

THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

County of Chesterfield, Virginia

for the year ended June 30, 2012



The Greater Richmond Aquatics Partnership (GRAP), opened in the spring of 2012,
is a state-of-the art indoor aquatics center in Chesterfield County, Virginia

COUNTY OF CHESTERFIELD, VIRGINIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2012

Prepared by
Accounting Department
Patsy J. Brown, CPA, Director

Chesterfield County, Virginia

MISSION

Providing a FIRST CHOICE Community through Excellence in Public Service

VISION

Our vision is to be the recognized leader in government, the standard by which others measure their progress and success. Every employee has a personal devotion to excellence in public service and embraces the highest standards of ethics and integrity. Every resident takes pride in knowing that the County provides the finest quality of life available in any American community.

GUIDING PRINCIPLES AND VALUES

County employees and residents are shareholders in the County's future and share a commitment to fairness, integrity, diversity and fiscal accountability.

As models for excellence, County leaders and employees uphold the following values in the operation of the local government:

Continuous Improvement
Customer Focus
Data-Driven Decisions
Employee Involvement
Ethical Behavior
Leadership
Open Communications
Progressive Thinking
Teamwork

**County of Chesterfield, Virginia
Comprehensive Annual Financial Report
Table of Contents**

INTRODUCTORY SECTION

	<u>Page</u>
Letter of Transmittal.....	1
Certificate of Achievement.....	7
Organization Chart	8
Directory of Officials	9

FINANCIAL SECTION

Independent Auditors' Report.....	12
Management's Discussion and Analysis (unaudited)	15

Basic Financial Statements

Exhibit

Government-wide Financial Statements

I	Statement of Net Assets	28
II	Statement of Activities	29

Fund Financial Statements

Governmental Funds' Financial Statements

III	Balance Sheet with Reconciliation to Government-wide Statement of Net Assets.....	30
IV	Statement of Revenues, Expenditures and Changes in Fund Balances with Reconciliation to Government-wide Statement of Activities	31
V	Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund.....	33

Proprietary Funds' Financial Statements

VI	Statement of Net Assets	35
VII	Statement of Revenues, Expenses and Changes in Fund Net Assets	37
VIII	Statement of Cash Flows.....	38

Fiduciary Funds' Financial Statements

IX	Statement of Fiduciary Net Assets	40
X	Statement of Changes in Fiduciary Net Assets	41

Component Units' Financial Statements

XI	Statement of Net Assets	42
XII	Statement of Activities	43

County of Chesterfield, Virginia
Comprehensive Annual Financial Report
Table of Contents

	<u>Page</u>
Notes to Financial Statements	
1. Summary of Significant Accounting Policies	44
2. Stewardship, Compliance, and Accountability.....	51
3. Significant Transactions of the County and Discretely Presented Component Units.....	56
4. Deposits and Investments	57
5. Receivables	64
6. Payables	66
7. Reporting Entity – Internal Transactions	67
8. Capital and Intangible Assets	69
9. Long-term Obligations	73
10. Commitments and Contingent Liabilities.....	84
11. Risk Management – Claims Liability	84
12. Retirement Plans.....	85
13. Other Postemployment Benefit Plans	92
14. Joint Ventures	98
15. Jointly Governed Organizations	101
Required Supplementary Information (unaudited)	
Primary Government	
Schedule of Funding Progress – Virginia Retirement System	104
Schedule of Funding Progress – Supplemental Retirement Plan	104
Schedule of Employer Contributions – Supplemental Retirement Plan	104
Schedule of Funding Progress – Other Postemployment Benefits Plan	104
Schedule of Funding Progress – Other Postemployment Benefits Plan – Line of Duty.....	104
Component Unit – School Board	
Schedule of Funding Progress – Virginia Retirement System	105
Schedule of Funding Progress – Supplemental Retirement Program	105
Schedule of Employer Contributions – Supplemental Retirement Program	105
Schedule of Funding Progress – Other Postemployment Benefits Plan	105
Supplementary Information	
Primary Government Combining Statements and Schedules	
<u>Schedule</u>	
A-1 Combining Balance Sheet – Non-major Governmental Funds.....	109
A-2 Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-major Governmental Funds	110
A-3 Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund.....	111
A-4 Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Comprehensive Services Fund	116
A-5 Combining Statement of Net Assets – Internal Service Funds.....	118
A-6 Combining Statement of Revenues, Expenses and Changes in Net Assets – Internal Service Funds	119
A-7 Combining Statement of Cash Flows – Internal Service Funds	120
A-8 Combining Balance Sheet – Agency Funds	122
A-9 Combining Statement of Changes in Assets and Liabilities – Agency Funds	123

County of Chesterfield, Virginia
Comprehensive Annual Financial Report
Table of Contents

	<u>Page</u>
Capital Assets Used in the Operation of Governmental Funds	
B-1	Schedule of Capital Assets by Function and Activity 126
B-2	Schedule of Changes in Capital Assets by Function and Activity..... 128
B-3	Schedule of Capital Assets by Source 130
School Board Component Unit Fund Statements and Schedules	
C-1	Balance Sheet with Reconciliation to Government-wide Statement of Net Assets – Governmental Fund 132
C-2	Statement of Revenues, Expenditures and Changes in Fund Balance with Reconciliation to Government-wide Statement of Activities – Governmental Fund 133
C-3	Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – School Operating Fund 134
C-4	Statement of Fiduciary Net Assets..... 136
C-5	Statement of Changes in Fiduciary Net Assets 137
Single Audit Schedule and Notes	
D-1	Schedule of Expenditures of Federal Awards 140
D-2	Notes to Schedule of Expenditures of Federal Awards 143

STATISTICAL SECTION (UNAUDITED)

I	Net Assets by Component – Last Ten Fiscal Years 147
II	Changes in Net Assets – Last Ten Fiscal Years..... 148
III	Fund Balances, Governmental Funds – Last Ten Fiscal Years 150
IV	Changes in Fund Balances, Governmental Funds – Last Ten Fiscal Years 151
V	General Governmental Tax Revenue by Source – Last Ten Fiscal Years..... 152
VI	Assessed and Estimated Market Values of Taxable Property – Last Ten Fiscal Years..... 153
VII	Property Tax Rates – Last Ten Fiscal Years 154
VIII	Principal Property Taxpayers – Current Year and Nine Years Ago..... 155
IX	Property Tax Levies and Collections – Last Ten Fiscal Years 156
X	Ratios of Outstanding Debt by Type – Last Ten Fiscal Years 157
XI	Ratios of General Obligation Bonded Debt Outstanding – Last Ten Fiscal Years 158
XII	Pledged Revenue Coverage – Last Ten Fiscal Years 159
XIII	Demographic Statistics – Last Ten Years..... 160
XIV	Principal Private Employers – Current Year and Nine Years Ago 161
XV	Full-time County Employees by Function – Last Ten Fiscal Years 162
XVI	Operating Indicators by Function – Last Ten Fiscal Years 163
XVII	Capital Asset Statistics by Function – Last Ten Fiscal Years..... 164

