii) the withdrawal benefit plus an employer match equal to 100% multiplied by the ratio of number of completed years of service at early retirement to 25 years. Any participant or spouse receiving a monthly benefit for at least one year is eligible for the pension increase each July 1<sup>st</sup>. For participants hired before July 1, 2010, the benefit will be increased by 100% of the first 3% increase in the cost-of-living index plus 50% of the increase in the cost-of-living index in excess of 3%. Increases in the cost-of-living index in excess of 7% are not recognized, for a maximum increase under the Plan of 5%. For participants hired after June 30, 2010, the benefit will be increased by 100% of the first 2% increase in the cost-of-living index plus 50% of the increase in the cost-of-living index in excess of 2%. Increases in the cost-of-living index in excess of 6% are not recognized, for a maximum increase under the Plan of 4%. Increases do not apply to supplemental benefits or early retirement pensions.

*County employees covered by benefit terms.* The Supplemental Pension Plan membership covered by the benefit terms as of the July 1, 2017, actuarial valuation, is presented in Illustration 13-14.

<b>Illustration 13-14</b>	
<b>Prince William County - Supplemental Pension Plan</b>	
<b>Plan Membership</b>	
Inactive plan members or their beneficiaries currently receiving benefits	221
Inactive members not currently receiving benefits:	
Vested inactive members	350
Non-vested inactive members	191
Total inactive members	541
Active employees	1,234
Total covered members	1,996

*County contributions.* The Plan’s Board of Trustees establishes rates based on an actuarially determined rate recommended by an independent actuary. The County is not required to contribute the difference between the actuarially determined rate and the contribution rate of plan members to the Plan Trust Fund. However, as specified in the County’s Principles of Sound Financial Management, the County intends to make the entire recommended contribution amount each year. For the year ended June 30, 2019, the average contribution rate was 1.44% of annual payroll.

This rate, when combined with employee contributions, is expected to finance the costs of benefits earned by the employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Supplemental Pension Plan by the County were \$1,372 and \$1,294 for the years ended June 30, 2019, and June 30, 2018, respectively.

**County’s Net Pension Liability:**

The County’s net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of July 1, 2017, using actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

*County’s actuarial assumption.* The total pension liability for employees in the Supplemental Pension Plan was based on an actuarial valuation as of July 1, 2017, using the Entry Age Normal actuarial cost method and the assumptions displayed in Illustration 13-15, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

<b>Illustration 13-15</b>	
<b>Prince William County - Supplemental Pension Plan</b>	
<b>Actuarial Valuation Methods and Assumptions</b>	
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of projected payroll
Asset Valuation Method	Asset smoothing method. Spreading the investment gains or losses in excess of the assumed rate over a 5-year period
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation
Salary Increase	4.5%, including inflation
Inflation	3.00%
Mortality Rates	RP-2000 Combined Healthy table with Blue Collar adjustment with generational projection by Scale AA. 20% of active participant deaths are assumed to be line-of-duty.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2013, to June 30, 2015.

*County's changes in assumptions and benefit terms.* There were no changes to the actuarial assumptions related to the net pension liability that was measured as of June 30, 2018.

*County's long-term expected rate of return.* Historical long-term average returns have been used as a reasonable expectation of returns. The returns presented here are nominal, 20-year arithmetic means of the corresponding benchmark, less 3.0% to account for expected rate of inflation. Based on the target allocation of the Plan noted below, we are comfortable with a long-term net return of 7.0%. For the short term, we assumed that the current volatility in the markets could persist and assigned a 50% discount to long-term expectations.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019, (see the discussion of the pension plan's investment policy) are summarized in Illustration 13-16.

<b>Illustration 13-16</b>			
<b>Prince William County - Supplemental Pension Plan</b>			
<b>Long-Term Expected Rate of Return</b>			
<b>Asset Class</b>	<b>Target Allocation</b>	<b>Benchmark Index</b>	<b>Long Term Real Annualized Return*</b>
Diversified	10.0%	HFRI Fund of Funds	1.3%
Domestic Equity	30.0%	Russell 3000	4.4%
International Equity Developed	16.0%	Blended Developed	3.1%
International Equity Emerging	7.0%	MSCI Emerging Markets	6.5%
Private Equity	1.0%	Cambridge Private Equity	10.1%
Real Estate	6.0%	NCREIF NFI-ODCE	6.0%
Fixed Income International Bonds	15.0%	FTSE World Government Bond	1.6%
Fixed Income US Investment Grade	15.0%	Barclays Aggregate	2.0%
	<u>100.0%</u>		
	Real Return		3.4%

\*For illustrative purposes, historical long-term average returns have been used as a reasonable expectation of returns. The returns presented are nominal, 20-year arithmetic means of the corresponding benchmark, less 3.0% to account for expected rate of inflation.

*County's money-weighted rate of return.* For the year ended June 30, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 4.88%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

*County's discount rate.* The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that County contributions will be made at rates equal to the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the Plan's investments was applied to all periods of projected benefit payments to determine the total pension liability.

**County's Changes in Net Pension Liability:**

Illustration 13-17 presents the changes in net pension liability from June 30, 2017 to June 30, 2018, which is the measurement date for the fiscal year ended June 30, 2019.

<b>Illustration 13-17</b>				
<b>Prince William County - Supplemental Pension Plan</b>				
<b>Changes in Net Pension Liability (Asset)</b>				
		<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position - Increase (Decrease)</b>	<b>Net Pension Liability (Asset)</b>
Balances at June 30, 2017	\$	36,528	36,656	(128)
Changes for the year:				
Service cost		2,005	-	2,005
Interest		2,478	-	2,478
Contributions - employer		-	1,294	(1,294)
Contributions - employee		-	1,294	(1,294)
Net investment income		-	2,469	(2,469)
Benefit payments, including refunds of employee contributions		(2,294)	(2,294)	-
Administrative expenses		-	(90)	90
Net changes		2,189	2,673	(484)
Balances at June 30, 2018	\$	38,717	39,329	(612)

*Sensitivity of the County's net pension liability (asset) to changes in the discount rate.* Illustration 13-18 presents the net pension liability (asset) of the County using the discount rate of 7.0%, as well as what the County's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate.

<b>Illustration 13-18</b>				
<b>Prince William County - Supplemental Pension Plan</b>				
<b>Sensitivity of Net Pension Liability (Asset) to Changes in the Discount Rate</b>				
<b>Fiscal Year Ending:</b>		<b>1% Decrease (6.0%)</b>	<b>Current Discount Rate (7.0%)</b>	<b>1% Increase (8.0%)</b>
June 30, 2019	\$	2,117	(514)	(2,923)
June 30, 2018	\$	1,973	(612)	(2,979)

**County's Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions:**

For the fiscal year ended June 30, 2019 and measured as of June 30, 2018, the County recognized pension expense of \$566. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources displayed in Illustration 13-19.

<b>Illustration 13-19</b>		
<b>Prince William County - Supplemental Pension Plan</b>		
<b>Deferred Outflows and (Inflows) of Resources</b>		
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	1,447
Net difference between projected and actual earnings on pension plan investments	528	-
Employer contributions subsequent to the measurement date	1,372	-
<b>Total</b>	<b>\$ 1,900</b>	<b>1,447</b>

\$1,372 reported as deferred outflows of resources related to pensions resulting from the County's contributions to the Plan subsequent to the measurement date, June 30, 2018, will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as displayed in Illustration 13-20.

<b>Illustration 13-20</b>		
<b>Prince William County - Supplemental Pension Plan</b>		
<b>Amortization of Deferred Outflow and (Inflow) of Resources</b>		
<b>Year ending June 30,</b>		
2020	\$	346
2021		(186)
2022		(623)
2023		(303)
2024		(153)
Thereafter		-
<b>Total</b>	<b>\$</b>	<b>(919)</b>

*County's fiduciary net position.* The components of the net pension asset for the Supplemental Pension Plan as of June 30, 2019 are shown in Illustration 13-21.

<b>Illustration 13-21</b>					
<b>Prince William County - Supplemental Pension Plan</b>					
<b>Supplemental Pension Plan Net Pension Liability (Asset)</b>					
<b>Fiscal Year Ending</b>		<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability (Asset)</b>	<b>Net Position as % of Total Pension Liability</b>
June 30, 2019	\$	41,165	41,679	(513)	101.25%
June 30, 2018	\$	38,717	39,329	(612)	101.58%

iii. **Prince William County Volunteer Fire and Rescue Personnel Length of Service Award Program (LoSAP)**

**Plan Activity for the fiscal year ending June 30, 2019:**

Illustration 13-22 is a summary of the Statement of Fiduciary Net Position of LoSAP Plan.

<b>Illustration 13-22</b> <b>Prince William County - LoSAP Plan</b> <b>Statement of Fiduciary Net Position</b> <b>As of June 30, 2019</b>			
<b>Assets</b>			
Restricted investments		\$	17,050
	Total assets		<u>17,050</u>
<b>Liabilities</b>			
Accounts payable			-
	Total liabilities		<u>-</u>
<b>Net position</b>			
Net position restricted for pensions			17,050
	Total net position	\$	<u><u>17,050</u></u>

Illustration 13-23 is a summary of the Statement of Changes in Fiduciary Net Position of the LoSAP Plan.

<b>Illustration 13-23</b> <b>Prince William County - LoSAP Plan</b> <b>Statement of Changes in Fiduciary Net Position</b> <b>For the year ended June 30, 2019</b>			
<b>Additions</b>			
Employer contributions		\$	941
	Total contributions		<u>941</u>
<b>Investment Income:</b>			
Total investment income			492
	Net investment income		<u>492</u>
	Total additions		<u>1,433</u>
<b>Deductions:</b>			
Benefit payments			505
Administrative expenses			47
	Total deductions		<u>552</u>
Change in net position			881
Net position, beginning of year			16,169
Net position, end of year		\$	<u><u>17,050</u></u>

**County's Plan Description:**

*County's plan administration.* The LoSAP plan is a single-employer defined benefit pension plan that provides benefits for certified volunteer fire department and rescue squad members and is administered by the LoSAP's Board of Trustees. The benefit provisions, and the contributions required to pay them, are established and may be amended by the Board of County Supervisors and additionally, administered by the LoSAP's Board of Trustees. The LoSAP was authorized by the Board of County Supervisors on October 22, 1991 and became effective July 1, 1997. The LoSAP plan was amended and restated by the Board of County Supervisors on May 10, 2016, via Resolution No. 16-464 to update the LoSAP plan documents, governance structure, and other structural changes to the plan. However, there was no change in eligibility requirements or benefits. The LoSAP Pension Trust Plan does not issue a stand-alone financial report.

Certified active duty fire department and rescue squad volunteers are eligible to participate in LoSAP upon attainment of the minimum age of 21 years, and a minimum of ten months of creditable service (30 hours per month), or a minimum of 360 hours of creditable service. Each certified active duty fire department and rescue squad volunteer becomes a participant on July 1 coinciding with or the next following year when all the eligibility requirements are met. The LoSAP plan provides retirement and death benefits to plan members and beneficiaries.

*County benefits provided.* LoSAP is designed to provide a benefit upon the retirement of participants, the amount of which considers the length of service. Normal retirement date is first day of the month coinciding with or next following attainment of age 60. Benefits are \$10 monthly times years of service with a 50% joint and survivor annuity. Normal Retirement Benefit accrues based on service to date. The LoSAP plan also provides a pre-retirement death benefit or disability benefit after a minimum service of five years. The pre-retirement death benefit provides a life annuity to the surviving spouse equal to 50% of the accrued benefit. For non-married participants a life annuity to a named beneficiary equal to 25% of the accrued benefit. Additional death benefit for active members, \$10,000 is provided to designated beneficiary. The disability benefit provides an immediate annuity equal to 100% of the accrued benefit.

Participants shall vest upon termination after five years of service, a percentage, ranging from 50% for five years of service to 100% for ten or more years of service, of the accrued benefit, deferred to normal retirement date.

*County employees covered by benefit terms.* The LoSAP plan membership covered by the benefit terms as of the July 1, 2017, actuarial valuation, is presented in Illustration 13-24.

<b>Illustration 13-24</b>	
<b>Prince William County - LoSAP Plan</b>	
<b>Plan Membership</b>	
Inactive plan members or their beneficiaries currently receiving benefits	184
Inactive members not currently receiving benefits:	
Vested inactive members	888
Non-vested inactive members	287
Total inactive members	1,175
Active participants	489
Total covered members	1,848

*County's contributions.* The LoSAP Board of Trustees recommends the contribution amount based on an actuarially determined contributions calculated by an independent actuary for approval by the County's Board of Supervisors during the Budget approval process each year. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year and is expected to finance the costs of benefits earned by the employee during the year. However, specified in the County's Principles of Sound Financial Management, the County intends to make the entire contribution amount each year. The County paid contributions on behalf of each of the Volunteer Fire and Rescue Companies according to their respective actuarial valuations.

Contributions to the LoSAP plan by the County were \$941 and \$798 for the years ended June 30, 2019, and June 30, 2018, respectively.

**County’s Net Pension Liability:**

The County’s net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of July 1, 2017, using actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

*County’s actuarial assumption.* The total pension liability for employees in the LoSAP plan was based on an actuarial valuation as of July 1, 2017, using the Entry Age Normal actuarial cost method and the assumptions displayed in Illustration 13-25, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

<b>Illustration 13-25</b>	
<b>Prince William County- LoSAP Plan</b>	
<b>Actuarial Methods and Assumptions</b>	
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, including inflation
Asset Valuation Method	Fair Market Value
Investment Rate of Return	3.0%
Discount Rate	3.0%
Salary Increase	N/A *
Inflation	2.5%
Retirement age	60
Mortality Rates	RP 2000 Mortality Table projected to 2017 using Scale AA
Disability rates	1971 Disability Study - Society of Actuaries
Withdrawal rates	Hartford Life Turnover - Table 2

\* Salary has no impact on the funding since employees do not contribute a portion of their salary to fund the LoSAP plan.

The actuarial assumptions used in the July 1, 2017, valuation was based on the results of an actuarial experience study for the period July 1, 2014, to June 30, 2016.

*County’s changes in assumptions and benefit terms.* There were no changes to the actuarial assumptions related to the net pension liability that was measured as of June 30, 2018.

*County’s long-term expected rate of return.* At June 30, 2018, the LoSAP Trust Fund’s investments were 100% invested in a general investment account at Mass Mutual with a guaranteed 3.0% investment return.

*County’s money-weighted rate of return.* For the fiscal year ending June 30, 2019, the annual money-weighted rate of return of LoSAP plan’s investments, net of pension plan investment expense, was 2.98%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

*County’s discount rate.* The discount rate is the single rate that reflects the long-term expected rate of return of the LoSAP plan’s investments expected to be used to finance the payment of benefits, to the extent that the LoSAP plan’s fiduciary net position is projected to be sufficient to make projected benefit payments and the LoSAP plan’s assets are expected to be invested using a strategy to achieve that return. However, in the case where the LoSAP plan’s fiduciary net position does not sufficiently cover the projected benefit payments within the period, a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another scale is used instead of the long-term expected rate of return. It is the County’s intension to pay the full recommended actuarial contribution amount each year.

The discount rate to measure the total pension liability was estimated to be 3.87%. The projection of cash flows used to determine the discount rate assumed that the County’s contributions will be made each year as recommended by the actuarially

determined contribution amount.

**County's Changes in Net Pension Liability:**

Illustration 13-26 presents the changes in net pension liability from June 30, 2018 to June 30, 2019.

<b>Illustration 13-26</b>				
<b>Prince William County - LoSAP Plan</b>				
<b>Changes in Net Pension Liability</b>				
		<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position - Increase (Decrease)</b>	<b>Net Pension Liability</b>
Balances at June 30, 2017	\$	16,039	15,412	627
Changes for the year:				
Service cost		235	-	235
Interest		958	-	958
Differences between expected and actual experience		(168)	-	(168)
Changes of assumptions		11,019	-	11,019
Contributions - employer		-	798	(798)
Net investment income		-	463	(463)
Benefit payments, including refunds of employee contributions		(447)	(447)	-
Administrative expenses		-	(54)	54
Net changes		11,597	760	10,837
Balances at June 30, 2018	\$	27,636	16,172	11,464

*Sensitivity of the County's net pension liability to changes in the discount rate.* Illustration 13-27 presents the net pension liability of the County using the discount rate of 3.0%, as well as what the County's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.0%) or one percentage point higher (4.0%) than the current rate.

<b>Illustration 13-27</b>				
<b>Prince William County - LoSAP Plan</b>				
<b>Sensitivity of Net Pension Liability to Changes in the Discount Rate</b>				
<b>Fiscal Year Ending</b>		<b>1% Decrease (2.0%)</b>	<b>Current Discount Rate (3.0%)</b>	<b>1% Increase (4.0%)</b>
June 30, 2019	\$	16,848	10,776	6,154
June 30, 2018	\$	17,591	11,464	6,804

**County's Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:**

For the fiscal year ended June 30, 2019 and measured as of June 30, 2018, the County recognized pension expense of \$4,961 and deferred outflows of resources and deferred inflows of resources related to pensions from the sources displayed in Illustration 13-28.

<b>Illustration 13-28</b>		
<b>Prince William County - LoSAP Plan</b>		
<b>Deferred Outflows and (Inflows) of Resources</b>		
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	165
Change in actuarial assumptions	6,452	-
Net difference between projected and actual earnings on pension plan investments	907	-
Employer contributions subsequent to the measurement date	941	-
<b>Total</b>	<b>\$ 8,300</b>	<b>165</b>

\$941 was contributed to the LoSAP plan subsequent to the measurement date of June 30, 2018 and is reported as a deferred outflow of resources, which will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as displayed in Illustration 13-29.

<b>Illustration 13-29</b>		
<b>Prince William County - LoSAP Plan</b>		
<b>Amortization of Deferred Outflow and (Inflow) of Resources</b>		
<b>Year ended June 30,</b>		
2020	\$	4,796
2021		2,118
2022		186
2023		94
Thereafter		-
<b>Total</b>	<b>\$</b>	<b>7,194</b>

*County's fiduciary net position.* The components of the net pension liability for the Supplemental Pension Plan as of June 30, 2019 are shown in Illustration 13-30.

<b>Illustration 13-30</b>					
<b>Prince William County - LoSAP Plan</b>					
<b>LoSAP Plan Net Position Liability</b>					
<b>Fiscal Year Ending</b>		<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability</b>	<b>Net Position as % of Total Pension Liability</b>
June 30, 2019	\$	27,825	17,050	10,776	61.28%
June 30, 2018	\$	27,637	16,173	11,464	58.52%

## B. Prince William County Schools or (PWCS) Pension Plans

Prince William County Schools, a component unit of the County, also participates the VRS Pension plans. The aggregate amount of net pension liability, related deferred outflows of resources and deferred inflows of resources, and pension expense for the Schools pension plans are summarized in Illustration 13-31.

<b>Illustration 13-31</b>					
<b>Prince William County Schools - Virginia Retirement System Plans</b>					
<b>Net Pension Liability and Related Amounts as of June 30, 2018</b>					
		<b>Net Pension Liability</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Pension Expense</b>
<b>Virginia Retirement System Plans - Measurement Date 6/30/2018</b>					
VRS Pension Plans – For Professional Group	\$	785,340	83,808	121,535	57,366
VRS Pension Plans – For Non-Professional Group		4,984	4,190	3,716	202
Total Schools Pension Plans	\$	<u>790,324</u>	<u>87,998</u>	<u>125,251</u>	<u>57,568</u>

### Schools' Virginia Retirement System (VRS) Plans - Professional Group & Non-Professional Group

#### Schools' Plan Description:

All full-time, salaried permanent (professional) employees of public-school divisions are automatically covered by VRS Teacher Retirement Plan upon employment. All full-time, salaried permanent (nonprofessional) employees of PWCS are automatically covered by a VRS Retirement Plan upon employment. Both plans are administered by the VRS along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

#### Plan 1

- *About plan 1:* Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula.
- *Eligible members:* Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.
- *Hybrid opt-in election:* VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Plan during a special election window held January 1 through April 30, 2014. The Hybrid Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Plan and remain as Plan 1 or ORP.
- *Retirement contributions:* Members contribute 5.0% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payments.
- *Creditable service:* Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It may also include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility

for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

- *Vesting*: Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.
- *Calculating the benefit*: The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.
- *Average final compensation*: A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
- *Service retirement multiplier*: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.8%. The retirement multiplier of eligible non-professional hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.8% as elected by the employer.
- *Normal retirement age*: Normal retirement age is 65. For non-professional hazardous duty employees, normal retirement age is 60.
- *Earliest unreduced retirement eligibility*: Earliest unreduced retirement age is 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. Hazardous duty members: earliest unreduced retirement age is 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.
- *Earliest reduced retirement eligibility*: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. Hazardous duty members: age 50 with at least five years of creditable service.
- *Cost-of-Living Adjustment (COLA) in retirement*: The COLA matches the first 3.0% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4.0%) up to a maximum COLA of 5.0%.
  - *Eligibility for COLA*: For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.
  - *Exceptions to COLA effective dates*: The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:
    - The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
    - The member retires on disability.
    - The non-professional member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
    - The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
    - The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

- *Disability coverage:* Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.
- *Purchase of prior service:* Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.