COMPLIANCE SECTION

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	166
Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.....	168
Independent Auditors' Report on Compliance with Commonwealth of Virginia Laws, Regulations, Contracts and Grants	170
Schedule of Findings and Questioned Costs	
Part 1 – Summary of Auditors' Results	172
Part 2 – Financial Statement Findings Section	172
Part 3 – Federal Award Findings and Questioned Costs Section	172
Part 4 – Commonwealth of Virginia Compliance Findings Section	174



INTRODUCTORY SECTION





Chesterfield County, Virginia

James J. L. Stegmaier, County Administrator

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BOARD OF SUPERVISORS

DANIEL A. GECKER, CHAIRMAN

Midlothian District

DOROTHY JAECKLE, VICE CHAIRMAN

Bermuda District

ARTHUR S. WARREN

Clover Hill District

JAMES M. “Jim” HOLLAND

Dale District

STEPHEN A. ELSWICK

Matoaca District

November 15, 2012

The Honorable Members of the Board of Supervisors
County of Chesterfield, Virginia

Members of the Board:

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of Chesterfield County (the County) for the fiscal year ended June 30, 2012. State law requires that local governments have all their accounts and records, including accounts and records of their constitutional officers, audited annually as of June 30 by an independent certified public accountant and that they submit an audited financial report on or before November 30 to the Auditor of Public Accounts of the Commonwealth of Virginia (APA). The Accounting Department has prepared this report in accordance with the standards of financial reporting as prescribed by the Governmental Accounting Standards Board, and the APA.

The CAFR was prepared with an emphasis on full disclosure of the financial activities of the County. Responsibility for both the completeness and the reliability of the contents rests with County management. To provide a reasonable basis for making these representations, management of the County has established a comprehensive internal control framework that is designed both to protect the County's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with U. S. generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

KPMG LLP, a firm of licensed certified public accountants, audited the County's basic financial statements as of and for the fiscal year ended June 30, 2012. The independent auditors planned and performed the audit to obtain reasonable assurance about whether the basic financial statements of the County as of and for the fiscal year ended June 30, 2012, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for forming and expressing unqualified opinions that the County's basic financial statements as of and for the fiscal year ended June 30, 2012, are fairly presented, in all material respects, in conformity with GAAP. The independent auditors' report on the basic financial statements is presented as the first component of the financial section of this report.

The independent audit of the basic financial statements of the County was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditors to report not only on the fair presentation of the basic financial statements, but also on the audited government's compliance with federal requirements that could have a direct and material effect on each of its major federal programs and on internal control over compliance in accordance with the U. S. Office of Management and Budget Circular A-133. The independent auditors' report on the Single Audit for the County is available in the compliance section of this report.

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

Profile of the Government

The County is located in east-central Virginia, adjacent to the City of Richmond, and is a growing suburban, residential area, with concurrent commercial growth and industrial development. The County encompasses a land area of approximately 446 square miles with a population of approximately 319,000. A large portion of the land in the County, especially in the southwestern area, remains rural. The County is empowered to levy a property tax on both real and personal properties located within its boundaries.

Effective January 1, 1988, the County began operating pursuant to a County Charter approved by the citizens of the County in a referendum election and subsequently enacted by the Virginia General Assembly. The governing body of the County is the Board of Supervisors (Board) that establishes policies for the administration of the County. The Board is composed of five members, one member elected from each of five magisterial districts. Members must be a resident of the district that he or she serves and are elected for four-year terms. The current Board was elected on November 8, 2011. The Board appoints a chief executive officer, known as a County Administrator, who serves at the pleasure of the Board and carries out the policies established by the Board.

The County provides a full range of municipal services. Major programs include public safety, health and welfare, parks, recreation and cultural activities and community development. Additionally, the County operates a general aviation airport and water and wastewater utility systems.

The financial reporting entity includes all of the funds of the County, the primary government, as well as all of its component units. Five discretely presented component units (i.e., School Board, Economic Development Authority, Watkins Centre Community Development Authority, Chippenham Place Community Development Authority and Health Center Commission) are included in the reporting entity because of the County's financial accountability for these organizations; however, these component units are reported separately within the County's basic financial statements. Additional information concerning these legally separate organizations can be found in Note 1 to the basic financial statements.

The biennial budget serves as the foundation for the County's financial planning and control. The biennium begins on July 1st of even-numbered years and the second year of the biennium begins on July 1st of odd-numbered years. In the first year of the biennium, the first year's expenditures are appropriated and the second year's expenditures are approved. In the second year of the biennium, the Board amends what was planned for the second year and appropriates funds at the amended level. The Board is required to hold a public hearing on the proposed budget and to adopt a final budget by May 1st of each year. The appropriated budget is at the function level for the General Fund and at the fund level for the Comprehensive Services Fund. The County Administrator is authorized to amend appropriations by transferring any unencumbered balance or portion thereof from one classification of expenditure to another within the same department or appropriation category and may transfer up to \$50,000 from the unencumbered appropriated balance of one appropriation category to another appropriation category. No more than one transfer may be made for the same item causing the need for a transfer, unless the total amount to be transferred for the item does not exceed \$50,000. The Board must approve most other amendments that increase the total appropriation of any function level.

Factors Affecting Economic Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the County operates.

Local economy

Economic activity in the County is closely associated with that of the Richmond metropolitan area. Historically, the County has attracted a highly skilled labor force to quality jobs created in the region, which positions the County to prosper during healthy economic times and to weather downturns in the economy favorably when compared to other localities within the Richmond metropolitan area. The County's annual unemployment rate of 6.1% in calendar year 2011 was an improvement over the previous year's annual rate of 6.9%. The County fared better than the 2011 unemployment rates of the Richmond/Petersburg metropolitan statistical area (Richmond/Petersburg MSA) of 6.9% and was comparable to the Commonwealth of Virginia (Commonwealth) rate of 6.2%. The County's unemployment rate of 5.6% for August 2012 compared favorably to the MSA's rate of 6.4% and the Commonwealth's rate of 5.8%. Improvements in unemployment are expected to be gradual as the economy continues to rebuild job growth lost during the recession.

Labor Market Characteristics

Calendar Year	Civilian Labor Force	Total Employment	Percentage Unemployed			
			Chesterfield County	Richmond/ Petersburg MSA	Commonwealth of Virginia	United States
2002	148,227	143,184	3.4%	4.1%	4.2%	5.8%
2003	151,694	146,367	3.5	4.2	4.1	6.0
2004	156,178	151,071	3.3	3.9	3.7	5.5
2005	159,633	154,634	3.1	3.7	3.5	5.1
2006	164,385	159,854	2.8	3.2	3.0	4.6
2007	166,183	161,825	2.6	3.1	3.1	4.6
2008	169,320	163,080	3.7	4.2	4.0	5.8
2009	169,835	158,366	6.8	7.7	6.9	9.3
2010	175,114	163,080	6.9	7.8	6.9	9.6
2011	177,154	166,299	6.1	6.9	6.2	8.9

The County recognizes the importance of expanding its business and industrial tax base to ease the burden on residential property owners and is committed to promoting economic development. During fiscal year 2012, the County's Department of Economic Development assisted numerous Chesterfield companies in expanding their existing businesses and helped attract significant new business to the area. Business announcements included investments of approximately \$354.9 million and the creation of over 2,200 new jobs. Economic development successes for fiscal year 2012 reflect the County's continued ability to attract a broad range of services and industry to the area and encompass projects in the manufacturing, product distribution, technology and sports tourism sectors.