## **Plan 2**

- *About Plan 2:* Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.
- *Eligible members:* Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
- *Hybrid opt-in election:* Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Plan. Members who were eligible for an ORP and have prior service under Plan 2 were not eligible to elect the Hybrid Plan and remain as Plan 2 or ORP.
- *Retirement contributions:* Same as Plan 1.
- *Creditable service:* Same as Plan 1.
- *Vesting:* Same as Plan 1.
- *Calculating the benefit:* Same as Plan 1.
- *Average final compensation:* A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
- *Service retirement multiplier:* Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.
- *Normal retirement age:* Normal Social Security retirement age. Non-professional hazardous duty employee's retirement age is the same as Plan 1.
- *Earliest unreduced retirement eligibility:* Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. Hazardous duty members are same as Plan 1.
- *Earliest reduced retirement eligibility:* Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. Hazardous duty employees are same as Plan 1.
- *COLA in retirement:* The COLA matches the first 2.0% increase in the CPI-U and half of any additional increase (up to 2.0%), for a maximum COLA of 3.0%.
  - *COLA eligibility:* Same as Plan 1.
  - *Exceptions to COLA effective dates:* Same as Plan 1.
- *Disability Coverage:* Non-professional members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.
- *Purchase of prior service:* Same as Plan 1.

## Hybrid Plan

- *About the Hybrid Plan:* The Hybrid Plan combines the features of a defined benefit plan and a defined contribution plan.
  - The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.
  - The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
  - In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
- *Eligible members:* Employees are in the Hybrid Plan if their membership date is on or after January 1, 2014. This includes:
  - Professional employees
  - Non-professional employees\*
  - Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 - April 30, 2014; the plan's effective date for opt-in members was July 1, 2014
  - \*Non-Eligible Members: Some employees are not eligible to participate in the Hybrid Plan. They include:
    - Non-professional employees who are covered by enhanced benefits for hazardous duty employees.
  - Those employees eligible for an ORP must elect the ORP plan or the Hybrid Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
- *Retirement contributions:* A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
- *Creditable service:*
  - *Defined benefit component:* Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.
  - *Defined contributions component:* Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.
- *Vesting:*
  - *Defined benefit component:* Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Plan remain vested in the defined benefit component.
  - *Defined contributions component:* Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members

are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.

- *Calculating the benefit: Defined Benefit Component:* See definition under Plan 1. *Defined Contributions Component:* The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
- *Average final compensation:* Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
- *Service retirement multiplier:* The retirement multiplier is 1.0%. For members that opted into the Hybrid Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. The service retirement multiplier is not applicable to the defined contribution component.
- *Normal retirement age:*
  - *Defined benefit component:* Same as Plan 2. Not applicable for nonprofessional hazardous duty employees.
  - *Defined contributions component:* Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- *Earliest unreduced retirement eligibility:*
  - *Defined benefit component:* Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. Not applicable to non-professional hazardous duty employees.
  - *Defined contribution component:* Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- *Earliest reduced retirement eligibility:*
  - *Defined benefit component:* Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. Not applicable to non-professional hazardous duty employees.
  - *Defined contribution component:* Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- *COLA in retirement:*
  - *Defined benefit component:* Same as Plan 2.
  - *Defined contribution component:* Not applicable.
    - *COLA eligibility:* Same as Plan 1 and Plan 2.
    - *Exceptions to COLA effective dates:* Same as Plan 1 and Plan 2.

- *Disability coverage:* Eligible non-professional and professional employees (including Plan 1 and Plan 2 opt-ins) may participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
- *Purchase of prior service:*
  - *Defined benefit component:* Same as Plan 1, except for Hybrid Plan members are ineligible for ported service.
  - *Defined contribution component:* Not applicable.

*Schools' employees covered by benefit terms.* As of the June 30, 2017 actuarial valuation, the following employees of the non-professional group were covered by the benefit terms of the pension plan as displayed by Illustration 13-32.

<b>Illustration 13-32</b>	
<b>Schools' VRS Pension Plans</b>	
<b>Plan Membership as of the Valuation Date of June 30, 2017</b>	
Inactive members or their beneficiaries currently receiving benefits	832
Inactive members:	
Vested inactive members	194
Non-vested inactive members	463
Inactive members active elsewhere in VRS	232
Total inactive members	889
Active members	1,856
Total covered employees	3,577

*Schools' contributions.* The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to the non-professional and professional groups by the Virginia General Assembly. Employees are required to contribute 5.0% of their compensation toward their retirement.

*Non-professional group.* The non-professional group's contractually required contribution rate for the year ended June 30, 2019 was 5.10% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the pension plan from the non-professional group were \$3,007 and \$3,422 for the years ended June 30, 2019 and June 30, 2018, respectively.

*Professional group.* Each professional group's contractually required contribution rate for the year ended June 30, 2019 was 15.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the pension plan from the professional group were \$87,257 and \$88,486 for the years ended June 30, 2019 and June 30, 2018, respectively.

*Schools' actuarial assumptions.* The total pension liability for general employees in the non-professional and professional group was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.50%
Salary Increase, including Inflation	3.5% -5.35%
Investment rate of return	7.0%, net of pension plan investment expenses, including inflation*

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

\*\* Mortality rates update to a more current mortality table - RP 2014 projected to 2020

	<b>Non-Hazardous Duty - Non-Professional Group</b>	<b>Professional Group</b>
	20% of deaths are assumed to be service related.	15% of deaths are assumed to be service related.
Pre-Retirement:	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% rates.	RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020
Post-Retirement:	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.	RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from age 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.
Post-Disablement:	RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.	RP-2014 Disability Mortality Rates projected with scaled BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016.

Changes to the actuarial assumptions as a result of the experience study are as follows:

	<u>Largest 10 Non-Hazardous Duty</u>	<u>All Others (Non 10 Largest) Non-Hazardous Duty</u>	<u>Professional Group</u>
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75	Lowered rates at older ages and changed final retirement from 70 to 75	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service	Adjusted rates to better fit experience at each year age and service through 9 years of service	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates	Lowered rates	Adjusted rates to better match experience
Salary Scale	No change	No change	No change
Line of Duty Disability	Increase rate from 14% to 20%	Increase rate from 14% to 15%	N/A

*Schools' long-term expected rate of return.* The long-term expected rate of return on pension VRS investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension VRS investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in Illustration 13-33.

<b>Illustration 13-33</b>			
<b>Schools' VRS Pension Plans</b>			
<b>Plan Membership as of the Valuation Date of June 30, 2017</b>			
<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00	0.69	0.10
Credit Strategies	15.00	3.96	0.59
Real Assets	15.00	5.76	0.86
Private Equity	15.00	9.53	1.43
Total	<u>100.00%</u>		<u>4.80%</u>
	Inflation		2.50%
	*Expected arithmetic nominal return		<u>7.30%</u>

\* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projects are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.5%.

*Schools' discount rate.* The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that VRS member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the non-professional and professional groups for VRS will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

#### **Schools' Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions Net Pension Liability**

At June 30, 2019, the professional group reported a liability of \$785,340 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The professional group's proportion of the net pension liability was based on the professional group's actuarially determined employer contributions to the pension plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the professional group's proportion was 6.68% as compared to 6.57% at June 30, 2017.

The non-professional net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

#### **Schools' Changes in Net Pension Liability – Non-Professional Group**

<b>Illustration 13-34</b>			
<b>Schools' VRS Pension Plans – Non-Professional Group</b>			
<b>Changes in Net Pension Liability</b>			
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position - Increase (Decrease)</b>	<b>Net Pension Liability</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a) – (b)</b>
Balances at June 30, 2017	\$ 194,828	189,217	5,611
Changes for the year:			
Service cost	5,226	-	5,226
Interest	13,330	-	13,330
Differences between expected and actual experience	910	-	910
Contributions – employer	-	3,551	(3,551)
Contributions - employee	-	2,758	(2,758)
Net investment income	-	13,917	(13,917)
Benefit payments, including refunds of employee contributions	(8,795)	(8,795)	-
Administrative expenses	-	(120)	120
Other changes	-	(13)	13
Net changes	10,671	11,298	(627)
Balances at June 30, 2018	\$ 205,499	200,515	4,984

*Sensitivity of the Schools' Net Pension Liability (Asset) to Changes in the Discount Rate.* Illustration 13-35 presents the net pension liability (asset) of the non-professional group using the discount rate of 7.0%, as well as what the non-professional group's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate.

<b>Illustration 13-35</b>				
<b>Schools' VRS Pension Plans – Non-Professional Group</b>				
<b>Sensitivity of Net Pension Liability to Changes in the Discount Rate</b>				
		<b>1% Decrease (6.0%)</b>	<b>Current Discount Rate (7.0%)</b>	<b>1% Increase (8.0%)</b>
Schools' Non-Professional Group Net Pension Liability / (Asset)	\$	30,749	4,984	(16,552)

Illustration 13-36 presents the professional group's proportionate share of the net pension liability using the discount rate of 7.0%, as well as what the professional group's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate.

<b>Illustration 13-36</b>				
<b>Schools' VRS Pension Plans – Professional Group</b>				
<b>Sensitivity of Net Pension Liability to Changes in the Discount Rate</b>				
		<b>1% Decrease (6.0%)</b>	<b>Current Discount Rate (7.0%)</b>	<b>1% Increase (8.0%)</b>
Schools' Professional Group Proportionate Share of the VRS Teacher Employee Retirement Plan Net Pension Liability	\$	1,199,625	785,340	442,425

#### **Schools' Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Non-Professional Group**

For the year ended June 30, 2019, the non-professional group recognized pension benefit of \$202. At June 30, 2019, the non-professional group reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources displayed in Illustration 13-37.

<b>Illustration 13-37</b>		
<b>Schools' VRS Pension Plans – Non-Professional Group</b>		
<b>Deferred Outflows and (Inflows) of Resources</b>		
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 709	1,543
Change in actuarial assumptions	-	1,055
Net difference between projected and actual earnings on pension plan investments	-	1,592
Employer contributions subsequent to the measurement date	3,007	-
<b>Total</b>	<b>\$ 3,716</b>	<b>4,190</b>

\$3,007 reported as deferred outflows of resources related to pensions resulting from PWCS' non-professional group contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expenses in future reporting periods displayed in Illustration 13-38.

<b>Illustration 13-38</b>		
<b>Schools' VRS Pension Plans – Non-Professional Group</b>		
<b>Amortization of Deferred Outflows and (Inflows) of Resources</b>		
<b>Year ended June 30,</b>		
2020	\$	(609)
2021		(988)
2022		(1,731)
2023		(153)
Total	\$	<u>(3,481)</u>

#### **Schools' Professional Group**

For the year ended June 30, 2019, PWCS recognized pension expense of \$57,366 related to the professional group. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2019, the professional group's reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources displayed in Illustration 13-39.

<b>Illustration 13-39</b>		
<b>Schools' VRS Pension Plans – For Professional Group</b>		
<b>Deferred Outflows and (Inflows) of Resources</b>		
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	67,154
Change in actuarial assumptions	9,374	-
Net difference between projected and actual earnings on pension plan investments	-	16,654
Changes in proportion and differences between Employer Contributions and proportionate share of contributions	24,904	-
Employer contributions subsequent to the measurement date	<u>87,257</u>	<u>-</u>
Total	<u>\$ 121,535</u>	<u>83,808</u>

PWCS' professional group contribution of \$87,257, made subsequent to the measurement date and reported as deferred outflows of resources related to pensions, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods presented in Illustration 13-40.

<b>Illustration 13-40</b>		
<b>Schools' VRS Pension Plans – Professional Group</b>		
<b>Amortization of Deferred Outflows and (Inflows) of Resources</b>		
<b>Year ended June 30,</b>		
2020	\$	(931)
2021		(10,711)
2022		(29,922)
2023		(6,456)
2024		(1,510)
Total	\$	<u>(49,530)</u>

**Schools' Pension Plan Fiduciary Net Position**

The VRS issues a publicly available CAFR that includes financial statements and required supplementary information (RSI) for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS Web site at or by writing to the VRS' Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**NOTE (14) – OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLANS AND (OPEB) MASTER TRUST FUND**

**Prince William County Other Post-Employment Benefit Plans (OPEB)**

The County maintains five OPEB plans for its employees; two Virginia Retirement System plans, and three plans that participate in the OPEB Master Trust Fund.

- Virginia Retirement System (VRS) OPEB Plans:
  - VRS Group Life Insurance Program (GLI)
  - VRS Health Insurance Credit Program (HIC)
- OPEB Master Trust Plans:
  - Prince William County Post-Retirement Medical Benefits Premium Plan (County Premium Plan)
  - Prince William County Post-Retirement Medical Benefits Retiree Health Insurance Credit Plan (County RHICP)
  - Prince William County Line of Duty Act Plan (LODA Plan)

The aggregate amount of the County's net OPEB liability, related deferred outflows of resources and deferred inflows of resources, and OPEB expense for the County's OPEB plans are summarized in Illustration 14-1 below.

<b>Illustration 14-1</b>					
<b>Prince William County's Other Post-Employment Benefit (OPEB) Plans</b>					
<b>Net OPEB Liability and Related Amounts</b>					
		<b>Net OPEB Liability</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>OPEB Expense</b>
<b>Virginia Retirement System Plans:</b>					
VRS Group Life Insurance Program	\$	21,239	5,368	1,957	270
VRS Health Insurance Credit		3,860	515	201	403
<b>OPEB Master Trust Fund Plans:</b>					
County Premium Plan		7,533	-	4,052	917
County RHCP		18,068	73	561	1,890
LODA Plan		5,522	2,168	483	1,568
Total OPEB – County Funded	\$	<u>56,222</u>	<u>8,124</u>	<u>7,254</u>	<u>5,048</u>
Primary Government:					
Governmental Funds	\$	48,639	7,016	6,268	4,344
Intra-County Services		1,876	223	252	128
Health Insurance		99	12	13	7
Total Governmental Funds		<u>50,614</u>	<u>7,251</u>	<u>6,533</u>	<u>4,479</u>
Landfill		660	68	92	49
Total Proprietary Funds		<u>660</u>	<u>68</u>	<u>92</u>	<u>49</u>
Total Primary Government (A)		<u>51,274</u>	<u>7,319</u>	<u>6,625</u>	<u>4,528</u>
Component units:					
Adult Detention Center (B)		4,948	805	629	520
Total OPEB – County Funded (A+B)	\$	<u>56,222</u>	<u>8,124</u>	<u>7,254</u>	<u>5,048</u>
School Board's OPEB Plans * (C)	\$	155,598	20,820	21,393	11,020
Total Component Units (B+C)		<u>160,546</u>	<u>21,625</u>	<u>22,022</u>	<u>11,540</u>
Total Reporting Entity (A+B+C)	\$	<u>211,820</u>	<u>28,944</u>	<u>28,647</u>	<u>16,068</u>

Note: Amounts are allocated based on proportion of OPEB contributions paid.  
 \* Please see Schools separately issued financial statements for further information and Illustration 14-50 below.

**A. County’s Virginia Retirement System (VRS) – OPEB Plans**

**County’s Plans Description:**

*County’s plan administration:* The County and the Adult Detention Center component unit contribute to the VRS GLI Program, a cost-sharing, multi-employer, defined benefit OPEB plan. The County also participates in the VRS HIC Program, a multiple-employer, agent defined benefit OPEB plan. Both, the GLI and HIC Programs, are administered by the VRS, along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia. All full-time, salaried permanent employees of the County and ADC are automatically covered by the VRS GLI and HIC Programs upon employment.

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members’ paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI Program OPEB.

Professional and non-professional employees of the School Board are also covered by the VRS. Professional employees participate in a VRS statewide teacher cost-sharing pool, and non-professional employees participate as a separate group in the multi-employer, agent system. The Prince William County Public Schools OPEB plans are reported separately in their audited financial statements. Copies of these financial statements may be obtained by writing to the School Board’s Finance Division at P.O. Box 389, Manassas, Virginia 20108.

Under the VRS HIC Program, members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree’s death.

**i. County’s VRS Group Life Insurance (GLI) OPEB Program**

*Benefits provided.* The specific information for GLI Program, including eligibility, coverage and benefits is set out in the table below:

<b>County’s VRS GROUP LIFE INSURANCE PROGRAM PROVISIONS</b>
<p><b>Eligible Employees</b>                      The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program. Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.</p>
<p><b>Benefit Amounts</b>                      The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none"> <li>• <b>Natural Death Benefit</b> – The natural death benefit is equal to the employee’s covered compensation rounded to the next highest thousand and then doubled.</li> <li>• <b>Accidental Death Benefit</b> – The accidental death benefit is double the natural death benefit.</li> <li>• <b>Other Benefit Provisions</b> – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:                             <ul style="list-style-type: none"> <li>○ Accidental dismemberment benefit</li> <li>○ Safety belt benefit</li> <li>○ Repatriation benefit</li> <li>○ Felonious assault benefit</li> <li>○ Accelerated death benefit option</li> </ul> </li> </ul>
<p><b>Reduction in benefit Amounts</b>                      The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p>

**County's VRS GROUP LIFE INSURANCE PROGRAM PROVISIONS**

**Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)**

For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,279, effective July 1, 2018.

*County's contributions.* The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.3% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.8% (1.3% X 60%) and the employer component was 0.5% (1.3% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2019, was 0.5% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. The County elects to pay the employee component with the employer component of the contribution. Contributions to the GLI Program from the County were \$3,679 and \$3,637 for the years ended June 30, 2019, and June 30, 2018, respectively.

**County's GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB:**

At June 30, 2019, the County reported a liability of \$21,239 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2018, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the County's proportion was 1.39846% as compared to 1.35566% at June 30, 2017.

For the year ended June 30, 2019, the County recognized GLI OPEB expense of \$270. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the sources displayed in Illustration 14-2.

<b>Illustration 14-2</b>		
<b>County's Virginia Retirement System – Group Life Insurance (GLI) Program Other Post-Employment Benefits (OPEB) Plan</b>		
<b>Deferred Outflows and (Inflows) of Resources at June 30, 2019</b>		
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,038	381
Change in actuarial assumptions	-	885
Net difference between projected and actual earnings on OPEB plan investments	-	691
Changes in Proportionate Share	651	-
Employer contributions subsequent to the measurement date	3,679	-
<b>Total</b>	<b>\$ 5,368</b>	<b>1,957</b>

\$3,679 reported as deferred outflows of resources related to the GLI OPEB resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as shown in Illustration 14-3.

<b>Illustration 14-3</b>		
<b>County's Virginia Retirement System – Group Life Insurance (GLI) Program Other Post-Employment Benefits (OPEB) Plan</b>		
<b>Amortization of Deferred Outflows and (Inflows) of Resources</b>		
<b>Fiscal year ended June 30,</b>		
2020	\$	(192)
2021		(192)
2022		(192)
2023		6
2024		184
Thereafter		118
Total	\$	<u>(268)</u>

*County's actuarial assumptions.* The total GLI OPEB liabilities were based on actuarial valuations as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018 as displayed in Illustration 14-4.

<b>Illustration 14-4</b>	
<b>County's Virginia Retirement System – Group Life Insurance (GLI) Program Other Post-Employment Benefits (OPEB) Plan</b>	
<b>Actuarial Methods and Assumptions</b>	
Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.0%, net of investment expense, including inflation*
Inflation	2.5%
Healthcare Cost Trend Rate	N/A – the benefit is not based on healthcare costs but rather is based on compensation
<b>General Employees:</b>	
Payroll Growth	3.5% - 5.35%, includes inflation
Mortality	
Pre-Retirement	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.
Post-Retirement	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.
Post-Disablement	RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.
<b>Public Safety Employees with Hazardous Duty Benefits:</b>	
Payroll Growth	3.5% - 4.75%, include inflation
Mortality	
Pre-Retirement	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.
Post-Retirement	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

**Illustration 14-4 (cont'd)**

**County's Virginia Retirement System – Group Life Insurance (GLI) Program Other Post-Employment Benefits (OPEB) Plan**

**Actuarial Methods and Assumptions**

Post-Disablement	RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.
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\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of the OPEB liabilities.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016.

*Changes in Assumptions.* Changes to the actuarial assumptions as a result of the experience study are as follows:

**General Employees**

Mortality Rates (Pre-retirement, post retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.0% to 15.0%

**Public Safety Employees with Hazardous Duty Benefits**

Mortality Rates (Pre-retirement, post retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

**County's Net GLI OPEB Liability:**

The County's net OPEB liability for the GLI Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2018, net OPEB liability amounts for the GLI Program are displayed in Illustration 14-5.

<b>Illustration 14-5</b>				
<b>County's Virginia Retirement System – Group Life Insurance (GLI) Program Other Post-Employment Benefits (OPEB) Plan</b>				
<b>Net OPEB Liability</b>				
<b>Fiscal Year Ending</b>	<b>Total OPEB Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net OPEB Liability</b>	<b>Net Position as % of Total OPEB Liability</b>
June 30, 2019	\$ 43,541	22,302	21,239	51.22%

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

*County's long-term expected rate of return.* The long-term expected rate of return on the VRS investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of VRS investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in Illustration 14-6.

<b>Illustration 14-6</b>			
<b>County's Virginia Retirement System – Group Life Insurance (GLI) Program Other Post-Employment Benefits (OPEB) Plan</b>			
<b>Long-Term Expected Rate of Return</b>			
<b>Asset Class (Strategy)</b>	<b>Target Allocation</b>	<b>Arithmetic Long-Term Expected Rate of Return</b>	<b>Weighted Average</b>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00	0.69	0.10
Credit Strategies	15.00	3.96	0.59
Real Assets	15.00	5.76	0.86
Private Equity	15.00	9.53	1.43
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

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

*County's discount rate.* The discount rate used to measure the total GLI OPEB liabilities was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from members and the County will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rates contributed by the entity for the GLI OPEB

Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI Program OPEB fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI Program OPEB liabilities.

*Sensitivity of the County's proportionate share of the net GLI OPEB liability to changes in the discount rate.* Illustration 14-7 presents the County's proportionate share of the net GLI OPEB liability using the discount rate of 7.0%, as well as what the County's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate.

<b>Illustration 14-7</b>				
<b>County's Virginia Retirement System – Group Life Insurance (GLI) Program Other Post-Employment Benefits (OPEB) Plan</b>				
<b>Sensitivity of Net OPEB Liability Discount Rate</b>				
<b>Fiscal Year Ending:</b>		<b>1.0% Decrease (6.0%)</b>	<b>Current Discount Rate (7.0%)</b>	<b>1.00% Increase (8.0%)</b>
June 30, 2019	\$	27,757	21,239	15,947

*Sensitivity of the County's proportionate share of the net GLI OPEB liability to changes in healthcare costs.* There is no valuation health care cost trend assumption for the VRS GLI Program because the benefit provided to participants is not dependent on medical claims costs, but rather is based on each participant's compensation.

*County's GLI fiduciary net position.* Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the VRS' Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**ii. County's Virginia Retirement System (VRS) – Retiree Health Insurance Credit (RHIC) Program Other Post-Employment Benefits (OPEB) Plan**

<b>County's VRS RETIREE HEALTH INSURANCE CREDIT PROGRAM PROVISIONS</b>
<p><b>Eligible Employees</b></p> <p>The County VRS Retiree Health Insurance Credit Program was established July 1, 1993 for retired County employees of employers who elect the benefit and who retire with at least 15 years of service credit. Full-time permanent salaried employees of the County who are covered under the VRS pension plan are enrolled automatically upon employment.</p>
<p><b>Benefit Amounts</b></p> <p>The County's VRS Retiree Health Insurance Credit Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"> <li>• <b>At Retirement</b> – For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month.</li> <li>• <b>Disability Retirement</b> – For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month.</li> </ul>
<p><b>County VRS Health Insurance Credit Program Notes:</b></p> <ul style="list-style-type: none"> <li>• The monthly Health Insurance Credit benefit cannot exceed the individual premium amount.</li> <li>• No health insurance credit for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans.</li> <li>• Employees who retire after being on long-term disability under VLDP must have at least 15 year of service credit to qualify for the Health Insurance Credit as a retiree.</li> </ul>

County employees covered by benefit terms. As of the June 30, 2017 actuarial valuation, employees covered by the benefit terms of the HIC OPEB plan are displayed in Illustration 14-8.

<b>Illustration 14-8</b>	
<b>County's Virginia Retirement System - Retiree Health Insurance Credit Program</b>	
<b>Other Post-Employment Benefits (OPEB) Plan</b>	
<b>Plan Membership as of June 30, 2017</b>	
Inactive plan members or their beneficiaries currently receiving benefits	919
Inactive members:	
Vested inactive members	43
Total inactive members	962
Active employees	3,533
Total covered members	4,495

*County's contributions.* The contributions requirement for active employees is governed by §51.1-1402(E) of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to the County by the Virginia General Assembly. The County's contractually required employer contribution rate for the year ended June 30, 2019, was 0.2% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the County to the VRS HIC Program were \$460 and \$437 for the years ended June 30, 2019 and June 30, 2018, respectively.

**County's Net VRS HIC OPEB Liability:**

The County's net VRS HIC OPEB liability was measured as of June 30, 2018. The total VRS HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2017, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

*County's actuarial assumptions.* The total HIC OPEB liability was based on actuarial valuations as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018 as displayed in Illustration 14-9.

<b>Illustration 14-9</b>	
<b>County's Virginia Retirement System – Retiree Health Insurance Credit Program Other Post-Employment Benefits (OPEB) Plan</b>	
<b>Actuarial Methods and Assumptions</b>	
Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.0%, net of investment expense, including inflation*
Inflation	2.5%
Healthcare Cost Trend Rate	N/A – the benefit is not based on healthcare costs but rather is based on compensation
<b>General Employees:</b>	
Payroll Growth	3.5% - 5.35%, includes inflation
Mortality	
Pre-Retirement	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.
Post-Retirement	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.



**Public Safety Employees with Hazardous Duty Benefits**

Mortality Rates (Pre-retirement, post retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

*County's long-term expected rate of return.* The long-term expected rate of return on the VRS investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of VRS investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in Illustration 14-10.

**Illustration 14-10**  
**County's Virginia Retirement System – Retiree Health Insurance Credit Program**  
**Other Post-Employment Benefits (OPEB) Plan**  
**Long-Term Expected Rate of Return**

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

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

*County's discount rate.* The discount rate used to measure the total HIC Program OPEB liabilities was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rates contributed by the entity for the HIC Program OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC Program OPEB fiduciary net position was projected to be

available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability, respectively.

**County's Changes in Net VRS HIC OPEB Liability:**

<b>Illustration 14-11</b>			
<b>County's Virginia Retirement System – Retiree Health Insurance Credit Program</b>			
<b>Other Post-Employment Benefits (OPEB) Plan</b>			
<b>Changes in Net OPEB Liability</b>			
	<b>Total OPEB Liability</b>	<b>Plan Fiduciary Net Position - Increase (Decrease)</b>	<b>Net OPEB Liability</b>
Balances at June 30, 2017	\$ 7,296	3,500	3,796
Changes for the year:			
Service cost	169	-	169
Interest	493	-	493
Differences between expected and actual experience	63	-	63
Contributions - employer			
Net investment income	-	437	(437)
Benefit payments, including refunds of employee contributions	(513)	(513)	-
Administrative expenses	-	(6)	6
Other changes	-	(18)	18
Net changes	212	148	64
Balances at June 30, 2018	\$ 7,508	3,648	3,860

*Sensitivity of the County's VRS Health Insurance Credit Net OPEB Liability to Changes in the Discount Rate.* Illustration 14-12 presents the County VRS HIC Program's net OPEB liability using the discount rate of 7.0%, as well as what the County's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate.

<b>Illustration 14-12</b>				
<b>County's Virginia Retirement System – Retiree Health Insurance Credit Program</b>				
<b>Other Post-Employment Benefits (OPEB) Plan</b>				
<b>Sensitivity of Net OPEB Liability Discount Rate</b>				
<b>Fiscal Year Ending:</b>		<b>1% Decrease (6.0%)</b>	<b>Current Discount Rate (7.0%)</b>	<b>1% Increase (8.0%)</b>
June 30, 2019	\$	4,678	3,860	3,164

**County's HIC Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to VRS Health Insurance Credit Program OPEB:**

For the year ended June 30, 2019, the County recognized HIC Program OPEB expense of \$403. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to the County VRS HIC Program as displayed in Illustration 14-13.

<b>Illustration 14-13</b>		
<b>County's Virginia Retirement System – Retiree Health Insurance Credit Program Other Post-Employment Benefits (OPEB) Plan</b>		
<b>Deferred Outflows and (Inflows) of Resources at June 30, 2019</b>		
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 55	-
Change in actuarial assumptions	-	111
Net difference between projected and actual earnings on OPEB plan investments	-	90
Employer contributions subsequent to the measurement date	460	-
<b>Total</b>	<b>\$ 515</b>	<b>201</b>

\$460 of the reported as VRS HIC Program's deferred outflows of resources is related to the County's contributions made subsequent to the measurement date and will be recognized as a reduction of the Net VRS HIC Program's OPEB Liability in the Fiscal Year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the VRS HIC Program OPEB will be recognized in the VRS HIC Program OPEB expense in future reporting periods displayed in Illustration 14-14.

<b>Illustration 14-14</b>		
<b>County's Virginia Retirement System – Retiree Health Insurance Credit Program</b>		
<b>Other Post-Employment Benefits (OPEB) Plan</b>		
<b>Amortization of Deferred Outflows and (Inflows) of Resources</b>		
<b>Year ended June 30,</b>		
2020	\$	(41)
2021		(41)
2022		(41)
2023		(12)
2024		(11)
Thereafter		-
<b>Total</b>	<b>\$</b>	<b>(146)</b>

*County's HIC Fiduciary Net Position.* Detailed information about the Health Insurance Credit Program's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the VRS' Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**B. County's Other Post-Employment Benefits (OPEB) Master Trust Plans**

**Summary Financial Statements for Single-Employer Defined Benefit Pension Plans Self-Insured by the County for the fiscal year ending June 30, 2019:**

Illustration 14-15 is a summary of the Statement of Fiduciary Net Position of the Master Trust Fund Plans. See the proceeding discussion for further information on each plan.

<b>Illustration 14-15</b> <b>Prince William County – Master Trust Fund Plans</b> <b>Statement of Fiduciary Net Position</b> <b>As of June 30, 2019</b>						
		County Premium Plan	County RHICP	LODA Plan	School Board Premium Plan	Total OPEB Master Trust Plans
<b>Assets:</b>						
Restricted investments	\$	18,752	19,841	15,244	37,331	91,168
Total assets		18,752	19,841	15,244	37,331	91,168
<b>Liabilities:</b>						
Accounts payable		1,232	1,960	753	7	3,952
Total liabilities		1,232	1,960	753	7	3,952
<b>Net position:</b>						
Net position restricted for OPEB		17,520	17,881	14,491	37,324	87,216
Total net position	\$	17,520	17,881	14,491	37,324	87,216

Illustration 14-16 is a summary of the Statement of Changes in Fiduciary Net Position of the Master Trust Fund Plans.

<b>Illustration 14-16</b>					
<b>Prince William County – Master Trust Fund Plans</b>					
<b>Statement of Changes in Fiduciary Net Position</b>					
<b>For the year ended June 30, 2019</b>					
	<b>County Premium Plan</b>	<b>County RHICP</b>	<b>LODA Plan</b>	<b>School Board Premium Plan</b>	<b>Total OPEB Master Trust Plans</b>
<b>Additions:</b>					
Employer contributions	\$ 1,521	1,977	1,526	1,800	6,824
Total contributions	<u>1,521</u>	<u>1,977</u>	<u>1,526</u>	<u>1,800</u>	<u>6,824</u>
<b>Investment income:</b>					
Total investment income	1,283	1,041	1,068	2,319	5,711
Less: investment expense	(39)	(33)	(34)	(71)	(177)
Net investment income	<u>1,244</u>	<u>1,008</u>	<u>1,034</u>	<u>2,248</u>	<u>5,534</u>
Total additions	<u>2,765</u>	<u>2,985</u>	<u>2,560</u>	<u>4,048</u>	<u>12,358</u>
<b>Deductions:</b>					
Benefit payments	1,228	1,958	750	-	3,936
Administrative expenses	-	-	-	2	2
Total deductions	<u>1,228</u>	<u>1,958</u>	<u>750</u>	<u>2</u>	<u>3,938</u>
<b>Change in net position:</b>					
Net position, beginning of year	1,537	1,027	1,810	4,046	8,420
Net position, end of year	<u>\$ 17,520</u>	<u>17,881</u>	<u>14,491</u>	<u>37,324</u>	<u>87,216</u>

**County's Plans Descriptions:**

The Prince William County Other Post-Employment Benefits (OPEB) Master Trust Fund, administered by Prince William County (the County) and the OPEB Master Trust Fund Finance Board (the Trustees), was established by the County Board on June 23, 2009, by Resolution No. 09-544 to provide funding for benefit payments on behalf of retirees and Consolidated Omnibus Budget Reconciliation Act (COBRA) participants. On June 30, 2009, funds were transferred to establish separate trust fund accounts for the four single-employer, defined benefit OPEB plans operating under the OPEB Master Trust:

- Prince William County Post-Retirement Medical Benefits Premium Plan (County Premium Plan)
- Prince William County Post-Retirement Medical Benefits Retiree Health Insurance Credit Plan (County RHICP)
- Prince William County Line of Duty Act Plan (LODA Plan)

The County participates in the County Premium Plan, County RHICP, and LODA Plan. The County Board approves the terms of their participating OPEB Master Trust Plans and the Trustees administer the activity of the plans. The Trustees are comprised of three members: two finance directors representing the employer and one citizen member. The County does not issue separate stand-alone financial reports for their plans.

Contributions and earnings on the contributions to the OPEB Master Trust are irrevocable and can only be used by the Trust. All OPEB Trust plan assets are dedicated to providing OPEB benefits to plan members in accordance with benefit terms. OPEB plan assets are legally protected from the creditors of the County, Schools and the OPEB Trust Board and are legally protected from creditors of any plan members.

i **Prince William County Post-Retirement Medical Benefits Premium Plan (County Premium Plan)**

**Plan Activity for the Fiscal Year Ending June 30, 2019:**

Illustration 14-17 is a summary of the Statement of Fiduciary Net Position of the Supplemental Pension Plan.

Illustration 14-17			
Prince William County - Post-Retirement Medical Benefits Premium Plan (County Premium Plan)			
Statement of Fiduciary Net Position			
As of June 30, 2019			
Assets:			
Restricted investments			18,752
	Total assets	\$	<u>18,752</u>
Liabilities:			
Accounts payable			1,232
	Total liabilities		<u>1,232</u>
Net position:			
Net position restricted for OPEB			17,520
	Total net position	\$	<u><u>17,520</u></u>

Illustration 14-18 is a summary of the Statement of Changes in Fiduciary Net Position of the Supplemental Pension Plan.

Illustration 14-18			
Prince William County - Post-Retirement Medical Benefits Premium Plan (County Premium Plan)			
Statement of Changes Fiduciary Net Position			
For the year ended June 30, 2019			
Additions:			
Employer contributions			1,521
	Total contributions		<u>1,521</u>
Investment Income:			
Total investment income			1,283
Less: investment expense			<u>(39)</u>
	Net investment income		<u>1,244</u>
	Total additions		<u>2,765</u>
Deductions:			
Benefit payments			1,228
	Total deductions		<u>1,228</u>
Change in net position			1,537
Net position, beginning of year			<u>15,983</u>
Net position, end of year		\$	<u><u>17,520</u></u>

**County's Plan Description:**

The Prince William County Post-Retirement Medical Benefits Premium (County Premium) Plan covers eligible retired employees and Consolidated Omnibus Budget Reconciliation Act (COBRA) eligible employees of the County, including all departments and agencies. The County Premium Plan provides limited health, dental and vision insurance benefits to eligible retirees and their

eligible family members. In order to receive the subsidy, the participant must be eligible to retire or eligible for COBRA coverage and have coverage under the medical plan prior to termination. All employees who are retiree eligible or COBRA eligible have access to medical coverage. Dependents, including surviving spouses, are permitted access to medical coverage. No access to medical coverage is permitted after age 65. Eligible employees must elect coverage immediately upon retirement. Employees who terminate prior to retirement eligibility are not eligible for the Premium Plan. Terminated employees can elect COBRA coverage for up to eighteen months if previously enrolled in the County Premium Plan. Terminated plan members and beneficiaries are required to pay 100% of published blended premium rates to the County.

*County employees covered by benefit terms.* Illustration 14-19 summarizes the membership in the OPEB Master Trust Fund – County Premium Plan as of January 1, 2018 the latest actuarial valuations for the County.

<b>Illustration 14-19</b>	
<b>County's Post-Retirement Medical Benefits Premium Plan (County Premium Plan)</b>	
<b>Plan Membership as of the Valuation Date of January 1, 2018</b>	
Active employees	2,945
Inactive members receiving benefits	232
Total covered members	<u>3,177</u>

*County contributions.* Contribution requirements are established and may be amended by the County Board at any time via approved resolution. The County Board must provide 30 days' notice to establish new requirements or amend existing requirements including contributions to the Plan per Article X of the Trust Agreement. The County intends to contribute the entire annually actuarially determined contribution and invoices the Plan to recover the claims and administrative costs paid for during the fiscal year.

The County contributed \$1,521 to the OPEB Master Trust's County Premium Plan for the year ended June 30, 2019. The contribution amounts were determined using the actuarial valuations performed as of January 1, 2018 and valuation rolled forward to June 30, 2019. The actuarially determined contribution amount were derived with the expectation of financing costs for members benefits earned during the current fiscal year and include an additional amount to finance any unfunded accrued liability, if needed.

**County's Net OPEB Liability:**

The County's net OPEB liability was measured as of June 30, 2019. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed as of January 1, 2018, using actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

*County actuarial assumption.* The total OPEB liability for employees in the County's Premium Plan in the Master Trust Fund was calculated using the actuarial valuation performed as of January 1, 2018, using the Entry Age Normal actuarial cost method and the assumptions displayed in Illustration 14-21, applied to all periods included in the measurement year and rolled forward to the measurement date of June 30, 2019.

<b>Illustration 14-21</b>	
<b>County's Post-Retirement Medical Benefits Premium Plan (County Premium Plan)</b>	
<b>Actuarial Methods and Assumptions</b>	
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of projected pay, closed
Remaining Amortization Period	19 years, closed
Asset Valuation Method	Fair Market Value
Investment Rate of Return	7.0%, net of expenses
Inflation	2.2%
Payroll Growth	3.5%
Salary Scale Used	Used same salary scale as by the Virginia Retirement System (VRS) for general employees and public safety employees per their June 30, 2017 annual report
Healthcare Cost Trend Rates	5.4% base; 3.9% ultimate (pre-Medicare); does not provide post-Medicare coverage

*County's long-term expected rate of return.* All OPEB Master Trust Plans' assets are commingled for investment purposes. However, only the assets for each Plan can be used to pay for the benefits of that specific Plan. The long-term expected rate of return on the County's Premium Plan's investments is derived using an economic building block approach that projects economic and corporate profit growth and takes into consideration the fundamental factors driving long-term real economic growth, expectations for inflation, productivity, and labor force growth. The target asset allocation and best estimate of geometric rates of return for each major asset class are summarized in Illustration 14-22.

<b>Illustration 14-22</b>			
<b>County's Post-Retirement Medical Benefits Premium Plan (County Premium Plan)</b>			
<b>Long-Term Expected Rate of Return</b>			
Asset Class	Target Allocation	Capital Market Assumptions	Expected Long-term Rate of Return
<b>OPEB Master Trust Fund Investments:</b>			
Domestic Equity	40.0%	7.5%	5.0%
International Equity	15.0	7.4	4.9
International Emerging Markets Equity	5.0	7.5	5.0
Core Fixed	20.0	5.1	2.6
Investment Grade Corporate Debt	10.0	6.1	3.6
Emerging Markets Debt	5.0	6.7	4.2
High Yield	5.0	6.6	4.1
	100.0%		
		Long-Term Expected Rate of Return	7.0%

*County's money weighted rate of return.* The annual money-weighted rate of return on OPEB plan investments calculated as the internal rate of return, net of plan investment expenses, is 6.8%. The money-weighted rate of return expresses investment performance, net of investment expenses, and adjusted for the changing amounts actually invested.

*County discount rate.* The discount rate used to measure the total OPEB liability for the County's Premium Plan was 7.0%. The projection of cash flows used to determine the discount rate assumed that the County intends to contribute the full contribution

amount actuarially determined and charge the Trust to recover any payments made for claims, net of retiree and COBRA insured premiums, made by the County during the current fiscal year. Since the Plan's current target allocation is 60% equity and 40% fixed income, the discount rate is realized. The returns presented below are calculated using geometric return projections based on long-term capital market assumptions. As a result, the Trust's fiduciary net position was projected to be available to make all projected benefit payments for eligible members. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

**County's Changes in Net OPEB Liability:**

Illustration 14-23 presents the changes in net pension liability from June 30, 2018 to June 30, 2019.

<b>Illustration 14-23</b>			
<b>County's Post-Retirement Medical Benefits Premium Plan (County Premium Plan)</b>			
<b>Changes in Net OPEB Liability</b>			
	<b>Total OPEB Liability</b>	<b>Plan Fiduciary Net Position - Increase (Decrease)</b>	<b>Net OPEB Liability</b>
Balances at June 30, 2018	\$ 23,591	15,983	7,608
Changes for the year:			
Service cost	1,119	-	1,119
Interest	1,608	-	1,608
Differences between expected and actual experience	(37)	-	(37)
Contributions - employer	-	1,521	(1,521)
Net investment income	-	1,283	(1,283)
Benefit payments, including refunds of employee contributions	(1,228)	(1,228)	-
Administrative expenses	-	(39)	39
Net changes	1,462	1,537	(75)
Balances at June 30, 2019	\$ 25,053	17,520	7,533

*Sensitivity of the County's net OPEB liability to changes in the discount rate.* Illustration 14-24 presents the net OPEB liability of the County Premium Plan using the discount rate of 7.0%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate.