Amazon.com (Amazon), a Fortune 500 retailer, announced in December 2011 that it would build a one million square foot fulfillment center at the Meadowville Technology Park. Amazon will invest \$85 million and create approximately 1,000 new jobs. With the new distribution center located within multiple interstate corridors, Amazon will fulfill orders from placement to delivery within their target customer range in just one or two days. The new facility is expected to be fully operational in time for the holiday season and shipped its first orders in early October 2012.

Capital One Financial Corporation (Capital One) announced that it will invest \$175 million to establish a data center in the County and will create approximately 50 new jobs. The data center will be located in the Meadowville Technology Park and is part of Capital One's core IT infrastructure that incorporates new technologies to better meet customer needs.

Sabra Dipping Company (Sabra), the country's leading hummus manufacturer, will expand its Silver LEED certified food manufacturing operation in the County and will establish a Center of Excellence research and development facility on its 49 acre campus located in the Ruffin Mill Industrial Park. Sabra will significantly expand its production capacity by 50 percent in response to the continued increased demand for its hummus. The Center of Excellence will establish best practices on all aspects of culinary, food science, production, engineering, packaging, supply chain and product delivery, and also lead groundbreaking agricultural initiatives with local universities to increase the use of local resources. The 20,000 square foot facility will feature a state

of the art culinary center, ideation space, a pilot plant, offices and research centers. These and associated investments will total \$28 million and create approximately 90 new jobs once completed.

Honeywell, a Fortune 100 manufacturing and technology company, will invest over \$27 million to expand its Advanced Fibers and Composites (AF&C) operations in the County. AF&C manufactures the lightest, strongest polyethylene fiber available anywhere in the world and is a premier supplier of life-saving materials for bullet-resistant vests and helmets as well as for industrial applications. The project will create at least 53 new full-time jobs over the next three years.

Historically, trends in taxable retail sales in the County have compared favorably to the Richmond/Petersburg MSA and the Commonwealth. Retail sales appear to be rebounding from the recession as all three statistical areas show a positive year-over-year change in taxable retail sales for calendar year 2011. The average annual rate of change in the County over the period 2002-2011 was 2.6% compared to 2.4% for the Richmond/Petersburg MSA and the Commonwealth.

Taxable Retail Sales⁽¹⁾
(\$ in 000's)

Calendar Year	Chesterfield County	% Change	Richmond/ Petersburg MSA	% Change	Commonwealth of Virginia	% Change
2002	2,713,035	3.4	11,392,015	2.1	70,645,313	2.8
2003	2,946,806	8.6	12,070,640	6.0	74,973,562	6.1
2004	3,083,206	4.6	13,146,796	8.9	81,291,117	8.3
2006	3,419,399	5.5	14,516,521	5.2	89,478,625	5.0
2007	3,593,576	5.1	15,198,975	4.7	92,043,249	2.9
2008	3,563,713	(0.8)	14,932,705	(1.8)	90,106,122	(2.1)
2009	3,345,048	(6.1)	14,150,214	(5.2)	85,869,132	(4.7)
2010	3,363,333	0.5	13,967,670	(1.3)	86,420,964	0.6
2011	3,502,240	4.1	14,472,427	3.6	89,070,341	3.1

Source: Weldon Cooper Center for Public Service/University of Virginia

⁽¹⁾ Due to a database system change at the Commonwealth of Virginia, taxable retail sales information for 2005 is not available. The percentage change for 2006 is the average change from 2004 to 2006.

The County continues to expand its revenue base by attracting an increasingly diversified pool of taxpayers and employers. In the current fiscal year, the top ten taxpayers accounted for 5.7% of the County's total assessed value tax base. This indicator compares favorably to 7.6% in fiscal year 2003. As of January 2012, the top ten employers accounted for 7.5% of total County employment. This indicator compares favorably to 9.3% in the same time period for 2003. The County's taxpayer and employment bases contain a broad range of industries including manufacturing, healthcare, retail sales and financial services. Detailed information regarding these statistics can be found on pages 155 and 161, respectively.

Long-term financial planning

The County prepares and approves a biennial financial plan which balances revenues and expenditures within available resources and forecasts projections for the three years succeeding each biennium. These multi-year projections permit policy makers and staff to plan ahead for future needs and to manage growth of services. Additionally, the multi-year budgeting process allows the County to systematically plan for multi-year acquisitions and program financing, thereby allowing for maximized cash flow and investment. Development of this plan is guided by the strategic plan and provides a means to link both individual and departmental performance to the County's overall mission, vision and goals. The fiscal year 2013 financial plan was carefully developed within the existing tax structure with no aggregate change in full-time staffing. The plan includes a judicious use of one-time funds and every new dollar in the plan is committed to longstanding Board priorities.

Real property tax revenues continue to be the County's main funding source, representing 40% of the General Fund budget in fiscal year 2013. Total real property revenues for fiscal year 2013 are budgeted at \$291.2 million, a decrease of \$5.1 million (1.7%) from the fiscal year 2012 adopted budget, which reflects a projected 3.5% decline in home values that was partially offset by increases in commercial values and by new construction for the tax year. Taxable assessed values continue to be impacted by a soft housing market and, although underway, recovery continues to be slow. Personal property taxes are another major source of local revenue for the County and are budgeted at \$54.7 million, reflecting an increase of \$7.9 million (17.0%)

Providing a FIRST CHOICE community through excellence in public service

from the fiscal year 2012 original budget. The expected increase in personal property tax collections correlates with actual personal property tax collections in fiscal year 2012. Reflecting stronger growth in payrolls and solid consumer spending, the Commonwealth's general fund budget is expected to grow by nearly 4% in fiscal year 2013. The County's biennial financial plan budgets state revenues at \$129.7 million which reflects a \$4.9 million (3.9%) increase from the fiscal year 2012 original budget.

The County annually prepares a Capital Improvement Program (CIP). This CIP serves as a planning tool for the efficient, effective and equitable distribution of public improvements throughout the County. The CIP is, in part, based on the County's Public Facilities Plan. This plan comprehensively assesses County public facility needs in relation to existing and future growth patterns through the consideration of population growth, projected density, economic development and service levels.

The CIP for fiscal years 2013-2017 (FY2013-2017 CIP) continues the priorities established in the November 2004 bond referendum where the citizens of the County overwhelmingly passed a \$341.7 million bond referendum for a variety of school, public safety, library, parks and recreation and road improvement projects. The remaining series of bonds on the referendum can be sold up until November 2014. The FY2013-2017 CIP includes projects financed with general obligation bonds approved through the 2004 referendum. The FY2013-2017 CIP totals \$532.3 million and is comprised of County improvements of \$165.2 million, School Board project improvements of \$154.6 million and Utilities Department improvements of \$212.5 million.