<b>Illustration 14-24</b>			
<b>County's Post-Retirement Medical Benefits Premium Plan (County Premium Plan) Sensitivity of Net OPEB Liability to Changes in the Discount Rate</b>			
	<b>1% Decrease (6.0%)</b>	<b>Current Discount Rate (7.0%)</b>	<b>1% Increase (8.0%)</b>
County's net pension liability	\$ 9,860	7,533	5,458

*Sensitivity of the County's net pension liability to changes in the healthcare cost trend rate.* Illustration 14-25 presents the net OPEB liability of the County Premium Plan using the current Healthcare Cost Trend Rate of 5.4% base with an 3.9% ultimate pre-Medicare coverage and it's not applicable to post-Medicare coverage, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (4.4%) or one percentage point higher (6.4%) than the current rate.

<b>Illustration 14-25</b>			
<b>County's Post-Retirement Medical Benefits Premium Plan (County Premium Plan)</b>			
<b>Sensitivity of Net OPEB Liability to Changes in the Healthcare Cost Trend Rate</b>			
	<b>1% Decrease (4.4%)</b>	<b>Current Discount Rate (5.4%)</b>	<b>1% Increase (6.4%)</b>
County's net OPEB liability	\$ 4,676	7,533	10,917

#### **County's OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2019, the County Premium Plan recognized OPEB expense of \$917. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the sources presented in Illustration 14-26.

<b>Illustration 14-26</b>		
<b>County's Post-Retirement Medical Benefits Premium Plan (County Premium Plan)</b>		
<b>Deferred Outflows and (Inflows) of Resources at June 30, 2019</b>		
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	3,387
Change in actuarial assumptions	-	322
Net difference between projected and actual earnings on OPEB plan investments	-	343
Total	\$ -	4,052

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in the County Premium Plan's OPEB expense in future reporting periods displayed by Illustration 14-27.

<b>Illustration 14-27</b>		
<b>County's Post-Retirement Medical Benefits Premium Plan (County Premium Plan)</b>		
<b>Amortization of Deferred Outflows and (Inflows) of Resources</b>		
<b>Year ended June 30,</b>		
2020	\$	(721)
2021		(721)
2022		(721)
2023		(649)
2024		(617)
Thereafter		(623)
Total	\$	<u>(4,052)</u>

*County's fiduciary net position.* The components of the net position liability for the County Premium Plan of the OPEB Master Trust Fund as of June 30, 2019 are shown in Illustration 14-28.

<b>Illustration 14-28</b>					
<b>County's Post-Retirement Medical Benefits Premium Plan (County Premium Plan)</b>					
<b>Net OPEB Liability</b>					
<b>Fiscal Year Ending</b>		<b>Total OPEB Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net OPEB Liability</b>	<b>Net Position as % of Total OPEB Liability</b>
June 30, 2019	\$	25,053	17,520	7,533	69.9%

ii. **Prince William County Post-Retirement Medical Benefits Retiree Health Insurance Credit (County RHIC) Plan**

**Plan Activity for the Fiscal Year Ending June 30, 2019:**

Illustration 14-29 is a summary of the Statement of Fiduciary Net Position of the Supplemental Pension Plan.

<b>Illustration 14-29</b>			
<b>Prince William County - Post-Retirement Medical Benefits Retiree Health Insurance Credit (County RHIC) Plan</b>			
<b>Statement of Fiduciary Net Position</b>			
<b>For the year ended June 30, 2019</b>			
<b>Assets:</b>			
Restricted investments		\$	19,841
	Total assets		<u>19,841</u>
<b>Liabilities:</b>			
Accounts payable			1,960
	Total liabilities		<u>1,960</u>
<b>Net position:</b>			
Net position restricted for OPEB			17,881
	Total net position	\$	<u><u>17,881</u></u>

Illustration 14-30 is a summary of the Statement of Changes in Fiduciary Net Position of the Supplemental Pension Plan.

<b>Illustration 14-30</b>			
<b>Prince William County - Post-Retirement Medical Benefits Retiree Health Insurance Credit (County RHIC) Plan</b>			
<b>Statement of Changes Fiduciary Net Position</b>			
<b>For the year ended June 30, 2019</b>			
<b>Additions:</b>			
Employer contributions		\$	1,977
	Total contributions		1,977
<b>Investment Income:</b>			
Total investment income			1,041
Less: investment expense			<u>(33)</u>
	Net investment income		<u>1,008</u>
	Total additions		<u>2,985</u>
<b>Deductions:</b>			
Benefit payments			1,958
	Total deductions		<u>1,958</u>
Change in net position			1,027
Net position, beginning of year			<u>16,854</u>
Net position, end of year		\$	<u><u>17,881</u></u>

**County's Plan Description:**

The Prince William County Post-Retirement Medical Benefits Retiree Health Insurance Credit (County RHIC) Plan covers eligible employees or former employees of the County including all departments and agencies. The RHICP provides \$5.50 per month, per year of service (maximum 30 years) paid for life towards the purchase of a medical insurance plan. Disabled employees receive the

full 30-year allowance. However, employees disabled in-service, where the County pays the entire cost of insurance, do not receive the subsidy. The medical insurance plan can be the County Premium Plan or any health plan of the retiree's choosing. In order to receive the subsidy, the retiree must have 15 years of service with the County and must be receiving a pension payment from the VRS or the County Plan. Terminated vested employees are allowed. The health insurance credit cannot be used for spousal coverage. The retirees are granted the option to participate by paying 100% of their monthly health insurance premium towards the County Premium Plan less \$0.0055 times years of service for a maximum health insurance credit rate of \$0.165 from the County.

*County employees covered by benefit terms.* Illustration 14-31 summarizes the membership in the County RHIC Plan as of January 1, 2018 the latest actuarial valuations for the County.

<b>Illustration 14-31</b>	
<b>County's Post-Retirement Medical Benefits Retiree Health Insurance Credit (County RHIC) Plan</b>	
<b>Plan Membership as of the Valuation Date of January 1, 2018</b>	
Active members	3,750
Inactive members receiving benefits	1,096
Total covered members	<u>4,846</u>

*County contributions.* Contribution requirements are established and may be amended by the County Board at any time via approved resolution. The County Board must provide 30 days' notice to establish new requirements or amend existing requirements including contributions to the Plan per Article X of the Trust Agreement. The County intends to contribute the entire annually actuarially determined contribution and invoices the Plan to recover the claims and administrative costs paid for during the fiscal year.

The County contributed \$1,977 to the County RHICP Plan for the year ended June 30, 2019. The contribution amounts were determined using the actuarial valuations performed as of January 1, 2018 and rolled forward to June 30, 2019. The actuarially determined contribution amount were derived with the expectation of financing costs for members benefits earned during the current fiscal year and include an additional amount to finance any unfunded accrued liability, if needed.

**County's Net OPEB Liability:**

The County's net OPEB liability was measured as of June 30, 2019. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed as of January 1, 2018, using actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

*County actuarial assumption.* The total OPEB liability for employees in the County’s RHIC Plan was calculated using the actuarial valuation performed as of January 1, 2018, using the Entry Age Normal actuarial cost method and the assumptions displayed in Illustration 14-32, applied to all periods included in the measurement year and rolled forward to the measurement date of June 30, 2019.

<b>Illustration 14-32</b>	
<b>County’s Post-Retirement Medical Benefits Retiree Health Insurance Credit (County RHIC) Plan</b>	
<b>Actuarial Methods and Assumptions</b>	
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of projected pay, closed
Remaining Amortization Period	24 years, closed
Asset Valuation Method	Fair Market Value
Investment Rate of Return	7.0%, net of expenses
Inflation	2.2%
Payroll Growth	3.5%
Salary Scale Used	Used same salary scale as by the Virginia Retirement System (VRS) for general employees and public safety employees per their June 30, 2017 annual report
Healthcare Cost Trend Rates	Not Applicable – This Plan does not depend on healthcare cost trend rates.

*County’s changes in assumptions and benefit terms.* There were no changes to the actuarial assumptions related to the net position liability that was measured as of June 30, 2019.

*County’s long-term expected rate of return.* All OPEB Master Trust Plans’ assets are commingled for investment purposes. However, only the assets for each Plan can be used to pay for the benefits of that specific Plan. The long-term expected rate of return on the County’s Premium Plan’s investments is derived using an economic building block approach that projects economic and corporate profit growth and takes into consideration the fundamental factors driving long-term real economic growth, expectations for inflation, productivity, and labor force growth. The target asset allocation and best estimate of geometric rates of return for each major asset class are summarized in Illustration 14-33.

<b>Illustration 14-33</b>			
<b>County’s Post-Retirement Medical Benefits Retiree Health Insurance Credit (County RHIC) Plan</b>			
<b>Long-Term Expected Rate of Return</b>			
Asset Class	Target Allocation	Capital Market Assumptions	Expected Long-term Rate of Return
OPEB Master Trust Fund Investments:			
Domestic Equity	40.0%	7.5%	5.0%
International Equity	15.0%	7.4%	4.9%
International Emerging Markets Equity	5.0%	7.5%	5.0%
Core Fixed	20.0%	5.1%	2.6%
Investment Grade Corporate Debt	10.0%	6.1%	3.6%
Emerging Markets Debt	5.0%	6.7%	4.2%
High Yield	5.0%	6.6%	4.1%
	100.0%		
	Long-Term Expected Rate of Return	7.0%	

*County’s money weighted rate of return.* The annual money-weighted rate of return on OPEB plan investments calculated as the internal rate of return, net of plan investment expenses, is 6.8% The money-weighted rate of return expresses investment performance, net of investment expenses, and adjusted for the changing amounts actually invested.

*County's discount rate.* The discount rate used to measure the total OPEB liability for the County's RHIC Plan was 7.0%. The projection of cash flows used to determine the discount rate assumed that the County intends to contribute the full contribution amount actuarially determined and charge the Trust to recover any payments made for claims, net of retiree and COBRA insured premiums, made by the County during the current fiscal year. Since the Plan's current target allocation is 60% equity and 40% fixed income, the discount rate is realized. The returns presented below are calculated using geometric return projections based on long-term capital market assumptions. As a result, the Trust's fiduciary net position was projected to be available to make all projected benefit payments for eligible members. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

**County's Changes in Net OPEB Liability:**

Illustration 14-34 presents the changes in net pension liability from June 30, 2018 to June 30, 2019.

<b>Illustration 14-34</b>			
<b>County's Post-Retirement Medical Benefits Retiree Health Insurance Credit (RHIC) Plan</b>			
<b>Changes in Net OPEB Liability</b>			
	<b>Total OPEB Liability</b>	<b>Plan Fiduciary Net Position - Increase (Decrease)</b>	<b>Net OPEB Liability</b>
Balances at June 30, 2018	\$ 34,846	16,854	17,992
Changes for the year:			
Service cost	744	-	744
Interest	2,368	-	2,368
Differences between expected and actual experience	(52)	-	(52)
Contributions - employer	-	1,977	(1,977)
Net investment income	-	1,040	(1,040)
Benefit payments, including refunds of employee contributions	(1,957)	(1,957)	-
Administrative expenses	-	(33)	33
Net changes	1,103	1,027	76
Balances at June 30, 2019	\$ 35,949	17,881	18,068

*Sensitivity of the County's net OPEB liability to changes in the discount rate.* Illustration 14-35 presents the net OPEB liability of the County using the discount rate of 7.0%, as well as what the County's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate.

<b>Illustration 14-35</b>			
<b>County's Post-Retirement Medical Benefits Retiree Health Insurance Credit (RHIC) Plan</b>			
<b>Sensitivity of Net OPEB Liability to Changes in the Discount Rate</b>			
	<b>1% Decrease (6.0%)</b>	<b>Current Discount Rate (7.0%)</b>	<b>1% Increase (8.0%)</b>
County's net OPEB liability	\$ 22,328	18,068	14,496

*Sensitivity of the County's net pension liability to changes in the healthcare cost trend rate.* There is no valuation health care cost trend assumption for the Prince William County Credit Plan because the benefit provided to participants is not dependent on medical claims costs, but rather is equal to \$5.50 per month per year of service.

**County's OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:**

For the year ended June 30, 2019, the County recognized OPEB expense of \$1,890. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the sources displayed in Illustration 14-36.

<b>Illustration 14-36</b>		
<b>County's Post-Retirement Medical Benefits Retiree Health Insurance Credit (RHIC) Plan</b>		
<b>Deferred Outflows and (Inflows) of Resources at June 30, 2019</b>		
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	229
Change in actuarial assumptions	-	332
Net difference between projected and actual earnings on OPEB plan investments	<u>73</u>	<u>-</u>
<b>Total</b>	<b>\$ <u>73</u></b>	<b><u>561</u></b>

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in the County RHIC Plan's OPEB expense in future reporting periods as shown in Illustration 14-37.

<b>Illustration 14-37</b>		
<b>County's Post-Retirement Medical Benefits Retiree Health Insurance Credit (RHIC) Plan</b>		
<b>Amortization of Deferred Outflows and (Inflows) of Resources</b>		
<b>Year ended June 30,</b>		
2020	\$	(77)
2021		(77)
2022		(77)
2023		(65)
2024		(93)
Thereafter		<u>(99)</u>
<b>Total</b>	<b>\$</b>	<b><u>(488)</u></b>

*County's fiduciary net position.* The components of the net OPEB liability for the OPEB Master Trust's County RHIC Plan are shown in Illustration 14-38.

<b>Illustration 14-38</b>				
<b>County's Post-Retirement Medical Benefits Retiree Health Insurance Credit (County RHIC) Plan</b>				
<b>Net OPEB Liability</b>				
<b>Plan Year End</b>	<b>Total OPEB Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net OPEB Liability</b>	<b>Net Position as % of Total OPEB Liability</b>
June 30, 2019	\$ 35,949	17,881	18,068	49.7%

iii. **Prince William County Line of Duty Act (LODA) Plan**

**Plan Activity for the Fiscal Year Ending June 30, 2019:**

Illustration 14-39 is a summary of the Statement of Fiduciary Net Position of the Supplemental Pension Plan.

<b>Illustration 14-39</b> <b>Prince William County - Line of Duty Act (LODA) Plan</b> <b>Statement of Fiduciary Net Position</b> <b>For the year ended June 30, 2019</b>			
<b>Assets:</b>			
Restricted investments			15,244
	Total assets	\$	<u>15,244</u>
<b>Liabilities:</b>			
Accounts payable			753
	Total liabilities		<u>753</u>
<b>Net position:</b>			
Net position restricted for OPEB			14,491
	Total net position	\$	<u><u>14,491</u></u>

Illustration 14-40 is a summary of the Statement of Changes in Fiduciary Net Position of the Supplemental Pension Plan.

<b>Illustration 14-40</b> <b>Prince William County - Line of Duty Act (LODA) Plan</b> <b>Statement of Changes Fiduciary Net Position</b> <b>For the year ended June 30, 2019</b>			
<b>Additions:</b>			
Employer contributions			1,526
	Total contributions		<u>1,526</u>
<b>Investment Income:</b>			
Total investment income			1,068
Less: investment expense			<u>(34)</u>
	Net investment income		<u>1,034</u>
	Total additions		<u>2,560</u>
<b>Deductions:</b>			
Benefit payments			750
	Total deductions		<u>750</u>
Net increase in fiduciary net position			1,810
Fiduciary net position, beginning of year			<u>12,681</u>
Fiduciary net position, end of year		\$	<u><u>14,491</u></u>

**County's Plan Description:**

The County's Line of Duty Act (LODA) is authorized by the Code of Virginia §9.1-400 et seq. On June 5, 2012, the Board of County Supervisors authorized Resolution No. 12-588, pursuant to paragraph B2 of Item 258 of the Commonwealth Appropriations Act, to make an irrevocable election not to participate in the Commonwealth Line of Duty Act Fund on July 1, 2012. The County has

assumed all responsibility for existing, pending or prospective claims for benefits approved and associated administrative costs made by the State Comptroller on behalf of Prince William County. On June 17, 2014, the Board of County Supervisors authorized Resolution No. 14-391 establishing the Line of Duty Act sub-account to fund covered employees and authorized annual contributions to the OPEB Master Trust Fund. The beginning liability for fiscal year 2014 was also transferred to the OPEB Master Trust Fund.

The County LODA Plan provides death, disability and healthcare benefits for public safety employees and volunteer firefighters who hold specified hazardous duty positions and who die or who become permanently disabled in the line of duty. The LODA Plan includes a \$100 life insurance benefit for death occurring as a direct or proximate result of duties, a \$25 death benefit for death by presumptive clause within five years of retirement, and lifetime medical benefits for the disabled employee and their surviving spouse with certified children covered to age 21 or age 25 if continuously enrolled in college, comparable to the medical coverage held by the deceased or disabled employee or volunteer at the time of the qualifying incident.

In order to be eligible to receive LODA benefits, the disabled or deceased employee or volunteer must be certified by the Virginia Department of Accounts. To be eligible for the healthcare benefit portion of the plan, the employee or volunteer must subscribe to healthcare coverage under a medical plan prior to the date of incident. Eligible employees and/or family members are either enrolled in a County-sponsored group healthcare plan or reimbursed for their healthcare premiums. Surviving spouses who remarry or children who marry and have access to other medical insurance coverage are no longer eligible for the healthcare benefits under the LODA Plan. Certified LODA retirees and their beneficiaries are required to pay 0% of the published blended premium rate for any of the County sponsored group healthcare plans. Uncertified beneficiaries (i.e. dependent children added post LODA certification) are required to pay a differential tier rate.

*County employees covered by benefit terms.* Illustration 14-41 summarizes the membership in the OPEB Master Trust Fund – County LODA Plan as of January 1, 2018 the latest actuarial valuations for the County.

<b>Illustration 14-41</b>	
<b>County's Line of Duty Act (LODA) Plan</b>	
<b>Plan Membership as of the Valuation Date of January 1, 2018</b>	
Active members	2,223
Inactive members receiving benefits	38
Total covered members	<u>2,261</u>

*County's contributions.* Contribution requirements are established and may be amended by the County Board at any time via approved resolution. The County Board must provide 30 days' notice to establish new requirements or amend existing requirements including contributions to the Plan per Article X of the Trust Agreement. The County intends to contribute the entire annually actuarially determined contribution and invoices the Plan to recover the claims and administrative costs paid for during the fiscal year.

The County contributed \$1,526 to the LODA Plan for the year ended June 30, 2019. The contribution amounts were determined using the actuarial valuations performed as of January 1, 2018 and valuation rolled forward to June 30, 2019. The actuarially determined contribution amount were derived with the expectation of financing costs for members benefits earned during the current fiscal year and include an additional amount to finance any unfunded accrued liability, if needed.

**County's Net OPEB Liability:**

The County's net OPEB liability was measured as of June 30, 2019. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed as of January 1, 2018, using actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

*County actuarial assumption.* The total OPEB liability for employees in the County’s LODA Plan was calculated using the actuarial valuation performed as of January 1, 2018, using the Entry Age Normal actuarial cost method and the assumptions displayed in Illustration 14-42, applied to all periods included in the measurement year and rolled forward to the measurement date of June 30, 2019.

<b>Illustration 14-42</b>	
<b>County’s Line of Duty Act (LODA) Plan</b>	
<b>Actuarial Methods and Assumptions</b>	
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of projected pay, closed
Remaining Amortization Period	24 years, closed
Asset Valuation Method	Fair Market Value
Investment Rate of Return	7.0%, net of expenses
Inflation	2.2%
Payroll Growth	3.5%
Salary Scale Used	Used same salary scale as by the Virginia Retirement System (VRS) for general employees and public safety employees per their June 30, 2017 annual report
Healthcare Cost Trend Rates	5.4% base, 3.9% ultimate (pre-Medicare); 3.8% ultimate (post-Medicare)

*County’s changes in assumptions and benefit terms.* There were no changes to the actuarial assumptions related to the net position liability that was measured as of June 30, 2019.

*County’s long-term expected rate of return.* All OPEB Master Trust Plans’ assets are commingled for investment purposes. However, only the assets for each Plan can be used to pay for the benefits of that specific Plan. The long-term expected rate of return on the County’s Premium Plan’s investments is derived using an economic building block approach that projects economic and corporate profit growth and takes into consideration the fundamental factors driving long-term real economic growth, expectations for inflation, productivity, and labor force growth. The target asset allocation and best estimate of geometric rates of return for each major asset class are summarized in Illustration 14-43.

<b>Illustration 14-43</b>			
<b>County’s Line of Duty Act (LODA) Plan</b>			
<b>Long-Term Expected Rate of Return</b>			
<b>Asset Class</b>	<b>Target Allocation</b>	<b>Capital Market Assumptions</b>	<b>Expected Long-term Rate of Return</b>
<b>OPEB Master Trust Fund Investments:</b>			
Domestic Equity	40.0%	7.5%	5.0%
International Equity	15.0	7.4	4.9
International Emerging Markets Equity	5.0	7.5	5.0
Core Fixed	20.0	5.1	2.6
Investment Grade Corporate Debt	10.0	6.1	3.6
Emerging Markets Debt	5.0	6.7	4.2
High Yield	5.0	6.6	4.1
	100.0%		
		Long-Term Expected Rate of Return	7.0%

*County’s money weighted rate of return.* The annual money-weighted rate of return on OPEB plan investments calculated as the internal rate of return, net of plan investment expenses, is 6.8% The money-weighted rate of return expresses investment performance, net of investment expenses, and adjusted for the changing amounts actually invested.