The FY2013-2017 CIP represents a fiscally responsible approach in its level of reliance on long-term financing for general County improvement projects. Further, in keeping with the Board's financial policy regarding funding a portion of capital improvements with current revenues, the FY2013-2017 CIP exceeds the targeted current revenue funding levels for both County and School Board projects. The County has a goal of funding at least 20% of the general County projects and at least 10% of the School Board projects with current revenues. The FY2013-2017 CIP proposes current revenue funding levels (including cash proffers) of 53% for County projects and 25% for School projects over the five-year planning period.

In response to the ongoing fiscal challenges inherent in the current economic environment, the County adopts a prudent approach toward financial and debt management. The portion of the County's operating budget dedicated for repayment of debt is capped by policy at 10% of general government expenditures. The County's policy of funding a large portion of capital expenditures on a "pay as we go" basis by consistently reserving 5% of operating expenditures for capital investments further enhances debt management. In addition, each year the County dedicates 8.0% of total general fund expenditures to unassigned fund balance. This is a tenet of the Board's commitment to prudent financial planning because it eliminates the need for short-term borrowing, ensures that current obligations including debt payments can be met, and provides a cushion against the potential impact of unexpected change in revenues.

The County's fiscally responsible financial policies, solid financial results and sound management were reaffirmed in fiscal year 2012. The County's "AAA" general obligation bond rating from all three major rating agencies was confirmed when it entered the bond market in March 2012 to sell \$67.5 million of general improvement and refunding bonds.

Major initiatives

Construction of the Interstate 295/Meadowville interchange project was completed in December 2011. This interchange is expected to position the County's 1,200 acre Meadowville Technology Park (Park) as one of the County's premier employment centers and as a prime destination for business. Return on investment in this project is evidenced by Amazon's decision to locate a one million square foot, \$85 million distribution center in the Park. Construction of the Amazon facility was "fast tracked" as the announcement to build was made in December 2011 and the first package was shipped from the newly constructed facility in early October 2012.

County leadership continued its focus on expanding the County's sports tourism profile. During the FY2011 – FY2012 period, the economic impact of sports tourism in the County is estimated at \$20.3 million. Sports tourism venues in the County attracted approximately 61,000 out-of-town visitors during the same period. Sports tourism contributed to approximately 10% growth in hotel occupancy tax collections over the past fiscal year. These positive trends are expected to continue with the completion of the Richmond Aquatics Center this past spring and with the upcoming completion of construction of Uptown Alley and the Mary B. Stratton Park.

The County made significant progress in its major redevelopment and revitalization initiative along the eastern Midlothian Turnpike corridor. The old Cloverleaf Mall site was demolished, making way for a planned

mixed-use, retail, office and multifamily residential development that will be called Stonebridge. The first phase of the redevelopment includes the construction of more than 140,000 square feet of retail space, including retail anchor, Kroger Marketplace. This first-of-its kind store in the region will offer shoppers an experience that combines a top-quality grocery store with 30,000 square feet of non-grocery, home-store offerings ranging from furniture to home décor. The remaining space will be devoted to smaller retail shops and restaurants. Kroger Marketplace expects to be operational by late fall 2012.

During this past year, the County won high praise not only for its location but also for its quality of life. Midlothian, located in the northern area of the County, was recently named by CNBC as number six in its list of ten "perfect suburbs". The top ten list includes suburbs with the best mix of affordable housing, good schools, educated neighbors, low crime, employment and reasonable commutes. Midlothian is located in the northern area of the County.

Awards and Acknowledgements

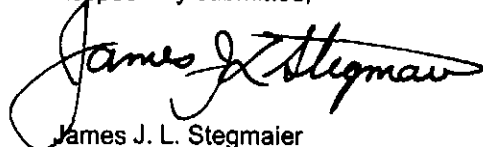
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting (Certificate of Achievement) to Chesterfield County for its CAFR for the fiscal year ended June 30, 2011. This was the thirty-first consecutive year that the County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for one year. We believe our current CAFR continues to meet the GFOA's Certificate of Achievement requirements and are submitting it to the GFOA to determine its eligibility for another certificate.

The Budget and Management Department received the Distinguished Budget Presentation from the GFOA for its biennial budget for the fiscal years beginning July 1, 2010, and ending June 30, 2012. To achieve this award, a government 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 device. This is the highest form of recognition for excellence in local government budgeting.

The National Institute of Governmental Purchasing (NIGP) of the United States, Canada, Ireland, and England established an agency accreditation program that recognizes excellence in public purchasing, by establishing a body of standards that should be in place for a quality purchasing operation. In fiscal year 2012, NIGP reaccredited the County's Purchasing Department with the Outstanding Agency Accreditation Achievement Award for demonstrating excellence in public purchasing. When certification was first obtained in 1999, the County's Purchasing Department was the eighth agency overall and the first locality or state agency in the Commonwealth to receive this award.

We would like to express our appreciation to the staff of the Accounting Department who contributed to the timely preparation of this report. We would also like to thank the members of the Board for your interest and support in planning and overseeing the financial operations of the County in a responsible and progressive manner.

Respectfully submitted,



James J. L. Stegmaier
County Administrator



Patsy J. Brown, CPA
Director of Accounting

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Chesterfield
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



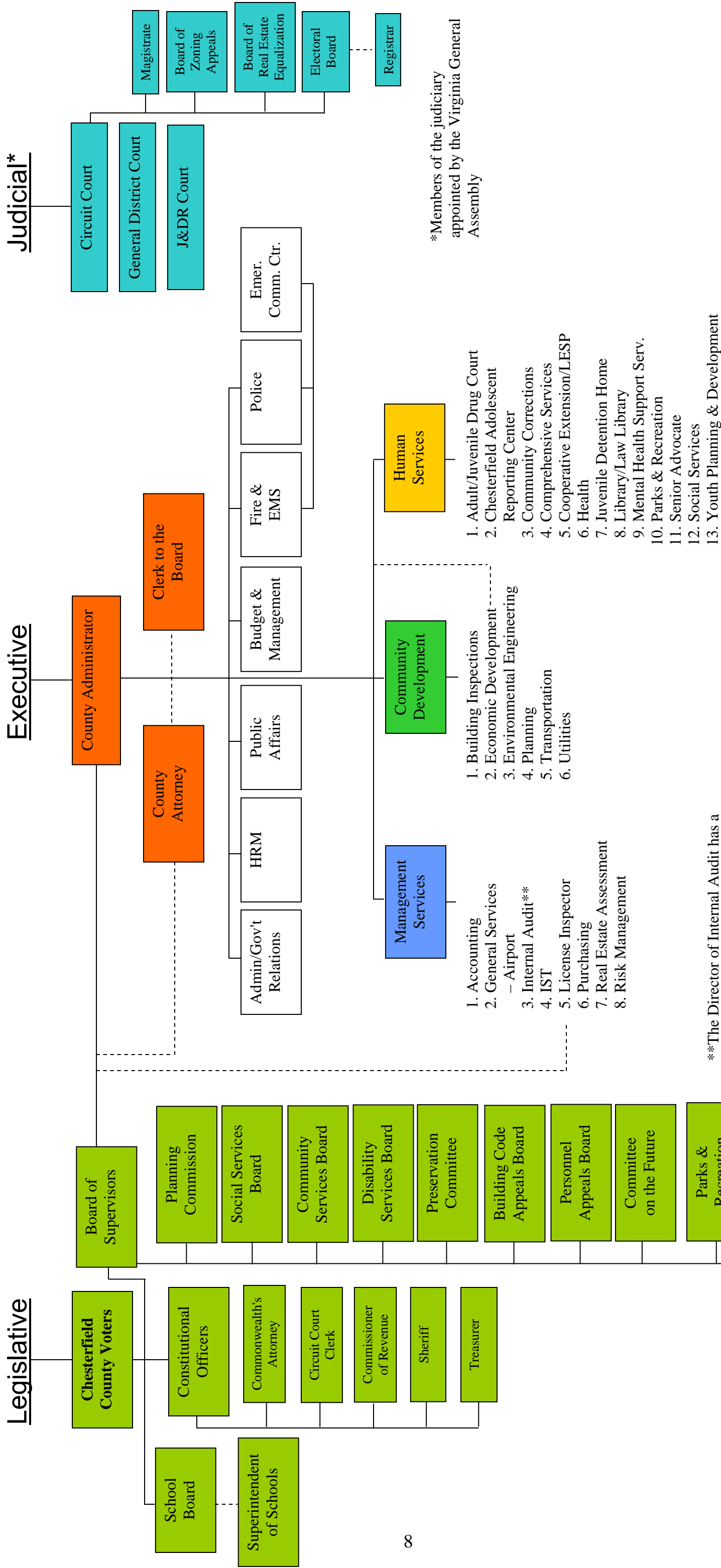
Linda C. Sandison

President

Jeffrey R. Enen

Executive Director

CHESTERFIELD COUNTY ORGANIZATIONAL STRUCTURE



County of Chesterfield, Virginia
Directory of Officials
June 30, 2012

Primary Government Officials

BOARD OF SUPERVISORS

Daniel A. Gecker, Chairman	Midlothian District
Dorothy A. Jaeckle, Vice Chairman	Bermuda District
Stephen A. Elswick	Matoaca District
James "Jim" Holland	Dale District
Arthur S. Warren	Clover Hill District

CONSTITUTIONAL OFFICERS

Richard A. Cordle	Treasurer
William W. Davenport	Commonwealth's Attorney
Joseph A. Horbal	Commissioner of the Revenue
Dennis S. Proffitt	Sheriff
Judy L. Worthington	Circuit Court Clerk

ADMINISTRATIVE OFFICERS

James J. L. Stegmaier	County Administrator
Dr. Sheryl D. Bailey	Deputy County Administrator, Management Services
Sarah C. Snead	Deputy County Administrator, Human Services
William D. Dupler	Deputy County Administrator, Community Development
Jeffrey L. Mincks	County Attorney

School Board Component Unit Officials

SCHOOL BOARD

Patricia M. Carpenter, Chairman	Midlothian District
David S. Wyman, Vice Chairman	Dale District
Carrie E. Coyner	Bermuda District
Thomas J. Doland	Matoaca District
Diane H. Smith	Clover Hill District

ADMINISTRATIVE OFFICERS

Dr. Marcus J. Newsome	Superintendent
Dr. Lyle Evans	Assistant Superintendent, Human Resources and Facilities
T. David Myers	Assistant Superintendent, Business and Finance
Donna Dalton	Chief Academic Officer
Tim Bullis	Director, Community Relations



FINANCIAL SECTION



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

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Chesterfield, Virginia (the County) as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Economic Development Authority of the County of Chesterfield, Virginia (the Authority), the Chippenham Place Community Development Authority (Chippenham Place CDA), and the Health Center Commission for the County of Chesterfield (the Health Center Commission), discretely presented component units of the County, which represent 43%, 0.7%, and 5.2%, respectively, of the total assets, net assets, and total revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions on the financial statements insofar as they relate to amounts included for the Authority, the Chippenham Place CDA, and the Health Center Commission are based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* (Specifications), issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and Specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, 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, 2012, and the respective changes in financial position, and where applicable, cash



flows thereof and the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2012 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 15 through 26, and the Schedules of Funding Progress and Schedules of Employer Contributions on pages 104 and 105, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Primary Government Combining Statements and Schedules, Capital Assets Used in the Operation of Governmental Funds, School Board Component Unit Fund Statements and Schedules, and the Schedule of Expenditures of Federal Awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, listed in the Financial Section as Supplementary Information in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Primary Government Combining Statements and Schedules, Capital Assets Used in the Operation of Governmental Funds, School Board Component Unit Fund Statements and Schedules, and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards



generally accepted in the United States of America. In our opinion, the Primary Government Combining Statements and Schedules, Capital Assets Used in the Operation of Governmental Funds, School Board Component Unit Fund Statements and Schedules, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole. The Introductory Section and Statistical Section are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

KPMG LLP

November 15, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS **(unaudited)**

As management of Chesterfield County (County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal at the front of this report and the County's financial statements, which follow this analysis.

FINANCIAL HIGHLIGHTS

- ◆ The County's total net assets increased approximately \$43.1 million (2.5%). Net assets of the governmental-type activities increased \$28.6 million (3.5%) and net assets of the business-type activities increased \$14.5 million (1.6%).
- ◆ The County's unrestricted net assets increased approximately \$9.1 million (2.8%). Unrestricted net assets of the governmental-type activities decreased \$0.3 million (0.2%) and unrestricted net assets of the business-type activities increased \$9.4 million (7.2%).
- ◆ The County's program and general revenues (including taxes) of \$710.9 million for governmental-type activities (excluding transfers) exceeded expenses of \$682.9 million by \$28.0 million.
- ◆ In the County's business-type activities, revenues decreased 6.4% to \$91.3 million while expenses increased 10.0% to \$76.2 million (excluding transfers).
- ◆ The total cost of the primary government's programs increased approximately \$36.4 million (5.0%) to \$759.1 million.
- ◆ The General Fund reported an ending fund balance amount of \$258.0 million, an increase of \$9.9 million (4.0%) in comparison with the prior year. Of the ending fund balance amount, \$53.5 million was unassigned.
- ◆ The County's outstanding debt decreased by \$8.7 million (1.4%). The County issued \$67.5 million in general improvement and refunding debt, \$18.6 million in Virginia Public School Authority debt and \$19.0 million in certificates of participation refunding debt in the current year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The County's Comprehensive Annual Financial Report (CAFR) consists of four sections: introductory, financial, statistical, and compliance. The financial section consists of five components – the independent auditors' report, management's discussion and analysis (this component), the financial statements, required supplementary information, and supplementary information. The financial statements include three categories of statements that present different views of the County:

- ◆ The first two statements, Exhibits I and II, are government-wide financial statements that provide a broad overview of both long-term and short-term information regarding the County's financial status.
- ◆ Exhibits III through X are fund financial statements. The fund financial statements focus on individual parts of the County government and report the County's operations in more detail than the government-wide financial statements:
 - Governmental fund statements tell how general government services, such as public safety, are financed in the short-term as well as what resources remain for future spending.
 - Proprietary fund statements offer both short-term and long-term financial information about activities the government operates that are similar to private-sector businesses, such as the airport and the water and wastewater systems.
 - Fiduciary fund statements provide information about the financial relationships, such as the supplemental retirement, other post employment benefits (OPEB) plans for certain qualified employees, and agency funds in which the County acts solely as a trustee or agent for resources belonging to others.
- ◆ The remaining statements, Exhibits XI and XII, are combining statements that provide a broad overview of both long-term and short-term information on the County's discretely presented component units.