*County's discount rate.* The discount rate used to measure the total OPEB liability for the County's Premium Plan was 7.0%. The projection of cash flows used to determine the discount rate assumed that the County intends to contribute the full contribution amount actuarially determined and charge the Trust to recover any payments made for claims, net of retiree and COBRA insured premiums, made by the County during the current fiscal year. Since the Plan's current target allocation is 60% equity and 40% fixed income, the discount rate is realized. The returns presented below are calculated using geometric return projections based on long-term capital market assumptions. As a result, the Trust's fiduciary net position was projected to be available to make all projected benefit payments for eligible members. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

**County's Changes in Net OPEB Liability:**

Illustration 14-44 presents the changes in net pension liability from June 30, 2018 to June 30, 2019.

<b>Illustration 14-44</b>			
<b>County's Line of Duty Act (LODA) Plan</b>			
<b>Changes in Net OPEB Liability</b>			
	<b>Total OPEB Liability</b>	<b>Plan Fiduciary Net Position - Increase (Decrease)</b>	<b>Net OPEB Liability</b>
Balances at June 30, 2018	\$ 18,610	12,681	5,929
Changes for the year:			
Service cost	1,071	-	1,071
Interest	1,270	-	1,270
Differences between expected and actual experience	(188)	-	(188)
Contributions - employer	-	1,526	(1,526)
Net investment income	-	1,067	(1,067)
Benefit payments, including refunds of employee contributions	(750)	(750)	-
Administrative expenses	-	(33)	33
Net changes	1,403	1,810	(407)
Balances at June 30, 2019	\$ 20,013	14,491	5,522

*Sensitivity of the County's net OPEB liability to changes in the discount rate.* Illustration 14-45 presents the net OPEB liability of the County Premium Plan using the discount rate of 7.0%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate.

<b>Illustration 14-45</b>			
<b>County's Line of Duty Act (LODA) Plan</b>			
<b>Sensitivity of Net OPEB Liability to Changes in the Discount Rate</b>			
	<b>1% Decrease (6.0%)</b>	<b>Current Discount Rate (7.0%)</b>	<b>1% Increase (8.0%)</b>
County's net OPEB liability	\$ 8,158	5,522	3,356

*Sensitivity of the County's net OPEB liability to changes in the discount rate.* Illustration 14-46 presents the net OPEB liability of the County LODA plan using the current Healthcare Cost Trend Rate of 5.4% base with 3.9% ultimate pre-Medicare coverage and 3.8% ultimate post-Medicare coverage, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (4.4%) or one percentage point higher (6.4%) than the current rate.

<b>Illustration 14-46</b>			
<b>County's Line of Duty Act (LODA) Plan</b>			
<b>Sensitivity of Net OPEB Liability to Changes in the Healthcare Cost Trend Rate</b>			
	<b>1% Decrease (4.4%)</b>	<b>Current Discount Rate (5.4%)</b>	<b>1% Increase (6.4%)</b>
County's net OPEB liability	\$ 2,634	5,522	9,130

**County's OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:**

For the year ended June 30, 2019, the County recognized OPEB expense of \$1,568. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the sources displayed in Illustration 14-47.

<b>Illustration 14-47</b>		
<b>County's Line of Duty Act (LODA) Plan</b>		
<b>Deferred Outflows and (Inflows) of Resources at June 30, 2019</b>		
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 756	172
Change in actuarial assumptions	1,412	-
Net difference between projected and actual earnings on OPEB plan investments	-	311
Total	\$ 2,168	483

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in the County LODA Plan's OPEB expense in future reporting periods as shown in Illustration 14-48.

<b>Illustration 14-48</b>		
<b>County's Line of Duty Act (LODA) Plan</b>		
<b>Amortization of Deferred Outflows and (Inflows) of Resources</b>		
<b>Year ended June 30,</b>		
2020	\$	108
2021		108
2022		108
2023		170
2024		201
Thereafter		990
Total	\$	1,685

County's fiduciary net position. Illustration 14-49 shows the net OPEB liability for the OPEB Master Trust's County LODA Plan was measured as of June 30, 2019.

Illustration 14-49 County's Line of Duty Act (LODA) Plan Net OPEB Liability				
Plan Year End	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability	Net Position as % of Total OPEB Liability
June 30, 2019	\$ 20,013	14,491	5,522	72.4%

### C. Prince William County School Board's (Schools') Other Post-Employment Benefit (OPEB) Plans

Prince William County Schools, a component unit of the County, also participates in 3 OPEB plans for its employees; two Virginia Retirement System plans, and one plan that participates in the County's OPEB Master Trust Fund.

- Virginia Retirement System (VRS) Plans:
  - VRS Group Life Insurance Program (GLI)
  - VRS Health Insurance Credit Program (HIC)
- OPEB Master Trust Plans:
  - Prince William County Public Schools Retiree Medical Program (Master Trust - School Board Premium Plan)

The aggregate amount of net OPEB liability, related deferred outflows of resources and deferred inflows of resources, and OPEB expense for the County's OPEB plans are summarized in Illustration 14-50 below.

Illustration 14-50 Prince William County School Board (Schools') Other Post-Employment Benefit (OPEB) Plans Net OPEB Liability and Related Amounts				
	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
<b>Virginia Retirement System Plans - Measurement Date 6/30/2018</b>				
VRS Group Life Insurance Program	\$ 48,187	6,832	4,459	598
VRS Health Insurance Credit				
Non-Professional Group	741	124	135	92
Professional Group	85,128	8,727	1,228	7,275
Total VRS Health Insurance Credit	134,056	15,683	5,822	7,965
<b>OPEB Master Trust Fund Plans - Measurement Date 6/30/2019</b>				
School Board Premium Plan	21,542	5,137	15,571	3,055
Total Schools' OPEB Plans	\$ 155,598	20,820	21,393	11,020

### Prince William County Schools Board's (Schools) Virginia Retirement System (VRS) – Other Post-Employment Benefit (OPEB) Plans

#### A. Schools' Virginia Retirement Systems (VRS) – Health Insurance Credit (HIC) Program

*Schools' plan description.* Schools participates in the VRS HIC Program to provide other post-employment benefits to eligible retired employees. The VRS Teacher (professional) Employee HIC program is a multi-employer, cost-sharing plan, defined benefit plan. The VRS Political Subdivision (non-professional) Employee HIC program is an agent, multi-employer, defined benefit plan. The HIC program provides a credit toward the cost of health insurance coverage for retired professional and non-professional employees.

The HIC program was established July 1, 1993 for retired professional and non-professional employees covered under VRS who retire with at least 15 years of service credit. All full-time, salaried permanent (professional) employees of public-school divisions are automatically covered by the VRS Teacher Employee HIC program. All full-time, salaried permanent (non-professional) employees of Schools are automatically covered by the VRS Political Subdivision HIC program upon employment. These plans are administered by VRS. Members earn one month of service credit toward the benefit for each month they are employed and for which Schools pays contributions to VRS. The HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

*Schools' benefit amounts.* For professional employees who retire, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. For professional employees who retire on disability or go on long-term disability under the Virginia Long-term Disability Program (VLDP), the monthly benefit is either: (a) \$4.00 per month, multiplied by twice the amount of service credit, or (b) \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower. For eligible non-professional employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month. For eligible non-professional employees who retire on disability or go on long-term disability under the VLDP, the monthly benefit is \$45.00 per month.

*Schools' HIC program notes.* The monthly HIC benefit cannot exceed the individual premium amount. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

#### **Schools' Contributions – Non-Professional Group**

The contribution requirement for active employees is governed by §51.1-1402(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to Schools by the Virginia General Assembly. The non-professional group's contractually required contribution rate for the year ended June 30, 2019 was 0.2% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from Schools to the VRS HIC program for the non-professional group were \$124 and \$127 for the years ended June 30, 2019 and June 30, 2018, respectively.

#### **Schools' Contributions – Professional Group**

The contribution requirement for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to Schools by the Virginia General Assembly. Schools' contractually required employer contribution rate for the year ended June 30, 2019 was 1.2% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from Schools to the VRS HIC program for the professional group were \$6,678 and \$6,670 for the years ended June 30, 2019 and June 30, 2018, respectively.

#### **Schools' Actuarial Assumptions, Long-Term Expected Rate of Return and Discount Rate**

The actuarial assumptions and mortality rates, long-term expected return and discount rate used by VRS employee HIC program are the same as those used by VRS pension plan for General Employees in the nonprofessional and professional group.

#### **Schools' OPEB Liabilities, Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the HIC Program OPEB Net HIC OPEB Liability**

At June 30, 2019, the professional group reported a liability of \$85,128 for its proportionate share of the VRS HIC program net OPEB liability. The net VRS HIC program OPEB liability was measured as of June 30, 2018 and the total VRS HIC program OPEB liability used to calculate the net VRS HIC program OPEB liability was determined by an actuarial valuation as of that date. Schools' proportion of the net VRS HIC program OPEB liability was based on the Schools' actuarially determined employer contributions to the VRS HIC program OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, Schools' proportion of the VRS HIC program for professional group was 6.7% as compared to 6.6% at June 30, 2017.

The non-professional HIC program OPEB liability was measured as of June 30, 2018. The total non-professional HIC program OPEB liability used to calculate the net non-professional HIC program OPEB liability was determined by an actuarial valuation performed

as of June 30, 2017, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

**Schools' Changes in Net HIC OPEB Liability – Non-Professional Group**

<b>Illustration 14-51</b>				
<b>School Board's (Schools') Virginia Retirement Systems (VRS) – Health Insurance Credit (HIC) Plan – Non-Professional Groups</b>				
<b>Changes in Net OPEB Liability</b>				
		<b>Total OPEB Liability</b>	<b>Plan Fiduciary Net Position - Increase (Decrease)</b>	<b>Net OPEB Liability</b>
Balances at June 30, 2017	\$	2,299	1,496	803
Changes for the year:				
Service cost		62	-	62
Interest		157	-	157
Differences between expected and actual experience		(58)	-	(58)
Contributions - employer		-	127	(127)
Net investment income		-	106	(106)
Benefit payments, including refunds of employee contributions		(129)	(129)	-
Administrative expenses		-	(3)	3
Other Charges		-	(7)	7
Net changes		32	94	(62)
Balances at June 30, 2018	\$	2,331	1,590	741

**Sensitivity of Schools' HIC Net OPEB Liability to Changes in the Discount Rate**

Illustration 14-52 presents the VRS HIC program net OPEB liability of the non-professional group using the discount rate of 7.0%, as well as what the non-professional group's net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate.

<b>Illustration 14-52</b>				
<b>School Board's (Schools') Virginia Retirement Systems (VRS) – Health Insurance Credit (HIC) Plan – Non-Professional Groups</b>				
<b>Sensitivity of Net OPEB Liability to Changes in the Discount Rate</b>				
		<b>1% Decrease (6.0%)</b>	<b>Current Discount Rate (7.0%)</b>	<b>1% Increase (8.0%)</b>
Proportionate share of the VRS HIC OPEB Plan Net HIC OPEB Liability – Non-Professional Group	\$	1,008	741	515

Illustration 14-53 presents the professional group's proportionate share of the VRS HIC program net OPEB liability using the discount rate of 7.0%, as well as what the professional group's proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate.

<b>Illustration 14-53</b>			
<b>School Board's (Schools') Virginia Retirement Systems (VRS) – Health Insurance Credit (HIC) Plan –Professional Groups Sensitivity of Net OPEB Liability to Changes in the Discount Rate</b>			
	<b>1% Decrease (6.0%)</b>	<b>Current Discount Rate (7.0%)</b>	<b>1% Increase (8.0%)</b>
Proportionate share of the VRS HIC OPEB Plan Net HIC OPEB Liability – Professional Group	\$ 95,081	85,128	76,663

**Schools' Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC Program OPEB Non-Professional Group**

For the year ended June 30, 2019, Schools recognized VRS HIC program OPEB expense of \$92 for the non-professional group. At June 30, 2019, Schools reported deferred outflows of resources and deferred inflows of resources related to the VRS HIC program OPEB for the non-professional group from the sources displayed in Illustration 14-54.

<b>Illustration 14-54</b>		
<b>School Board's (Schools') Virginia Retirement Systems (VRS) – Health Insurance Credit (HIC) Plan –Non-Professional Groups Deferred Outflows and (Inflows) of Resources at June 30, 2019</b>		
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	49
Change in actuarial assumptions	-	49
Net difference between projected and actual earnings on HIC OPEB plan investment	-	37
Employer contributions subsequent to the measurement date	124	-
<b>Total</b>	<b>\$ 124</b>	<b>135</b>

\$124 reported as deferred outflows of resources related to the non-professional group HIC OPEB resulting from Schools' contributions subsequent to the measurement date will be recognized as a reduction of the net non-professional group HIC OPEB liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the non-professional group HIC OPEB will be recognized in the OPEB expense in the future reporting periods shown in Illustration 14-55.

<b>Illustration 14-55</b>		
<b>School Board's (Schools') Virginia Retirement Systems (VRS) – Health Insurance Credit (HIC) Plan – Non-Professional Groups</b>		
<b>Amortization of Deferred Outflows and (Inflows) of Resources</b>		
<b>Year ended June 30,</b>		
2020	\$	(32)
2021		(32)
2022		(32)
2023		(20)
2024		(15)
Thereafter		(4)
Total	\$	<u>(135)</u>

#### **Professional Group**

For the year ended June 30, 2019, Schools recognized VRS HIC program OPEB expense of \$7,275 for the professional group.

At June 30, 2019, Schools reported deferred outflows of resources and deferred inflows of resources related to the Schools' VRS HIC OPEB program for the professional group from the sources displayed in Illustration 14-56.

<b>Illustration 14-56</b>		
<b>School Board's (Schools') Virginia Retirement Systems (VRS) – Health Insurance Credit (HIC) Plan –Professional Groups</b>		
<b>Deferred Outflows and (Inflows) of Resources at June 30, 2019</b>		
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	422
Change in actuarial assumptions	-	742
Net difference between projected and actual earnings on HIC OPEB plan investment	-	64
Employer contributions and proportionate share of Contributions	2,049	-
Employer contributions subsequent to the measurement date	<u>6,678</u>	<u>-</u>
Total	<u>\$ 8,727</u>	<u>1,228</u>

\$6,678 reported as deferred outflows of resources related to Schools' VRS HIC OPEB program for the professional group resulting from Schools' contributions subsequent to the measurement date will be recognized as a reduction of the net professional group HIC OPEB liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to Schools' VRS HIC OPEB program for the professional group will be recognized in the OPEB expense in the future reporting periods displayed in Illustration 14-57.

<b>Illustration 14-57</b>		
<b>School Board's (Schools') Virginia Retirement Systems (VRS) – Health Insurance Credit (HIC) Plan –Professional Groups</b>		
<b>Amortization of Deferred Outflows and (Inflows) of Resources</b>		
<b>Year ended June 30,</b>		
2020	\$	112
2021		112
2022		112
2023		150
2024		138
Thereafter		197
Total	\$	<u>821</u>

#### **Schools' VRS HIC Program Fiduciary Net Position**

Detailed information about Schools' VRS HIC program's Fiduciary Net Position is available in the separately issued VRS CAFR that includes financial statements and RSI. A copy of that report may be download from their website at <https://www.varetire.org/pdf/publications/2017-annual-report.pdf> or by writing to the VRS' Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

#### **B. School Board's (Schools') Virginia Retirement Systems (VRS) – General Life Insurance (GLI) Program**

##### **Schools' Plan Description**

Schools' participates in the VRS GLI Program to provide other post-employment benefits to eligible retired Schools' employees. The VRS GLI program is a multiple employer, cost-sharing, defined benefit plan. The GLI program provides a basic group life insurance benefit for eligible employees.

The GLI program was established July 1, 1960 for all full-time, salaried permanent Schools' employees. Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.

*Schools' benefit amounts.* The benefits payable under the GLI program have several components. (1) Natural Death Benefit, which is equal to the employee's covered compensation rounded to the next highest thousand and then doubled; (2) Accidental Death Benefit, which is double the natural death benefit; or (3) Other Benefit Provisions, which include accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit and accelerated death benefit option.

*Reduction in Schools' benefit amounts.* The benefit amounts provided to members covered under the GLI program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

*Minimum Schools' benefit amount and COLA.* For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the GLI program. The minimum benefit was set at \$8 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8.

##### **Schools' Contributions**

The contribution requirements for Schools' GLI program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to Schools by the Virginia General Assembly. The total rate for the

GLI program was 1.3% of covered employee compensation. This was allocated into an employee and employer component using a 60/40 split. The employee component was 0.8% (1.3% x 60%) and the employer component was 0.5% (1.3% x 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Schools has elected to pay the employee share. Schools' contractually required employer contribution rate for the year ended June 30, 2019 was 0.5% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from Schools to the VRS GLI program were \$3,215 and \$3,137 for the years ended June 30, 2019 and June 30, 2018, respectively.

#### Schools' Actuarial Assumptions, Long-Term Expected Return and Discount Rate

The actuarial assumptions and mortality rates, long-term expected return and discount rate used by VRS employee GLI program are the same as those used by VRS pension plan for General Employees in the non-professional and professional group.

#### Schools' OPEB Liabilities, Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB

At June 30, 2019, Schools reported a liability of \$48,187 for its proportionate share of the net GLI OPEB liability. The net GLI OPEB liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the net GLI OPEB liability was determined by an actuarial valuation as of that date. Schools' proportion of the net GLI OPEB liability was based on Schools' actuarially determined employer contributions to the VRS GLI program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, Schools' proportion for the professional and non-professional groups, respectively, was 2.9% and 0.3% as compared to 2.8% and 0.3% at June 30, 2017.

For the year ended June 30, 2019, Schools recognized GLI OPEB expense of \$598. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, Schools reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the sources displayed in Illustration 14-58.

<b>Illustration 14-58</b>		
<b>School Board's (Schools') Virginia Retirement Systems (VRS) – General Life Insurance (GLI) Plan</b>		
<b>Deferred Outflows and (Inflows) of Resources at June 30, 2019</b>		
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 2,356	863
Change in actuarial assumptions	-	2,008
Net difference between projected and actual earnings on GLI OPEB plan investment	-	1,568
Change in proportion and differences between employer contributions and proportionate share of contributions	1,261	20
Employer contributions subsequent to the measurement date	3,215	-
<b>Total</b>	<b>\$ 6,832</b>	<b>4,459</b>

\$3,215 reported as deferred outflow of resources related to the GLI OPEB resulting from Schools' contributions subsequent to the measurement date will be recognized as a reduction of the net GLI OPEB liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in the future reporting periods displayed in Illustration 14-59.

<b>Illustration 14-59</b>		
<b>School Board's (Schools') Virginia Retirement Systems (VRS) – General Life Insurance (GLI) Plan</b>		
<b>Amortization of Deferred Outflows and (Inflows) of Resources</b>		
<b>Year ended June 30,</b>		
2020	\$	(449)
2021		(449)
2022		(449)
2023		-
2024		309
Thereafter		196
<b>Total</b>	<b>\$</b>	<b>(842)</b>

**Sensitivity of the Schools' Proportionate Share of the GLI Net OPEB Liability to Changes in the Discount Rate**

The following presents Schools' proportionate share of the VRS GLI program net OPEB liability using the discount rate of 7.0%, as well as what Schools' proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate displayed in Illustrations 14-60 and 14-61.

<b>Illustration 14-60</b>			
<b>School Board's (Schools') Virginia Retirement Systems (VRS) – General Life Insurance (GLI) Plan</b>			
<b>Sensitivity of Net OPEB Liability to Changes in the Discount Rate</b>			
	<b>1% Decrease (6.0%)</b>	<b>Current Discount Rate (7.0%)</b>	<b>1% Increase (8.0%)</b>
Proportionate share of the VRS GLI OPEB Plan Net GLI OPEB Liability – Non-Professional Group	\$ 6,060	4,637	3,482

<b>Illustration 14-61</b>			
<b>School Board's (Schools') Virginia Retirement Systems (VRS) – General Life Insurance (GLI) Plan</b>			
<b>Sensitivity of Net OPEB Liability to Changes in the Healthcare Cost Trend Rate</b>			
	<b>1% Decrease (6.0%)</b>	<b>Current Discount Rate (7.0%)</b>	<b>1% Increase (8.0%)</b>
Proportionate share of the VRS GLI OPEB Plan Net GLI OPEB Liability – Professional Group	\$ 56,915	43,550	32,700

**Schools' VRS GLI Program Fiduciary Net Position**

Detailed information about the Schools' VRS GLI program's Fiduciary Net Position is available in the separately issued VRS CAFR that includes financial statements and RSI. A copy of that report may be download from their website at <https://www.varetire.org/pdf/publications/2017-annual-report.pdf> or by writing to the VRS' Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

**C. Prince William County School Board (Schools) – Other Post-Employment Benefits (OPEB) Master Trust Fund Plans – School Board Premium Plan**

**Plan Activity for the Fiscal Year Ending June 30, 2019:**

Illustration 14-62 is a summary of the Statement of Fiduciary Net Position of the OPEB Master Trust Related to the Schools Premium Plan.