The notes to the financial statements provide additional details for understanding the information presented in the CAFR. The notes are followed by a section of required supplementary information that further explains and supports the pension and OPEB plan information reported in the financial statements. The CAFR also includes a supplementary section containing combining schedules for the non-major governmental funds,

MANAGEMENT'S DISCUSSION AND ANALYSIS **(unaudited)**

internal service funds and agency funds; capital assets schedules; School Board component unit fund statements and schedules; and the schedule of expenditures of federal awards and the notes thereto.

Government-wide Financial Statements

The government-wide financial statements report information about the County as a whole using accounting principles similar to those used by private-sector businesses. The Statement of Net Assets includes all of the government's assets and liabilities, both short-term and long-term. The Statement of Activities reports all of the current year's revenues and expenses as soon as the underlying event for recognition occurs, regardless of the timing of the related cash flows. The government-wide financial statements report the County's net assets and how they have changed. Net assets, the difference between the County's assets and liabilities, are a measure of the County's financial position:

- ◆ Over time, increases or decreases in the County's net assets are an indicator of whether its financial position is improving or deteriorating.
- ◆ To assess the overall financial condition of the County, CAFR users should consider additional non-financial factors such as changes in the County's property tax base and condition of the County's infrastructure.

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

- ◆ Governmental activities – Most of the County's basic services, such as police, fire, social services, parks and recreation, and general administration, are included in governmental activities. Property taxes and state and federal funding finance the majority of these activities' expenses.
- ◆ Business-type activities – Activities that are intended to recover all or a significant portion of their costs through user fee charges to external parties for goods or services are included in the business-type activities.
- ◆ Component units – The County includes five other entities in its report: Chesterfield County Public School System (School Board), Economic Development Authority of the County of Chesterfield, Watkins Centre Community Development Authority, Chippenham Place Community Development Authority and Health Center Commission for the County of Chesterfield (HCC). Although legally separate, these discretely presented component units are presented in the County's CAFR because the County demonstrates financial accountability for them by providing operating, capital or debt funding or tax increment financing. According to the Code of Virginia (State Code), the County Board of Supervisors (County Board) may remove appointed members of the HCC at will. The School Board is included in this management's discussion and analysis because it is the only discretely presented component unit of the County that does not issue separately audited financial statements.

Fund Financial Statements

The fund financial statements provide more detailed information about the County's major funds and not the County as a whole. Funds are accounting devices that the County uses to track resources that are segregated for specific activities or objectives. Some funds are required by State Code or by bond covenants. Other funds are established to control and manage funds for particular purposes or to show that the County is using specific revenue sources such as taxes and grants for their intended purposes.

The County has three kinds 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 that are readily convertible to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the statements for governmental funds provide a detailed short-term view that assists the CAFR reader in determining the status of financial resources available for financing the County's programs in the near future. Because this information does not encompass the additional long-term focus of the government-wide financial statements, the County provides additional information either at the bottom of the governmental funds statements or on the following page that explains the differences between the short-term and long-term focus.
- ◆ Proprietary funds – Services that are intended to recover all or a significant portion of their costs through user fees are reported in proprietary funds. Proprietary fund financial statements, like the government-wide financial statements, provide both long-term and short-term financial information and they also provide additional details and information, such as the Statement of Cash Flows. The County's enterprise funds are

MANAGEMENT'S DISCUSSION AND ANALYSIS
(unaudited)

reported in the business-type activities of the government-wide financial statements because these funds generally provide services to customers external to the County. The internal service funds are reported in the governmental activities of the government-wide financial statements because those funds provide supplies and services internally to the County's other programs and activities.

- ◆ **Fiduciary funds** – The County is responsible, as trustee, for the assets of various trust and agency funds that can be used only for the fiduciary 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 trust fund activities are reported in a separate Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Trust and agency fund activities are excluded from the County's government-wide financial statements because the County cannot use fiduciary assets to finance its operations.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net assets. The County's assets exceeded liabilities by \$1.8 billion at the close of the most recent fiscal year. This represents a 2.5% increase over the prior year.

TABLE 1
Chesterfield County's Net Assets
June 30, 2012 and 2011
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total Primary Government		School Board Component Unit	
	2012	2011	2012	2011	2012	2011	2012	2011
Assets								
Current and other assets	\$ 686.5	\$ 659.7	\$ 169.7	\$ 163.8	\$ 856.2	\$ 823.5	\$ 127.3	\$ 129.1
Capital assets	<u>996.0</u>	<u>998.2</u>	<u>855.2</u>	<u>854.2</u>	<u>1,851.2</u>	<u>1,852.4</u>	<u>10.1</u>	<u>10.7</u>
Total assets	<u>1,682.5</u>	<u>1,657.9</u>	<u>1,024.9</u>	<u>1,018.0</u>	<u>2,707.4</u>	<u>2,675.9</u>	<u>137.4</u>	<u>139.8</u>
Liabilities								
Long-term liabilities	586.9	589.1	89.9	93.7	676.8	682.8	30.9	29.9
Other liabilities	<u>245.3</u>	<u>247.1</u>	<u>8.5</u>	<u>12.3</u>	<u>253.8</u>	<u>259.4</u>	<u>39.6</u>	<u>38.3</u>
Total liabilities	<u>832.2</u>	<u>836.2</u>	<u>98.4</u>	<u>106.0</u>	<u>930.6</u>	<u>942.2</u>	<u>70.5</u>	<u>68.2</u>
Net assets								
Invested in capital assets, net of related debt	599.8	574.9	770.3	765.4	1,370.1	1,340.3	10.1	10.7
Restricted ⁽¹⁾	61.5	57.5	15.8	15.6	77.3	73.1	5.1	6.3
Unrestricted ⁽¹⁾	<u>189.0</u>	<u>189.3</u>	<u>140.4</u>	<u>131.0</u>	<u>329.4</u>	<u>320.3</u>	<u>51.7</u>	<u>54.6</u>
Total net assets	<u>\$ 850.3</u>	<u>\$ 821.7</u>	<u>\$ 926.5</u>	<u>\$ 912.0</u>	<u>\$ 1,776.8</u>	<u>\$ 1,733.7</u>	<u>\$ 66.9</u>	<u>\$ 71.6</u>

⁽¹⁾ Reclasses were made to fiscal year 2011 for comparability to fiscal year 2012.