<b>Illustration 14-62</b> <b>School Board's (Schools') Other Post-Employment Benefits (OPEB) Master Trust Fund Plans – School Board Premium Plan</b> <b>Statement of Fiduciary Net Position</b> <b>For the year ended June 30, 2019</b>			
<b>Assets:</b>			
Restricted investments			37,331
	Total assets	\$	37,331
<b>Liabilities:</b>			
Accounts payable			7
	Total liabilities		7
<b>Net position:</b>			
Net position restricted for OPEB			37,324
	Total net position	\$	37,324

Illustration 14-63 is a summary of the Statement of Changes in Fiduciary Net Position of the OPEB Master Trust related to the Schools Premium Plan.

<b>Illustration 14-63</b>			
<b>School Board's (Schools') Other Post-Employment Benefits (OPEB) Master Trust Fund Plans – School Board Premium Plan</b>			
<b>Statement of Changes Fiduciary Net Position</b>			
<b>For the year ended June 30, 2019</b>			
<b>Additions:</b>			
Employer contributions		\$	1,800
	Total contributions		<u>1,800</u>
<b>Investment Income:</b>			
Total investment income			2,319
Less: investment expense			<u>(71)</u>
	Net investment income		<u>2,248</u>
	Total additions		<u>4,048</u>
<b>Deductions:</b>			
Administrative expenses			<u>2</u>
	Total deductions		<u>2</u>
Change in net position			4,046
Net position, beginning of year			<u>33,278</u>
Net position, end of year		\$	<u><u>37,324</u></u>

#### Schools' Plan Description

Schools contributes to the Prince William County OPEB Master Trust Fund in the School Boards Premium Plan, an agent multiple-employer defined benefit post-employment benefits trust fund administered by the County. As such, it is reported in accordance to GASB Statement 74.

The OPEB Master Trust is not a part of the Schools reporting entity and does not issue stand-alone financial statements. The OPEB Master Trust is part of the County's reporting entity and the County issues a publicly available CAFR that includes financial statements and RSI for the OPEB Master Trust. A copy of that report may be obtained by writing Prince William County at 1 County Complex Court, Prince William, Virginia 22192 or by download from their website at <http://www.pwcgov.org/>.

At July 1, 2018 (valuation date), the following employees were covered by the benefit terms displayed in Illustration 14-64.

<b>Illustration 14-64</b>	
<b>School Board's (Schools') Other Post-Employment Benefits (OPEB) Master Trust Fund Plans – School Board Premium Plan</b>	
<b>Plan Membership as of the Valuation Date of July 1, 2018</b>	
Active members	6,750
Inactive members receiving benefits	<u>242</u>
Total covered members	<u><u>6,992</u></u>

## Schools' Actuarial Methods and Assumptions

Schools' total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement, unless otherwise specified in Illustration 14-65.

<b>Illustration 14-65</b>	
<b>School Board's (Schools') Other Post-Employment Benefits (OPEB) Master Trust Fund Plans – School Board Premium Plan</b>	
<b>Actuarial Methods and Assumptions</b>	
Valuation date	July 1, 2018
Measurement date	June 30, 2019
Actuarial cost method	Entry Age Normal
Asset valuation method	Market value of assets, assets were assumed to earn 7.0% per annum
Payroll growth	3.0% per year-used in level percentage of pay amortization
Subsidy rate	It is assumed that all retirees will receive a 30.0% subsidy. This is based on the average of all current subsidies, and not an actual subsidy option.
Medical trend:	The medical trend assumption is based on a model developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model baseline assumptions. The SOA Model was released in December 2007 and updated in 2018. We have a blended medical trend rate of 3.8% based on the following baseline assumptions were used as input variables into a model:
	Rate of Inflation 2.4%
	Rate of Growth in real income/GDP per capita 1.5%
	Income Multiplier for Health Spending 1.2
	Health Share of GDP Resistance Point 25.0%
	Year of Limiting Cost Growth to GDP Growth 2075

**Illustration 14-65 (cont'd)**

**School Board's (Schools') Other Post-Employment Benefits (OPEB) Master Trust Fund Plans – School Board Premium Plan  
Actuarial Methods and Assumptions**

Discount rate / Investment rate of return	7.0% per annum. Because the plan's assets are currently 65.0% of the liabilities, and Schools intends to continue to contribute, the long-term expected rate of return on assets of 7.0% can be used as the discount rate.
Coverage status and age of spouse	Active employees that currently have coverage: 35.0% are assumed to continue coverage in retirement. Females are assumed to be 3 years younger than male spouse. Of active employees electing retirement health coverage 25.0% are assumed to have spousal or family coverage. Of these 25.0% with spouse or family coverage, approximately 75.0% are assumed to have retiree and spouse and 25.0% have family coverage. Employees currently waiving coverage are assumed to continue to waive coverage in retirement.
Professional / Non-Professional	It is assumed that 80% of actives are professionals and 20% are non-professionals. This is used to determine the subsidy, since the active subsidy is different for professionals and non-professionals.
Amortization method	Unfunded (Surplus) liabilities are amortized using level percentage of projected pay.
Amortization period	The amortization period is closed and equals 30 years as of June 30, 2019.
Decrement assumptions	VRS Termination Rates for Teachers
Mortality assumption	None – not material, since benefits end at 65.

**Schools' Net OPEB Liability**

Schools' net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2018.

**Schools' Changes in the Net OPEB Liability**

Changes in the net OPEB liability for the year ended June 30, 2019 are displayed in Illustration 14-66.

**Illustration 14-66**

**School Board's (Schools') Other Post-Employment Benefits (OPEB) Master Trust Fund Plans – School Board Premium Plan  
Net OPEB Liability**

Total OPEB liability	\$	57,677
Plan fiduciary net position		<u>(37,324)</u>
Net OPEB liability	\$	<u><u>20,353</u></u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability		64.7%

**Sensitivity of Schools’ Net OPEB Liability to Changes in the Discount Rate**

Illustration 14-67 represents the net OPEB liability calculated using the discount rate of 7.0%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate.

<b>Illustration 14-67</b>			
<b>School Board’s (Schools’) Other Post-Employment Benefits (OPEB) Master Trust Fund Plans – School Board Premium Plan</b>			
<b>Sensitivity of Net OPEB Liability to Changes in the Discount Rate</b>			
	<b>1% Decrease (6.0%)</b>	<b>Current Discount Rate (7.0%)</b>	<b>1% Increase (8.0%)</b>
Net OPEB liability	\$ 25,333	20,353	15,843

**Sensitivity of Schools’ Net OPEB Liability to Changes in the Healthcare Cost Trend Rate**

Illustration 14-68 represents the total and net OPEB liability calculated using the stated health care cost trend assumption, as well as what the OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the assumed trend rate.

<b>Illustration 14-68</b>			
<b>School Board’s (Schools’) Other Post-Employment Benefits (OPEB) Master Trust Fund Plans – School Board Premium Plan</b>			
<b>Sensitivity of Net OPEB Liability to Changes in the Healthcare Cost Trend Rate</b>			
	<b>1% Decrease (2.8%)</b>	<b>Current Discount Rate (3.8%)</b>	<b>1% Increase (4.8%)</b>
Net OPEB liability	\$ 13,773	20,353	28,124

**D. Prince William County School Board (Schools) – Retiree Health Insurance Premium Plan**

**Schools’ Plan Description**

Other post-employment benefits provided by Schools include a single-employer defined benefit self-insurance medical plan and a retiree health insurance premium contribution plan that cover retirees until they reach 65 years of age. There is no coverage for retirees or their spouses once they attain age 65. Both plans were established under the authority of the School Board. Any amendments to the plans must be approved by the School Board.

The Schools’ single-employer self-insurance medical plan allows retirees under age 65 to remain in the same medical and dental plan as active employees.

The Schools’ retiree health insurance premium contribution plan allows eligible retirees to have the option to exchange their accrued, unused sick leave for a School Board contribution to offset the cost of the Schools health insurance premiums in retirement. The retiring employee must be between the ages of 55 and 65, have a minimum of 125 days of accrued sick leave, be currently enrolled in the Schools group health insurance plan, and meet the service requirements to participate in Schools’ Retirement Opportunity Program.

The School Board will pay between 25 to 100 percent of the amount contributed by retirees who enrolled in the school division’s post-retirement medical plan depending on the number of sick leave days exchanged. The plan became effective on July 1, 2000.

At July 1, 2018 (valuation date), the following employees were covered by the benefit terms displayed in Illustration 14-69.

<b>Illustration 14-69</b>	
<b>Prince William County School Board (Schools') – Retiree Health Insurance Premium Plan</b>	
<b>Plan Membership as of the Valuation Date of July 1, 2018</b>	
Active employees	6,750
Inactive members receiving benefits	242
Total covered members	6,992

**Schools' Contributions**

Post-employment healthcare expenses, depending on the number of sick leave days exchanged, are made from the Health Insurance Fund, which is maintained on the full accrual basis of accounting. The School Board establishes employer contribution rates for plan participants and determines how the plan will be funded as part of the budgetary process each year. Retirees pay the full budgeted rates for coverage under the medical plan. Schools currently pays benefits on a pay-as-you-go basis and contributed \$1,800 to Schools' OPEB Master Trust Fund – School Board Premium Plan to fund the current year liability. For the year ended June 30, 2018, plan members received \$5,883 in benefits and contributed \$2,842 in premiums, resulting in net benefits paid by Schools of \$3,041. For the year ended June 30, 2019, plan members received \$5,641 in benefits and contributed \$2,581 in premiums, resulting in net benefits paid by Schools of \$3,060.

**Schools' Actuarial Methods and Assumptions**

Schools' total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement, unless otherwise specified in Illustration 14-70.

<b>Illustration 14-70</b>											
<b>Prince William County School Board (Schools') – Retiree Health Insurance Premium Plan</b>											
<b>Actuarial Methods and Assumptions</b>											
Valuation date	July 1, 2018										
Measurement date	June 30, 2018										
Actuarial cost method	Entry Age Normal										
Asset valuation method	Market value of assets, assets were assumed to earn 7.0% per annum										
Payroll growth rate	3.0% per year-used in level percentage of pay amortization										
Subsidy rate	It is assumed that all retirees will receive a 30.0% subsidy. This is based on the average of all current subsidies, and not an actual subsidy option.										
Medical trend	The medical trend assumption is based on a model developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model baseline assumptions. The SOA Model was released in December 2007 and updated in 2018. We have a blended medical trend rate based on the baseline assumptions were used as input variables into a model: <table border="0" style="margin-left: 40px;"> <tr> <td>Rate of Inflation</td> <td style="text-align: right;">2.4%</td> </tr> <tr> <td>Rate of Growth in real income/GDP per capita</td> <td style="text-align: right;">1.5%</td> </tr> <tr> <td>Income Multiplier for Health Spending</td> <td style="text-align: right;">1.2</td> </tr> <tr> <td>Health Share of GDP Resistance Point</td> <td style="text-align: right;">25.0%</td> </tr> <tr> <td>Year of Limiting Cost Growth to GDP Growth</td> <td style="text-align: right;">2075</td> </tr> </table>	Rate of Inflation	2.4%	Rate of Growth in real income/GDP per capita	1.5%	Income Multiplier for Health Spending	1.2	Health Share of GDP Resistance Point	25.0%	Year of Limiting Cost Growth to GDP Growth	2075
Rate of Inflation	2.4%										
Rate of Growth in real income/GDP per capita	1.5%										
Income Multiplier for Health Spending	1.2										
Health Share of GDP Resistance Point	25.0%										
Year of Limiting Cost Growth to GDP Growth	2075										
Discount rate / Investment rate of return	7.0% per annum. Because the plan's assets are currently 65.0% of the liabilities, and Schools intends to continue to contribute, the long-term expected rate of return on assets of 7.0% can be used as the discount rate.										

**Illustration 14-70 (cont'd)**

**Prince William County School Board (Schools') – Retiree Health Insurance Premium Plan**

**Actuarial Methods and Assumptions**

Coverage status and age of spouse	Active employees that currently have coverage: 35.0% are assumed to continue coverage in retirement. Females are assumed to be 3 years younger than male spouse. Of active employees electing retirement health coverage 25.0% are assumed to have spousal or family coverage. Of these 25.0% with spouse or family coverage, approximately 75.0% are assumed to have retiree and spouse and 25.0% have family coverage. Employees currently waiving coverage are assumed to continue to waive coverage in retirement.
Professional / Non-Professional	It is assumed that 80.0% of actives are professionals and 20.0% are non-professionals. This is used to determine the subsidy, since the active subsidy is different for professionals and non-professionals.
Amortization method	Unfunded / (Surplus) liabilities are amortized using level percentage of projected pay.
Amortization period	The amortization period is closed and equals 30 years as of June 30, 2019.
Decrement assumptions	VRS Termination Rates for Teachers
Mortality assumption	None – not material, since benefits end at 65.
Claims assumption	The three Anthem plans are self-insured. To determine the assumed cost and the retiree contributions, we weighted the FY 2019 premium rates by the current enrollment. Gross claims are equal to the age adjusted assumed cost. The results were increased by a load of 1.37 so that the 2019 retiree portion of premiums would equal the expected FY 2019 retiree paid claims. The resulting average per age 65 claims were age adjusted. The chart below shows the current cost broken down between the published per capita cost (i.e., the blended rates) and the hidden subsidy.

Total Costs (per annum)	FY 2019	
	Single	Family
1. Assumed Costs (Explicit Costs)		
a. Pre-Medicare	\$ 8.1	\$ 19.1
2. Total Medical Costs (including prescription drugs)		
a. Under 50	\$ 10.4	\$ 24.5
b. Age 50-54	12.7	30.0
c. Age 55-59	14.9	35.0
d. Age 60-64	17.9	42.2

**Schools' Net OPEB Liability**

Schools' net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2018.

### Schools' Changes in the Net OPEB Liability

Changes in the net OPEB liability for the year ended June 30, 2019 are displayed in Illustration 14-71.

<b>Illustration 14-71</b>				
<b>Prince William County School Board (Schools') – Retiree Health Insurance Premium Plan</b>				
<b>Changes in Net OPEB Liability</b>				
		<b>Total OPEB Liability</b>	<b>Plan Fiduciary Net Position - Increase (Decrease)</b>	<b>Net OPEB Liability</b>
Balances at June 30, 2017 for FY 2018	\$	68,361	29,946	38,415
Changes for the year:				
Service cost		3,015	-	3,015
Interest		4,652	-	4,652
Differences between expected and actual experience		(18,166)	-	(18,166)
Contributions - employer		-	4,041	(4,041)
Net investment income		-	2,340	(2,340)
Benefit payments		(3,042)	(3,042)	-
Administrative expenses		-	(7)	7
Net changes		(13,541)	3,332	(16,873)
Balances at June 30, 2018 for FY 2019	\$	54,820	33,278	21,542

### Sensitivity of Schools' Net OPEB Liability to Changes in the Discount Rate

Illustration 14-72 represents the net OPEB liability calculated using the discount rate of 7.0%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate.

<b>Illustration 14-72</b>				
<b>Prince William County School Board (Schools') – Retiree Health Insurance Premium</b>				
<b>Plan Sensitivity of Net OPEB Liability to Changes in the Discount Rate</b>				
		<b>1% Decrease (6.0%)</b>	<b>Current Discount Rate (7.0%)</b>	<b>1% Increase (8.0%)</b>
Net OPEB liability	\$	26,292	21,542	17,249

**Sensitivity of Schools' Net OPEB Liability to Changes in the Healthcare Cost Trend Rate**

Illustration 14-73 represents the total and net OPEB liability calculated using the stated health care cost trend assumption, as well as what the OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (2.8%) or one percentage point higher (4.8%) than the assumed trend rate.

<b>Illustration 14-73</b>			
<b>Prince William County School Board (Schools') – Retiree Health Insurance Premium</b>			
<b>Plan Sensitivity of Net OPEB Liability to Changes in the Healthcare Cost Trend Rate</b>			
	<b>1% Decrease (2.8%)</b>	<b>Current Discount Rate (3.8%)</b>	<b>1% Increase (4.8%)</b>
Net OPEB liability	\$ 15,712	21,542	28,411

**Schools' OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2019, Schools recognized OPEB expense of \$3,055. At June 30, 2019, Schools reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources displayed in Illustration 14-74.

<b>Illustration 14-74</b>			
<b>Prince William County School Board (Schools') – Retiree Health Insurance Premium</b>			
<b>Plan Sensitivity of Net OPEB Liability to Changes in the Healthcare Cost Trend Rate</b>			
		<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$	-	15,571
Net difference between projected and actual earnings on OPEB plan investments		277	-
Employer contributions subsequent to the measurement date		4,860	-
Total	\$	<u>5,137</u>	<u>15,571</u>

\$4,860 reported as deferred outflows of resources related to OPEB resulting from Schools' contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense per Illustration 14-75.

<b>Illustration 14-75</b>		
<b>Prince William County School Board (Schools') – Retiree Health Insurance Premium Plan</b>		
<b>Amortization of Deferred Outflows and (Inflows) of Resources</b>		
<b>Year ended June 30,</b>		
2020	\$	(2,489)
2021		(2,489)
2022		(2,489)
2023		(2,637)
2024		(2,595)
Thereafter		(2,595)
Total	\$	<u><u>(15,294)</u></u>

**NOTE (15) – SELF INSURANCE**

The County and Adult Detention Center are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; the health of and injuries to its employees; and natural disasters.

The Prince William County Self-Insurance Group Casualty Pool provides coverage to the County and the Adult Detention Center. The Casualty Pool has a \$750 per occurrence retention of coverage, except ambulances and fire trucks, \$500 per occurrence retention of coverage, and it purchases commercial excess insurance with a \$10,000 per occurrence and \$20,000 annual aggregate limit, except for automobile liability coverage, which has a \$10,000 annual aggregate limit and public official liability which has a \$10,000 aggregate limit. The Prince William County Self-Insurance Group Workers' Compensation Association provides coverage to the County and the Adult Detention Center. The Association has a \$1,500 per occurrence retention, and it purchases commercial excess coverage which provides statutory limits for workers' compensation claims and a \$1,000 excess of the \$1,500 per occurrence retention limit for employers' liability coverage.

The County's Self-Insurance Group Casualty Pool, Workers' Compensation and Other Self-Insurance plans are fully funded. Losses are charged to operations as incurred. The liability for unpaid losses for self-insurance is determined using case-basis evaluations and a provision for incurred but not reported losses that is based upon actuarial projections. Actuarial projections of ultimate losses are based on a composite of the self-insurance members' experience and property and casualty insurance industry data, which is used to supplement the limited historical experience and includes the effects of inflation and other factors. Claims liabilities include allocated loss adjustment expenses and are reported net of estimated claims. Due to the limited historical experience of the Prince William Self-Insurance Group Casualty Pool, Workers' Compensation and Other Self-Insurance, there exists a significant range of variability around the best estimate of the ultimate cost of settling all unpaid claims. Accordingly, the amount of the liability for unpaid losses and related expenses and the related provisions included in financial statements may be more or less than the actual cost of settling all unpaid claims. Adjustments to claim liabilities are made continually, based on subsequent developments and experience, and are included in operations as made.

The County's pre-65 retirees with over fifteen (15) years of service and permanent employees are eligible to enroll in one of three health insurance plans and a dental plan. All three health insurance plans include comprehensive medical, preventive care, vision, and prescription drug coverage. Three of the health insurance plans are self-insured with a \$225 specific individual stop loss limit. The dental plan is also self-insured. The basis for estimating incurred but not reported (IBNR) claims at year-end is an annual analysis performed by the plan's administrator. The County also offers fully insured HMO and vision options to employees. The County expended \$45,817 for claims and administration in fiscal year 2019.

All of the County's Self-Insurance plans also have excess reinsurance administered by a commercial insurance carrier. This is to prevent settlements from exceeding our insurance coverage at any time. In fiscal years 2019, 2018 and 2017, settlements did not exceed our insurance coverage in each of our Self-Insurance plans in each fiscal year.

Illustration 15-1 presents a reconciliation of the changes in the aggregate liabilities for claims for the current and prior fiscal years. These claims liabilities are included in accrued liabilities in the accompanying statement of fund net position (Exhibit 7).