At the end of both the current and prior fiscal years, the County reported positive balances in all three categories of net assets, both for the primary government as a whole, as well as for its separate governmental and business-type activities. The largest portion (77.1%) of the County's net assets at June 30, 2012, is its investment in capital assets (e.g., land, buildings, machinery, equipment, infrastructure and intangible assets), less accumulated depreciation and any debt used to acquire those assets that remains outstanding at year-end. The County uses these capital assets to provide services to residents; consequently, these assets are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources required to repay the debt must be provided from other sources because capital assets are not generally liquidated for the purpose of retiring debt. An additional portion of the County's net assets (4.4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance is referred to as unrestricted net assets (18.5%). Unrestricted net assets are available to meet the County's ongoing obligations to residents and creditors.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(unaudited)

School Board component unit assets exceeded liabilities by \$66.9 million at the end of the current fiscal year. This represents a decrease of \$4.7 million (6.6%) compared to the prior year. Net assets invested in capital assets decreased \$0.6 million because capital outlay for machinery and equipment was less than depreciation expense during the year. At June 30, 2012, the School Board reported unrestricted net assets of \$51.7 million, a decrease of \$2.9 million (5.3%) from the prior year.

Changes in net assets. The County's total revenues (excluding transfers) decreased over the prior year by \$13.3 million (1.6%) to \$802.2 million. The total cost of all programs increased \$36.4 million (5.0%) to \$759.1 million.

TABLE 2
Changes in Chesterfield County's Net Assets
For the Years Ended June 30, 2012 and 2011⁽¹⁾
(in millions of dollars)

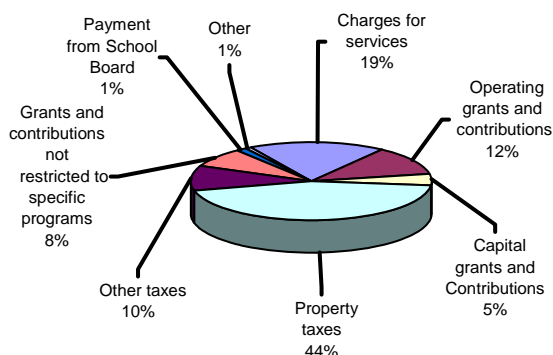
	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u> <u>Primary Government</u>		<u>School Board</u> <u>Component Unit</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues:								
Program revenues:								
Charges for services	\$ 75.8	\$ 76.0	\$ 71.3	\$ 69.8	\$ 147.1	\$ 145.8	\$ 15.6	\$ 15.8
Operating grants and contributions	96.1	94.2	-	-	96.1	94.2	103.1	102.2
Capital grants and contributions	19.1	19.5	19.4	26.7	38.5	46.2	-	-
General revenues:								
Property taxes	354.7	367.0	-	-	354.7	367.0	-	-
Other taxes	82.6	79.8	-	-	82.6	79.8	-	-
Payment from School Board	10.2	13.6	-	-	10.2	13.6	-	-
Payment from County	-	-	-	-	-	-	238.6	238.6
Grants and contributions not restricted to specific programs	65.4	66.2	-	-	65.4	66.2	155.2	149.7
Other	<u>7.0</u>	<u>1.7</u>	<u>0.6</u>	<u>1.0</u>	<u>7.6</u>	<u>2.7</u>	<u>3.5</u>	<u>1.8</u>
Total revenues	<u>710.9</u>	<u>718.0</u>	<u>91.3</u>	<u>97.5</u>	<u>802.2</u>	<u>815.5</u>	<u>516.0</u>	<u>508.1</u>
Expenses:								
General government	63.8	58.1	-	-	63.8	58.1	-	-
Administration of justice	10.1	9.8	-	-	10.1	9.8	-	-
Public safety	164.3	159.8	-	-	164.3	159.8	-	-
Public works	38.7	28.9	-	-	38.7	28.9	-	-
Health and welfare	72.4	72.4	-	-	72.4	72.4	-	-
Parks, recreation and cultural	25.0	21.5	-	-	25.0	21.5	-	-
Education - School Board	262.6	263.2	-	-	262.6	263.2	520.7	509.7
Community development	26.2	18.1	-	-	26.2	18.1	-	-
Non-departmental	-	-	-	-	-	-	-	-
Interest on long-term debt	19.8	21.6	-	-	19.8	21.6	-	-
Water	-	-	37.9	36.7	37.9	36.7	-	-
Wastewater	-	-	36.2	30.7	36.2	30.7	-	-
Airport	-	-	2.1	1.9	2.1	1.9	-	-
Total expenses	<u>682.9</u>	<u>653.4</u>	<u>76.2</u>	<u>69.3</u>	<u>759.1</u>	<u>722.7</u>	<u>520.7</u>	<u>509.7</u>
Increase (decrease) in net assets before transfers	28.0	64.6	15.1	28.2	43.1	92.8	(4.7)	(1.6)
Special item	-	(8.3)	-	-	-	(8.3)	-	-
Transfers	<u>0.6</u>	<u>0.7</u>	<u>(0.6)</u>	<u>(0.7)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	28.6	57.0	14.5	27.5	43.1	84.5	(4.7)	(1.6)
Net assets - beginning of year	<u>821.7</u>	<u>764.7</u>	<u>912.0</u>	<u>884.5</u>	<u>1,733.7</u>	<u>1,649.2</u>	<u>71.6</u>	<u>73.2</u>
Net assets - end of year	<u>\$ 850.3</u>	<u>\$ 821.7</u>	<u>\$ 926.5</u>	<u>\$ 912.0</u>	<u>\$ 1,776.8</u>	<u>\$ 1,733.7</u>	<u>\$ 66.9</u>	<u>\$ 71.6</u>

⁽¹⁾ Reclasses were made to fiscal year 2011 for comparability to fiscal year 2012.

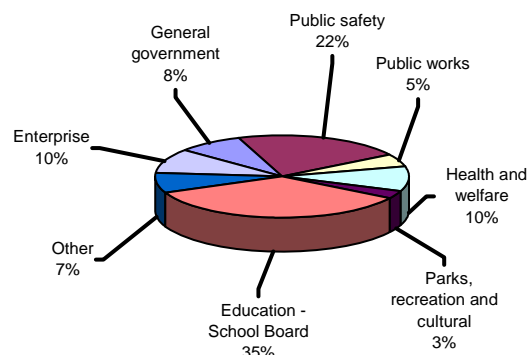
MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

Approximately 44% of the County's revenues came from property taxes and approximately 10% came from other taxes. Another 25% of the total revenues came from grants and contributions. The remaining revenues are charges for services, payment from School Board, investment earnings and miscellaneous. The County's expenses cover a range of services with 67% related to public safety, health and welfare and education. Program revenues of the County's governmental activities covered 28% of its expenses.