<b>Illustration 15-1</b>					
<b>Prince William County Self-Insurance</b>					
<b>Other Self Insurance, Casualty Pool, Workers' Compensation Association and Health Insurance</b>					
<b>Changes in the Aggregate Liabilities for Claims</b>					
		<b>Other Self- Insurance</b>	<b>Casualty Pool</b>	<b>Workers' Compensation Association</b>	<b>Health Insurance*</b>
Unpaid claims June 30, 2016	\$	251	494	14,115	4,405
Total claims incurred, fiscal year 2017		-	330	7,311	43,694
Total claims paid, fiscal year 2017		(73)	(357)	(4,557)	(43,404)
Unpaid claims June 30, 2017		178	467	16,869	4,695
Total claims incurred, fiscal year 2018		213	474	2,389	38,811
Total claims paid, fiscal year 2018		(117)	(355)	(3,441)	(38,802)
Unpaid claims June 30, 2018		274	586	15,817	4,704
Total claims incurred, fiscal year 2019		69	790	1,902	43,671
Total claims paid, fiscal year 2019		(75)	(629)	(2,459)	(43,956)
Unpaid claims June 30, 2019	\$	<u>268</u>	<u>747</u>	<u>15,260</u>	<u>4,419</u>

\*Health Insurance column excludes certain fully insured HMO, vision premiums, flexible spending benefits and retiree insurance credit expenses.

**NOTE (16) - INTERJURISDICTIONAL AGREEMENT**

The County has entered into a contractual agreement with Fairfax County for the purpose of exchanging solid waste. The agreement allows for the sharing of solid waste facilities between counties. Revenues and expenses generated by this agreement are recorded in the Landfill enterprise fund with billing for any balances to occur during the second half of the fiscal year or reconciliation at the end the fiscal year. Neither party is obligated to make payment unless the funds have been appropriated. The agreement is cancelable by giving 120 days written notice. The amounts due from and due to Fairfax County are \$83 and \$0 respectively at June 30, 2019.

**NOTE (17) - RELATED ORGANIZATIONS**

**A. Industrial Development Authority of the County of Prince William, Virginia**

The Industrial Development Authority of the County of Prince William, Virginia (IDA) was established by the Board pursuant to Title 15.2, Chapter 49 of the *Code of Virginia*, commonly known as the Industrial Development and Revenue Bond Act of 1950, and later amended, and pursuant to Chapter 2, Article VI in the Code of the County of Prince William. The IDA is a separate and distinct legal entity from the County and considered a political subdivision of the Commonwealth governed by seven directors, who are appointed by the Board. The IDA is empowered, among other things, to acquire, construct, improve, maintain, equip, own, lease and dispose of parking and other facilities in the Commonwealth by encouraging other enterprises including institutions of higher education to relocate to the County and further the use of local agricultural products and natural resources.

The IDA does not have taxing authority to help finance such activities to facilitate the County's economic development initiatives. However, they can issue tax-exempt conduit debt with the approval of the County's Board, otherwise known as industrial development bonds, which is an alternative financing arrangement for outside enterprises. This type of bond is advantageous to outside enterprises, because the bonds have lower issuance costs than other debt arrangements and extend to their buyers the federal and State tax-exempt status on interest earned. These bonds do not constitute indebtedness of the County or the Commonwealth and are secured solely by revenues received from the enterprises. The County has no financial responsibility for the day-to-day financial transactions of the IDA. More information about the IDA can be found at <https://www.pwcida.org/>.

## B. Service Authority

The Prince William County Service Authority (Service Authority) was established under Title 15.1, Chapter 28 of the Code of Virginia, commonly known as the Virginia Water and Waste Authorities Act, and pursuant to an adopted resolution by the Board on January 11, 1983. It was chartered by the State Corporation Commission and is an independent public body responsible for providing a comprehensive county-wide water and sewer system. The daily management of the Service Authority is the responsibility of the General Manager, who is appointed by the Service Authority's eight-member Board, who are appointed by the County Board. The eight-members of the Service Authority's Board are appointed by the County Board. The Service Authority's Board is charged with carrying out the Service Authority's fiscal and management functions. Funds to finance operations and capital improvements are principally financed by user charges set by the Service Authority's Board and by issuing their own bonds. The Service Authority is an independent public body, who is solely responsible for all its outstanding debt.

Upon creation, the Service Authority assumed and manages the County's interest in the Upper Occoquan Sewage Authority (UOSA), a regional joint venture, to supplement the County's water and sewage capacity needs, especially as the County grows. In 1992, the County entered into a Service Agreement with the Service Authority for the Service Authority to assume and pay the County's remaining debt service balance due to UOSA for an annual contribution that declined over a period of years until paid off in 2021. On December 11, 2012, the County and the Service Authority amended their agreement whereby the Service Authority assumed the County's remaining debt service balance due to UOSA and established a non-cash credit for the benefit of the County of \$13,782, equal to the County's previous payments to UOSA. The County may use this credit to purchase water and sewer availability, or any Service Authority asset offered for sale and will be reduced accordingly. The balance of the County's unused portion of the credit at June 30, 2019, is \$11,482. More information about the Service Authority can be found at <https://www.pwcsa.org/>.

## C. Northern Virginia Criminal Justice Training Academy-Emergency Vehicle Operations Center

The Northern Virginia Criminal Justice Training Academy (NVCJTA) was re-chartered by the Commonwealth of Virginia in 1997. It was originally established in 1965 as the Northern Virginia Police Academy. NVCJTA serves 17 participating law enforcement agencies in the Metropolitan DC area and partners with Fairfax County and Prince William County Criminal Justice Academies for operating and maintaining its Emergency Vehicle Operations Center (EVOC). In 2006, the County and some surrounding jurisdictions agreed to issue bonds to finance the construction and equip the EVOC. The County, specifically, agreed to pay up to 30% of the total debt service payments as well as a pro rata portion of operating and maintenance expenses as was approved by the Board of County Supervisors on September 6, 2005 via Resolution Number 05-770. The County has no role in managing the EVOC's day-to-day operations. The EVOC was completed in 2012.

On September 24, 2015, NVCJTA issued by means of Loudoun County's Industrial Development Authority the 2015 Private Placement Bonds in the amount of \$9,613 to advance refund the 2006 Series Revenue Bonds outstanding balance of \$11,990, with maturity date of June 1, 2026. In exchange for using the Center and taking advantage of the savings from refunding debt, the County agreed to pay \$3,800, a portion of the total debt service. The County Board commits funds during the general fund's annual budget adoption process. The County paid its portion of the 2015 Series Bonds debt service payments of \$359 and \$105 for the County's portion of operating expenses as of June 30, 2019. See Illustration 17-1 for future long-term obligations regarding County payments to cover the 2015 Series Bonds debt service.

Year Ending June 30:		
2020	\$	352
2021		344
2022		337
2023		330
2024		323
2025 thru 2026		608
Total	\$	<u>2,294</u>

More information about NVCJTA can be found at <https://www.nvcja.org/>.

#### **D. Northern Virginia Transportation Authority**

The Northern Virginia Transportation Authority (NVTA) was established under Title 33.2, Chapter 25 of the Code of Virginia, commonly known as the Northern Virginia Transportation Authority Act. NVTA embraces the Counties of Arlington, Fairfax, Loudoun and Prince William, and the Cities of Alexandria, Fairfax, Falls Church, Manassas and Manassas Park and is governed by a Board of seventeen members from the participating jurisdictions serving 1-year terms. It is a regional body that is focused on delivering real transportation solutions and value for Northern Virginia's transportation dollars by bringing Northern Virginia jurisdictions and agencies together to prioritize projects and implement solutions. NVTA has a technical advisory committee to provide recommendations on the development of transportation projects, funding strategies and other matters.

Effective July 1, 2013 authorized by House Bill 2313 passed by the Virginia General Assembly on April 3, 2013, the State retail sales and use tax increased from 5.0% to 6.0% in the Northern Virginia region. 0.3% of the 1.0% increase are earmarked revenues to be deposited in the State Highway Maintenance Operating Fund. However, the remaining 0.7% increase, the 2.0% transient occupancy tax, and fee on grantors of real property equal to \$0.15 per \$100 of real property sold by such persons in the Northern Virginia area are deposited with NVTA and used for transportation projects within Northern Virginia. The bill and Memorandum of Understanding with the jurisdictions, further states that 30% of these revenues are to be distributed to the participating jurisdictions on a pro rata basis for local transportation projects and 70% to be used for regional transportation projects after making debt service payments to be used at NVTA's discretion. NVTA is a separate legal entity from the County and is solely responsible for its own operations and debt. More information about NVTA can be found at <https://thenovaauthority.org/>.

#### **NOTE (18) - JOINT VENTURES**

##### **A. Potomac and Rappahannock Transportation Commission**

The Potomac and Rappahannock Transportation Commission (PRTC), was created in fiscal year 1987 to levy a 2% Motor Fuel Tax authorized by the Commonwealth. The PRTC is a joint venture of the contiguous jurisdictions of Prince William and Stafford Counties and the Cities of Manassas, Manassas Park, and Fredericksburg and was established to improve transportation systems, composed of transit facilities, public highways and other modes of transport. While each jurisdiction effectively controls PRTC's use of Motor Fuel Tax proceeds from that jurisdiction, they do not have an explicit, measurable equity interest in PRTC. More information about PRTC can be found at <https://www.omniride.com>.

The PRTC's governing structure consists of a seventeen-member board of commissioners that includes thirteen locally elected officials from the six-member jurisdictions, three appointed commissioners from the General Assembly and one ex-officio representative representing from the Virginia Department of Rail and Public Transportation (VDRPT).

On December 16, 1997, the PRTC issued \$7,445 in Transportation Facilities Lease Revenue Refunding Bonds, Series 1997. The 1997 Bonds were issued to refinance certain of PRTC's outstanding indebtedness, originally incurred to finance the costs of the acquisition, design and construction of transportation facilities. The 1997 Bonds are limited obligations of PRTC payable solely from and secured by a pledge of (1) prior to March 1, 2000, a refunding escrow account, and (2) on and after March 1, 2000, (a) the County's portion of fuel tax revenues, (b) payments by the County to PRTC pursuant to the lease, subject to appropriation, and (c) certain funds and accounts established by indenture, including a debt service reserve fund. More information about PRTC can be found at: <https://www.omninde.com>.

Copies of PRTC's financial statements may be obtained by writing to PRTC Finance Division, 14700 Potomac Mills Road, Woodbridge, Virginia 22192.

#### **NOTE (19) - COMMITMENTS AND CONTINGENCIES**

##### **Legal Matters**

The County is liable with respect to lawsuits and other claims that arise in the ordinary course of business and in most cases, the outcome of these matters is not currently estimable. However, it is the opinion of the County that these matters will not have a material adverse effect on the County's financial position.

##### **Virginia Railway Express**

In May 2005, NVTC and PRTC entered a capitalized lease obligation on behalf of VRE in the amount of \$25,100 for the acquisition of 11 cab cars. As of June 30, 2019, the outstanding balance on the capitalized lease was approximately \$10,030.

In fiscal year 2008, VRE entered into an agreement with the Federal Railroad Administration for a loan of up to \$72.5 million to purchase 50 Gallery railcars. In fiscal year 2009, the terms were amended to include ten additional Gallery railcars. A series of sixteen promissory notes were originally authorized and during fiscal year 2012 the balance on the individual notes were combined into a consolidated note. The note was secured by the revenues of VRE and the railcars. In fiscal year 2018, VRE entered into a financing agreement with the Virginia Resources Authority (VRA) for the purposes of refunding the FRA consolidated promissory note and reducing VRE's debt service costs. As required by the authorizing resolutions of the Commissions and jurisdictions, the VRA refunding loan did not extend the term of the original borrowing and achieved net present value debt service savings of not less than three percent. The FRA note was refunded in full with the proceeds from the VRA financing, and VRE has pledged its revenues to the repayment of the principal, premium, and interest on the local bond purchased by VRA. The VRA Bond payable amount at June 30, 2019, was \$44,360.

The County, through its membership in the PRTC, has joined with other jurisdictions through a Master Agreement to bear certain costs associated with operating and insuring the rail service as well as servicing the debt issued by NVTC. The Master Agreement requires that the County's governmental officers charged with preparing its annual budget include an amount equal to its share of the costs of the VRE. Each jurisdiction's share is determined by a formula set out in the Master Agreement. It is estimated the County's share of this cost will be approximately \$6,184 annually and will be provided by a direct transfer of funding in the Northern Virginia Transportation Authority (NVTA) 30% funds to the VRE. More information about VRE can be found at <https://www.vre.org>.

#### **Other Matters**

The County receives grant funds from the Commonwealth and Federal government primarily that are used to fund various programs throughout the County. These programs are subject to audit by the grantor presently and in the near future, and the County is contingently liable to refund amounts received in excess of allowable expenditures. However, it is the opinion of the County that no material refunds will be required if these audits are performed.

#### **NOTE (20) – SUBSEQUENT EVENTS**

##### **Land Purchases:**

On June 25, 2019, the Board of County Supervisors approved Resolution No. 19-336 authorizing the execution of three purchase agreements totaling approximately \$1,370 for eight parcels of approximately 74.6816 acres of land adjacent to Doves Landing Park to create a contiguous 309-acre park. The purchase agreements were executed subsequent to June 30, 2019. Settlement occurred in September 2019.

On January 21, 2019, the Board of County Supervisors approved Resolution No. 20-073 authorizing the purchase authorized the purchase of 6.58 acres of land at 11301 Inspiration Court for \$1,605. The County anticipates settlement by June 30, 2020.

##### **Land Sales:**

On September 17, 2019, the Board of County Supervisors approved Resolution No. 19-443 authorizing the sale of approximately 4.51 acres of County-owned property located at 8511 Virginia Meadows Drive for a sales price of \$1,450. The County anticipates settlement by June 30, 2020.

On October 15, 2019, the Board of County Supervisors approved Resolution No. 19-506 authorizing the sale of approximately 5.4092 acres of County-owned property at 8324 Bethlehem Road for a sales price of 41,363. The County anticipates settlement no later than December 31, 2021, with an option to extend.

On December 3, 2019, the Board of County Supervisors approved Resolution No. 19-582 authorizing the sale of approximately 8.415 acres of County-owned property at 9665 Discovery Boulevard for a sale price of \$2,085, net of an \$115 incentive credit to the purchaser. The County anticipates settlement no later than December 31, 2020.

##### **Bonds:**

On October 8, 2019, the Board of County Supervisors approved Resolution No. 19-477 authorizing the sale of General Obligation School Bonds to be sold to the Virginia Public School Authority (VPSA) in an amount not to exceed \$378,500 for the purpose of

financing various school construction projects not to exceed \$128,250 and refunding other outstanding general obligations school bonds not to exceed \$250,250.

On October 16, 2019, the County sold the VPSA Special Obligation School Financing Bonds, Series 2019A, in the par amount of \$109,155 to finance the acquisition and construction of three new schools, one new bus facility, six additions, five school renewals, two new auxiliary gymnasiums, and two stadium upgrades. True interest cost was 2.18%.

On October 17, 2019, the County sold the VPSA Special Obligation School Financing Refunding Bonds, Series 2019B in the par amount of \$34,610, which retired general obligation bonds series 2011 with \$6,960 remaining principal, Series 2012 with \$9,840, and Series 2013 with \$14,990, totaling \$31,790. It resulted in a debt service savings of \$3,485 and a net present value interest savings of \$2,953. True interest cost was 2.67%.

On November 5, 2019, the majority of voters in Prince William County approved two separate referenda seeking authority for the County to issue \$355,000 and \$41,000 of general obligation bonds to provide revenue for specific transportation and parks projects, respectively.

**REQUIRED SUPPLEMENTARY INFORMATION**

**(UNAUDITED)**

Schedule of Budgetary Revenues, Budgetary Expenditures and Changes in Budgetary Fund Balance - Budget and Actual  
(UNAUDITED - BUDGET PREPARED ON A NON-GAAP BASIS)

For the Year Ended June 30, 2019  
(amounts expressed in thousands)

	Budgeted Amounts		2019 Actuals	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
<b>BUDGETARY REVENUES:</b>				
FROM LOCAL SOURCES:				
GENERAL PROPERTY TAXES:				
Real property taxes	\$ 645,860	645,860	641,094	(4,766)
Real and personal property taxes of public service corporations	20,978	20,978	20,296	(682)
Personal property taxes	188,236	133,936	141,126	7,190
Penalties and interest	7,142	7,142	7,627	485
Total general property taxes	862,216	807,916	810,143	2,227
OTHER LOCAL TAXES:				
Short term rental taxes	453	453	522	69
Local sales taxes	66,190	66,190	68,710	2,520
Consumer's utility taxes	14,810	14,810	14,443	(367)
Bank stock taxes	1,500	1,500	2,307	807
Motor vehicle license taxes	8,870	8,870	8,987	117
Recordation taxes	10,200	10,200	10,687	487
Business, professional and occupational license taxes	26,200	26,200	26,945	745
Public utility gross receipts taxes	1,400	1,400	1,602	202
Transient occupancy taxes	3,570	3,570	4,253	683
Total other local taxes	133,193	133,193	138,456	5,263
PERMITS, PRIVILEGE FEES AND REGULATORY LICENSES:				
Animal licenses	141	196	234	38
Fire protection permits	1,481	141	199	58
Health protection permits	177	177	212	35
Cable franchise fees	1,481	1,481	1,327	(154)
Permits and other licenses	71	71	98	27
Total permits, privilege fees and regulatory licenses	3,351	2,066	2,070	4
FINES AND FORFEITURES:				
	3,096	3,346	3,456	110
FROM USE OF MONEY AND PROPERTY:				
Use of money	10,517	(552)	3,829	4,381
Use of property	702	818	1,077	259
Total revenues from use of money and property	11,219	266	4,906	4,640
CHARGES FOR SERVICES:				
Court costs	2,025	2,025	2,010	(15)
Correction and detention	1,101	1,101	1,011	(90)
Commonwealth's Attorney	-	-	20	20
Parks and recreation	8,507	8,532	7,542	(990)
Mental health and developmental disabilities	740	740	1,150	410
Welfare and social services	192	198	181	(17)
Library	663	663	582	(81)
Planning and community development	172	172	-	(172)
Public safety	1,057	1,057	1,069	12
Other charges	363	368	499	131
Total charges for services	14,820	14,856	14,064	(792)
Total revenues from local sources	1,027,895	961,643	973,095	11,452
THE FEDERAL GOVERNMENT:				
Payments in lieu of taxes	70	70	81	11
Categorical aid grants:				
Aging programs	1,097	1,189	896	(293)
United States Department of Agriculture	110	110	135	25
Welfare programs	12,535	13,615	15,457	1,842
Mental health, developmental disabilities and substance abuse programs	2,816	3,527	2,846	(681)
Homeland Security grants	-	729	647	(82)
Expenditure reimbursement for social services	330	330	-	(330)
Other	236	623	2,495	1,872
Total revenues from the federal government	17,194	20,193	22,557	2,364

Schedule of Budgetary Revenues, Budgetary Expenditures and Changes in Budgetary Fund Balance - Budget and Actual  
(UNAUDITED - BUDGET PREPARED ON A NON-GAAP BASIS)

For the Year Ended June 30, 2019  
(amounts expressed in thousands)

	Budgeted Amounts		2019 Actuals	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
<b>THE COMMONWEALTH:</b>				
<b>NONCATEGORICAL AID:</b>				
Personal property tax relief act	-	54,300	54,288	(12)
Communications sales and use taxes	17,950	17,950	16,432	(1,518)
Anti-Annexation public safety	9,398	9,398	9,835	437
Mobile home taxes	35	35	46	11
Rental car taxes	970	970	1,524	554
Rolling stock taxes	90	90	95	5
Total noncategorical aid	28,443	82,743	82,220	(523)
<b>SHARED EXPENDITURES:</b>				
Commonwealth's Attorney	1,717	1,717	1,939	222
Sheriff	1,759	1,759	1,832	73
Director of Finance	560	560	699	139
Registrar	84	84	88	4
Clerk of the Court	1,333	1,368	1,900	532
Total shared expenditures	5,453	5,488	6,458	970
<b>CATEGORICAL AID:</b>				
Public safety	1,215	1,526	1,940	414
Fire programs	1,256	1,304	1,791	487
Library	524	524	563	39
Public assistance and welfare administration	14,302	17,450	16,931	(519)
Public health	228	228	338	110
Total categorical aid	17,525	21,032	21,563	531
<b>OTHER CATEGORICAL AID:</b>				
Aging program	424	416	449	33
Community services	17,209	17,646	17,629	(17)
Juvenile detention	2,085	2,238	2,302	64
Criminal justice services	1,029	1,029	1,057	28
Police extraditions	30	30	38	8
Sheriff extraditions	25	25	27	2
Victim/witness program	194	194	86	(108)
Other	632	642	387	(255)
Total other categorical aid	21,628	22,220	21,975	(245)
Total revenues from the Commonwealth	73,049	131,483	132,216	733
<b>LOCAL GOVERNMENTS:</b>				
City of Manassas	5,624	5,624	5,670	46
City of Manassas Park	2,076	2,076	2,064	(12)
Total revenues from local governments	7,700	7,700	7,734	34
<b>MISCELLANEOUS:</b>				
Expenditure refunds	529	608	1,224	616
Donations - Proffers	-	7,416	7,416	-
Donations - Other	5,008	670	516	(154)
Other	795	926	460	(466)
Total miscellaneous revenues	6,332	9,620	9,616	(4)
Total budgetary revenues	1,132,170	1,130,639	1,145,218	14,579
<b>BUDGETARY EXPENDITURES:</b>				
<b>GENERAL GOVERNMENTAL ADMINISTRATION:</b>				
Board of County Supervisors	3,988	4,063	3,487	576
County Attorney	3,916	3,939	3,890	49
Office of Executive Management	9,810	9,899	9,664	235
Finance	21,073	21,122	20,403	719
Audit Services	773	669	675	(6)
Human Rights	852	791	779	12
Board of Registration/Elections	1,855	1,992	1,989	3
Mailroom and Print Shop	523	719	707	12
Fleet	2,683	4,054	4,045	9
Contingency reserve	544	-	-	-
Unemployment insurance reserves	125	70	65	5
Total general governmental administration	46,142	47,318	45,704	1,614

Schedule of Budgetary Revenues, Budgetary Expenditures and Changes in Budgetary Fund Balance - Budget and Actual  
(UNAUDITED - BUDGET PREPARED ON A NON-GAAP BASIS)

For the Year Ended June 30, 2019  
(amounts expressed in thousands)

	Budgeted Amounts		2019 Actuals	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
<b>JUDICIAL ADMINISTRATION:</b>				
Commonwealth's Attorney	6,270	6,193	6,153	40
Sheriff	10,866	10,958	10,872	86
Juvenile and Domestic Relations Court	109	108	89	19
Clerk of Court/Judges Chambers	4,853	5,445	5,083	362
General District Court	280	292	205	87
Magistrates	116	114	110	4
Total judicial administration	22,494	23,110	22,512	598
<b>PUBLIC SAFETY:</b>				
Public Works - Development	2,718	2,798	2,577	221
Police	107,018	110,129	109,857	272
Juvenile Court Services Unit	935	1,028	890	138
Adult Detention Center	30,512	29,070	28,713	357
Correction and detention of youth	7,718	7,806	7,799	7
Criminal Justice Services	4,438	4,462	4,309	153
Public Safety Communications	11,207	11,083	10,767	316
Fire and Rescue	93,052	95,224	93,844	1,380
Northern Virginia Criminal Justice Training Academy	372	372	359	13
Total public safety	257,970	261,972	259,115	2,857
<b>PUBLIC WORKS:</b>				
Public Works	28,945	29,682	29,262	420
Transportation	2,850	3,125	2,856	269
Property and Miscellaneous Insurance	7,241	1,114	1,114	-
Total public works	39,036	33,921	33,232	689
<b>HEALTH AND WELFARE:</b>				
Social Services	44,118	50,250	49,878	372
Public Health	3,402	3,422	3,253	169
Community Services Board	46,943	47,562	45,251	2,311
Aging	6,156	6,422	5,996	426
Total health and welfare	100,619	107,656	104,378	3,278
<b>EDUCATION:</b>				
Schools	582,640	473,517	473,433	84
<b>PARKS, RECREATIONAL AND CULTURAL:</b>				
Parks and recreation	30,945	34,370	32,584	1,786
Library	17,759	17,653	17,061	592
Total parks, recreational and cultural	48,704	52,023	49,645	2,378
<b>COMMUNITY DEVELOPMENT:</b>				
Planning	3,966	4,038	3,940	98
Economic and community development	5,948	8,184	5,901	2,283
Extension and continuing education	921	1,035	926	109
Total community development	10,835	13,257	10,767	2,490
<b>DEBT SERVICE:</b>				
Principal retirement	26,131	97,685	97,685	-
Interest and other debt costs	14,858	48,802	48,358	444
Total debt service	40,989	146,487	146,043	444
Total budgetary expenditures	1,149,429	1,159,261	1,144,829	14,432
Excess / (deficiency) of budgetary revenues over / (under) expenditures	(17,259)	(28,622)	389	29,011
<b>OTHER FINANCING SOURCES / (USES):</b>				
<b>TRANSFERS IN FROM:</b>				
Fire & rescue levy fund	23,636	24,336	24,336	-
Special Revenue funds	7,445	7,452	7,433	(19)
Capital projects funds	190	14,258	14,258	-
Internal service funds	-	1,366	1,366	-
Enterprise funds	1,922	1,169	1,169	-
Total transfers in	33,193	48,581	48,562	(19)

Schedule of Budgetary Revenues, Budgetary Expenditures and Changes in Budgetary Fund Balance - Budget and Actual  
(UNAUDITED - BUDGET PREPARED ON A NON-GAAP BASIS)

For the Year Ended June 30, 2019  
(amounts expressed in thousands)

	Budgeted Amounts		2019 Actuals	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
<b>TRANSFERS OUT TO:</b>				
Special revenue funds	(4,371)	(4,551)	(4,550)	1
Capital projects funds	(10,159)	(58,284)	(58,219)	65
Internal service funds	-	(122)	(122)	-
Enterprise Funds	(1,791)	(4,225)	(4,225)	-
Total transfers out	(16,321)	(67,182)	(67,116)	66
<b>NON-REVENUE RECEIPTS:</b>				
Insurance claims and recoveries	-	-	13	13
Sale of surplus property	174	174	369	195
Total non-revenue receipts	174	174	382	208
Total other financing sources / (uses)	17,046	(18,427)	(18,172)	255
Net change in budgetary fund balance	(213)	(47,049)	(17,783)	29,266
<b>BUDGETARY FUND BALANCE, beginning of year</b>	<b>218,662</b>	<b>218,662</b>	<b>218,662</b>	<b>-</b>
<b>BUDGETARY FUND BALANCE, end of year</b>	<b>\$ 218,449</b>	<b>171,613</b>	<b>200,879</b>	<b>29,266</b>
<b>Reconciliation of Budgetary Basis to GAAP Basis:</b>				
From use of money and property (Schedule 1)	\$ 11,219	266	4,906	4,640
Current year fair value adjustment	-	-	19,267	19,267
From use of money and property (Exhibit 5)	11,219	266	24,173	23,907
Cumulative fair value adjustments of prior periods	-	-	(24,915)	(24,915)
<b>BUDGETARY FUND BALANCE, end of year</b>	<b>218,449</b>	<b>171,613</b>	<b>200,879</b>	<b>29,266</b>
Total adjustments	-	-	(5,648)	(5,648)
<b>FUND BALANCE, end of year</b>	<b>\$ 218,449</b>	<b>171,613</b>	<b>195,231</b>	<b>23,618</b>

Schedule of Budgetary Revenues, Budgetary Expenditures and Changes in Budgetary Fund Balance - Budget and Actual  
(UNAUDITED - BUDGET PREPARED ON A NON-GAAP BASIS)

For the Year Ended June 30, 2019  
(amounts expressed in thousands)

	Budgeted Amounts		2019 Actuals	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
<b>BUDGETARY REVENUES:</b>				
General property taxes	\$ 47,433	47,433	47,100	(333)
From use of money and property	1,000	1,300	876	(424)
Miscellaneous	1,000	-	23	23
Total budgetary revenues	49,433	48,733	47,999	(734)
<b>BUDGETARY EXPENDITURES:</b>				
Public Safety - Fire & Rescue	39,083	38,773	32,176	6,597
Total budgetary expenditures	39,083	38,773	32,176	6,597
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out to:				
General fund	(23,636)	(24,336)	(24,336)	-
Capital projects funds	(315)	(315)	(315)	-
Internal service funds	(98)	(98)	(98)	-
Sales of surplus property	-	-	22	22
Total other financing sources / (uses)	(24,049)	(24,749)	(24,727)	22
Net change in budgetary fund balance	(13,699)	(14,789)	(8,904)	5,885
<b>BUDGETARY FUND BALANCE, beginning of year</b>	46,669	46,669	46,669	-
<b>BUDGETARY FUND BALANCE, end of year</b>	\$ 32,970	31,880	37,765	5,885
<b>Reconciliation of Budgetary Basis to GAAP Basis:</b>				
From use of money and property (Schedule 2)	\$ 1,000	1,300	876	(424)
Current year fair value adjustment	-	-	1,038	1,038
From use of money and property (Exhibit 5)	1,000	1,300	1,914	614
Cumulative fair value adjustments of prior periods	-	-	(2,385)	(2,385)
<b>BUDGETARY FUND BALANCE, end of year</b>	32,970	31,880	37,765	5,885
Total adjustments	-	-	(1,347)	(1,347)
<b>FUND BALANCE, end of year</b>	\$ 32,970	31,880	36,418	4,538

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**APPENDIX C**

**FORM OF BOND COUNSEL OPINION**

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FORM OF BOND COUNSEL OPINION

June 18, 2020

Prince William Board of County Supervisors  
Prince William, Virginia

As bond counsel to Prince William County, Virginia (the “County”), we have examined certified copies of the legal proceedings, including the election proceedings, and other proofs submitted, relative to the issuance and sale of

\$24,465,000  
Prince William County, Virginia  
General Obligation Public Improvement Refunding Bonds, Series 2020A (the “Series 2020A Bonds”)  
and  
\$72,220,000  
Prince William County, Virginia  
Taxable General Obligation Public Improvement Refunding Bonds, Series 2020B  
(the “Series 2020B Bonds,” and together with the Series 2020A Bonds, the “Bonds”)

The Series 2020A Bonds are dated the date of their delivery, mature in annual installments on August 1 in each of the years 2021 to 2030, inclusive, and bear interest payable on the 1st days of February and August in each year, commencing August 1, 2020. The Series 2020B Bonds are dated the date of their delivery, mature in annual installments on August 1 in each of the years 2021 to 2035 inclusive, and bear interest payable on the 1st days of February and August in each year, commencing August 1, 2020. The Bonds are subject to redemption prior to their respective maturities in the manner and upon the terms and conditions set forth in the resolution authorizing the issuance of the Bonds adopted by the Prince William Board of County Supervisors on April 28, 2020 (the “Bond Resolution”).

From such examination, we are of the opinion that:

(1) Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to the Constitution and laws of Virginia, and the Bonds constitute valid and binding general obligations of the County, for the payment of which the full faith and credit of the County are pledged, and all taxable property in the County is subject to the levy of an *ad valorem* tax, without limitation as to rate or amount, for the payment of the Bonds and the interest thereon, which tax shall be in addition to all other taxes authorized to be levied in the County to the extent other funds of the County are not lawfully available and appropriated for such purpose.

(2) Except as provided in the following sentence, interest on the Series 2020A Bonds is not includable in the gross income of the owners thereof for federal income tax purposes under current law. Interest on the Series 2020A Bonds will be includable in the gross income of the owners thereof retroactive to the date of issue of the Series 2020A Bonds in the event of a failure by the County or the School Board of the County to comply with applicable requirements of the Internal Revenue Code of 1986, as amended (the “Code”), and its covenants regarding use, expenditure, and investment of the proceeds of the Series 2020A Bonds and the timely payment of certain investment earnings to the United States Treasury, and we render no opinion as to the effect on the exclusion from gross income of the

interest on the Series 2020A Bonds for federal income tax purposes of any action taken or not taken without our approval or upon the advice or approval of counsel other than us.

(3) Interest on the Series 2020A Bonds is not an item of preference for purposes of the federal alternative minimum tax.

(4) Under existing law, interest on the Series 2020A Bonds is excluded from Virginia taxable income for purposes of the individual income tax and the income taxation of corporations by the Commonwealth of Virginia under Sections 58.1-322 and 58.1-402 of the Code of Virginia of 1950, as amended (the "Virginia Code").

The Code and the Virginia Code contain other provisions that could result in tax consequences, as to which we render no opinion, as a result of ownership of the Bonds or the inclusion in certain computations of interest that is excluded from gross income.

The Code contains other provisions that could result in tax consequences, as to which we render no opinion, as a result of ownership of the Series 2020A Bonds or the inclusion in certain computations of interest that is excluded from gross income.

Respectfully submitted,

**APPENDIX D**

**FORM OF CONTINUING DISCLOSURE AGREEMENT**

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FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this “Agreement”), dated as of June 18, 2020, is executed and delivered in connection with the issuance by Prince William County, Virginia (the “County”), of its \$24,465,000 General Obligation Public Improvement Refunding Bonds, Series 2020A (the “Series 2020A Bonds”), and its \$72,220,000 Taxable General Obligation Public Improvement Refunding Bonds, 2020B (the “Series 2020B Bonds” and together with the Series 2020A Bonds, the “Bonds”), dated June 18, 2020, and pursuant to a resolution adopted by the Board of County Supervisors of the County on April 28, 2020 (the “Resolution”). Capitalized terms used in this Agreement 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 Agreement shall have the following respective meanings:

“**Annual Financial Information**” means, collectively, (1) the financial information and operating data with respect to the County for each fiscal year of the type described in *Appendix A* to the Official Statement under the captions “Assessed and Estimated Market Value of Taxable Property,” “Taxable Retail Sales,” “General Fund Revenues, Expenditures, Transfers and Changes in Fund Balance,” “General Fund Tax Revenues by Source,” “Property Tax Levies and Collections,” “Property Tax Rates per \$100 of Assessed Value,” “General Fund Balances,” “Net Tax-Supported Debt Outstanding,” and “Debt Service by Fiscal Year,” and (2) information regarding any amendments to this Agreement required pursuant to Sections 4.2(c) and (d) of this Agreement. Annual Financial Information shall include Audited Financial Statements, if available, or Unaudited Financial Statements.

The descriptions contained in clause (1) above of financial information and operating data constituting Annual Financial Information are of general categories of financial information and operating data. Where such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided in lieu of such information.

“**Audited Financial Statements**” means the annual financial statements, if any, of the County, audited by such auditor as shall then be required or permitted by State law or the Resolution. Audited Financial Statements shall be prepared in accordance with GAAP for governmental units as prescribed by GASB; provided, however, that the County may from time to time, if required by federal or State legal requirements, modify the basis upon which its financial statements are prepared.

“**Counsel**” means Norton Rose Fulbright US LLP, or other nationally recognized bond counsel or counsel expert in federal securities laws, in each case acceptable to the County.

“**Filing Date**” shall have the meaning given to such term in Section 3(a) hereof.

“**Financial Obligation**” means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that “financial

obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

“**Fiscal Year**” shall mean the twelve month period at the end of which financial position and results of operations are determined. Currently, the County’s Fiscal Year begins July 1 and continues through June 30 of the next calendar year.

“**GAAP**” means generally accepted accounting principles for governmental units as prescribed by the Governmental Accounting Standards Board (“GASB”).

“**Holder**” or “**holder**” shall mean, for purposes of this Disclosure Agreement, any person who is a record owner or beneficial owner of a Bond.

“**Material Event**” means any of the following events with respect to the Bonds, whether relating to the County or otherwise:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults; if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 570-TEB) or other material notices or determinations with respect to or events affecting the tax status of the Bonds;
- (g) modifications to rights of holders, if material;
- (h) bond calls, if material, and tender offers;
- (i) defeasances;
- (j) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar event of the County;
- (m) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating any such actions, other than pursuant to its terms, if material;
- (n) appointment of a successor or additional paying agent or the change of name of a paying agent, if material;

- (o) incurrence of a Financial Obligation of the County, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the County, any of which affect security holders, if material; and
- (p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the County, any of which reflect financial difficulties.

For these purposes, (a) any event described in the immediately preceding clause (1) of the defined term “Material 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 United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the County or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers of the County 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, and (b) the County intends the words used in the immediately preceding clauses (o) and (p) of the defined term “Material Event” and the definition of Financial Obligation in this Section 1.1 to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

**“Material Event Notice”** means notice of a Material Event.

**“MSRB”** means the Municipal Securities Rulemaking Board established pursuant to the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended.

**“Official Statement”** means the “final official statement” with respect to the Bonds as defined in paragraph (f)(3) of the Rule.

**“Participating Underwriter”** shall mean any of the original underwriters of the County’s Bonds required to comply with the Rule in connection with the offering of such Bonds.

**“Repository”** means The Electronic Municipal Market Access (“EMMA”) system administered by the MSRB. EMMA is recognized as a national Repository for purposes of the Rule.

**“Rule”** means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934, as amended (17 CFR Part 240, § 240.15c2-12), as in effect on the date of this Agreement, including any official interpretations thereof issued either before or after the effective date of this Agreement which are applicable to this Agreement.

**“SEC”** means the United States Securities and Exchange Commission.

**“State”** means the Commonwealth of Virginia.

**“Unaudited Financial Statements”** has the same meaning as Audited Financial Statements, except the same shall not have been audited.

**“Underwriters”** means the winning bidder of the Bonds.

## ARTICLE II THE UNDERTAKING

**Section 2.1. Purpose.** This Agreement shall constitute a written undertaking for the benefit of the holders of the Bonds, and 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, that is not later than March 31 after the end of any fiscal year (commencing with its fiscal year ending June 30, 2020), to the Repository.

(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 Repository.

**Section 2.3. Audited Financial Statements.** If not provided in conjunction with the Annual Financial Information by the dates required by Section 2.2(a) hereof, the County shall provide Audited Financial Statements, when and if available, to the Repository.

### **Section 2.4. Notices of Material Events.**

(a) If a Material Event occurs, the County shall provide, a Material Event Notice to the Repository no later than ten (10) business days after the occurrence of such Material Event.

(b) Upon any legal defeasance of the Bonds, the County shall provide notice of such defeasance to each the Repository, which notice shall state whether the Bonds to be defeased have been defeased to maturity or to a redemption date and the timing of such maturity or redemption.

**Section 2.5. Additional Disclosure Obligations.** The County acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and SEC Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the County, and that under some circumstance compliance with this Agreement, without additional disclosures or other action, may not fully discharge all duties and obligations of the County under such laws.

**Section 2.6. Additional Information.** Nothing in this Agreement shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information or Material Event Notice, in addition to that which is required by this Agreement. If the County chooses to include any information in any Annual Financial Information or Material Event Notice in addition to that which is specifically required by this Agreement, the County shall have no obligation under this Agreement to update such information or include it in any future Annual Financial Information or Material Event Notice.

**Section 2.7. No Previous Non-Compliance.** The County represents that, except as disclosed in the Official Statement dated, May 27, 2020, with respect to the Bonds, it has not failed to comply in any material respect during the five-year period preceding the date of the Official Statement, with any previous undertaking in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule.

### 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) either (1) provided to Repository, or (2) filed with the SEC, or (ii) if such a document is an Official Statement, available from the Repository.

**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. Material Event Notices.** Each Material Event Notice shall be so captioned and shall prominently state the title, date and CUSIP numbers of the Bonds.

**Section 3.4. Transmission of Information and Notices.** Unless otherwise required by law and, in the County's sole determination, subject to technical and economic feasibility, the County shall employ such methods of information and notice transmission as shall be requested or recommended by the herein-designated recipients of the County's information and notices.

### ARTICLE IV TERMINATION, AMENDMENT AND ENFORCEMENT

#### **Section 4.1. Termination.**

(a) The County's obligations under this Agreement shall terminate upon legal defeasance, prior redemption or payment in full of all of the Bonds.

(b) This Agreement or any provision hereof shall be null and void in the event that the County (1) receives an opinion of Counsel, addressed to the County, to the effect that those portions of the Rule which require the provisions of this Agreement or any of such provisions do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to the Repository.

#### **Section 4.2. Amendment.**

(a) This Agreement may be amended, by written agreement 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: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the County or the type of business conducted thereby, (2) this Agreement as so amended would have complied with the requirements of the Rule as of the date of this Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the County shall have received an opinion of Counsel addressed to the County, to the same effect as set forth in clause (2) above and further to the effect that the amendment does not materially impair the interests of the holders of the Bonds and (4) the County delivers copies of such opinion and amendment to the Repository.

(b) In addition to subsection (a) above, this Agreement may be amended and any provision of this Agreement may be waived, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date hereof which is applicable to this Agreement,

(2) the County shall have received an opinion of Counsel to the effect that performance by the County under this Agreement as so amended or giving effect to such waiver, as the case may be, will not result in a violation of the Rule and (3) the County shall have delivered copies of such opinion and amendment to the Repository.

(c) To the extent any amendment to this Agreement results in a change in the types of financial information or operating data provided pursuant to this Agreement, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change.

(d) If an amendment is made to the accounting principles to be followed in preparing financial statements, the Annual Financial Information for the year in which the change is made shall present, to the extent practicable, a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

#### **Section 4.3. Benefit; Third-Party Beneficiaries; Enforcement.**

(a) The provisions of this Agreement shall constitute a contract with and inure solely to the benefit of the holders from time to time of the Bonds. Beneficial owners of Bonds shall be third-party beneficiaries of this Agreement.

(b) Except as provided in this subparagraph (b), the provisions of this Agreement shall create no rights in any person or entity. The obligations of the County to comply with the provisions of this Agreement shall be enforceable by the holders of the Bonds, including beneficial owners thereof. The rights of the holders of Bonds to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the County's obligations under this Agreement and the Resolution. In consideration of the third-party beneficiary status of beneficial owners of 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 Agreement shall not constitute a default under the Resolution and any rights and remedies provided by the Resolution upon the occurrence of a default shall not apply to any such failure.

(d) This Agreement shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Agreement shall be instituted in a court of competent jurisdiction in the State; provided, however, that to the extent this Agreement addresses matters of federal securities laws, including the Rule, this Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

**IN WITNESS WHEREOF**, the undersigned has executed this Agreement as of the date first above written.

**PRINCE WILLIAM COUNTY, VIRGINIA**

By: \_\_\_\_\_  
Director of Finance

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