**Figure A-1
Chesterfield County
Sources of Revenue for Fiscal Year 2012**



**Figure A-2
Chesterfield County
Expenses by Function for Fiscal Year 2012**



The School Board's total revenues increased compared to the prior year by \$7.9 million (1.6%) to \$516.0 million. The total expenses of all School programs and services increased over the prior year by 2.2% to \$520.7 million. Program revenues of School Board activities covered 23% of its expenses.

Governmental Activities

Governmental activities increased the County's net assets by \$28.6 million and accounted for 66.4% of the total growth in the net assets of the County. Revenues (excluding transfers) for governmental activities decreased \$7.1 million (1.0%) and total expenses increased \$29.5 million (4.5%) when compared to the prior year. Key elements of these changes are as follows:

- ◆ Property tax revenues decreased \$12.3 million (3.4%) primarily due to a 2.1% decrease in the assessed valuation of taxable property over the preceding year. The assessed valuation for real property decreased 3.0% while the real estate tax rate was \$0.95 per \$100 of assessed value for both fiscal years. Residential property assessed valuations decreased 4.4% and commercial and industrial property assessed valuations increased 2.7%. Commercial and industrial property comprised 21.5% of the assessed value of taxable real property. Calendar year 2012 (CY2012) assessments were developed from data as recent as December 2011. State Code mandates that "annual assessments shall be made at 100% of fair market value." The County's median assessment to sales ratio for CY2012 was 97.3%.
- ◆ The other, or miscellaneous, category of revenue increased \$5.3 million (311.8%) primarily due to receiving \$5.0 million in proceeds from the sale of land in the Meadowville Technology Park. These proceeds were returned to the buyer as an economic incentive and to meet the local match requirement for a Governor's Opportunity Fund grant.

Overall, expenses of governmental activities increased \$29.5 million (4.5%). This result reflects management's commitment to contain the costs of providing services while advancing several Board priorities including funding career development efforts in police and fire as well as funding for four additional police and two additional emergency communication officer positions. In addition, the County funded a 2.0% merit based increase for employees.

Public works expenses increased \$9.8 million (33.9%) due to several major road projects funded by the County as the Board continued to demonstrate its commitment to improve road infrastructure. Three of the major road improvements either underway or completed in the current fiscal year include the Route 10 widening

MANAGEMENT'S DISCUSSION AND ANALYSIS **(unaudited)**

project, the Meadowville-Interstate 295 interchange project and the widening of Route 288 to Watermill Parkway project.

Community development expenses increased \$8.1 million (44.8%) primarily due to the County offering economic development incentives. The County granted \$5.0 million in the form of a land sale credit to Amazon as an incentive to locate in the County. In addition, the County conveyed \$1.0 million received from the Governor's Opportunity Fund to Amazon in accordance with the grant agreement with the Commonwealth of Virginia (Commonwealth) and provided \$1.8 million in funding to the Economic Development Authority of the County of Chesterfield (EDA) to construct certain roadways, water mains, landscaping, streetlights, sidewalks and other sitework within Meadowville Technology Park.

The County had no special items to report in the current fiscal year. In the prior fiscal year, the County entered into a support agreement with the EDA where the County agreed to make support payments directly to the EDA's trustee in an amount sufficient to cover the debt service on the EDA's Taxable Recovery Zone Economic Development Revenue Bonds. For fund statement reporting purposes, there was no current financial flow of resources for the County to report beyond these payments; however for government-wide financial statement reporting purposes, the County reported a special item of \$8.3 million on the Statement of Activities and a long-term obligation in the same amount on the Statement of Net Assets to reflect the County's commitment to this support agreement.

Business-type Activities

Business-type Activities increased the County's net assets by \$14.5 million, accounting for 33.6% of the growth in overall net assets of the County. Revenues for business-type activities decreased \$6.2 million (6.4%) and expenses increased \$6.9 million (10.0%) when compared to the prior year

Capital grants and contributions for business-type activities decreased \$7.3 million (27.3%). Developer contributions of water and wastewater pipeline assets decreased by \$4.3 million due to the continued slow economic recovery in the construction sector. Wastewater operations received \$4.2 million less in state grant funding as wastewater treatment plant upgrades were completed at the Falling Creek Wastewater Treatment Plant and mostly completed at the Proctor's Creek Wastewater Treatment Plant. These upgrades address initiatives related to reducing nutrient (nitrogen and phosphorus) loading to the Chesapeake Bay and its tributaries and were required by the Virginia Department of Environmental Quality (DEQ). The improvements in this multi-year project included new digesters, screening facilities, chemical tanks and feed systems and the installation of new biological nutrient removal technologies.

Expenses for business-type activities increased \$6.9 million (10.0%). As in governmental activities, the County funded a 2.0% merit based increase for eligible employees. In addition, depreciation expense for business-type activities increased \$2.5 million. Water and wastewater operations recorded \$1.8 million in losses on disposal of assets primarily associated with bringing on-line wastewater treatment plant upgrades that addressed nutrient loading required by DEQ. Chemicals used to treat wastewater increased approximately \$1.0 million. The increase in chemical costs is primarily related to using methanol, a different treatment approach that is more expensive, to meet the requirement for nutrient reductions. Now that all process treatment units are up and running, methanol usage is expected to be even higher in the upcoming year.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental Funds

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

As of June 30, 2012, the County's governmental funds reported a combined fund balance of \$401.3 million, an increase of \$27.0 million from the previous year. Of this combined fund balance amount, \$150.6 million (37.5%) constitutes restricted fund balance; \$0.7 million (0.2%) represents committed fund balance; \$196.5 million (49.0%) represents assigned fund balance; and \$53.5 million (13.3%) is unassigned fund balance. Assigned fund balance includes funding earmarked by the County Board for various items including funding for:

MANAGEMENT'S DISCUSSION AND ANALYSIS **(unaudited)**

capital projects; the fiscal year 2013 (FY2013) budget; critical capital and one-time needs; and revenue shortfalls in future fiscal years' budgets that may occur as the recovery period from the ongoing economic challenge continues. Note 2 of the notes to the financial statements provides additional fund balance details and a discussion of the criteria used by the County to classify categories of fund balance.

The General Fund is the operating fund of the County. At the end of the current fiscal year, the combined assigned and unassigned fund balances of the General Fund were \$243.8 million and total fund balances were \$258.0 million. As a measure of the General Fund's liquidity, it may be useful to compare the combined assigned and unassigned fund balances to total fund expenditures. Combined assigned and unassigned fund balances represent 38.7% of total General Fund expenditures. Unassigned fund balance of \$53.5 million represents 8.5% of total General Fund expenditures. Maintaining a ratio that exceeds the target ratio of 8.0% is an indicator of the County's ability to cope with unexpected or unusual financial scenarios including fluctuations in revenue cycles. Total fund balances represent 41.0% of General Fund expenditures.

Fund balance of the General Fund increased by \$9.9 million (4.0%) during the current fiscal year. Revenue categories not already discussed that factor into this change are as follows:

- ◆ Collections of other local taxes increased \$2.8 million (3.5%) primarily due to increases of \$1.2 million in business license taxes, \$0.6 million in recordation taxes, \$0.5 million in local sales and use taxes and \$0.4 million in transient occupancy taxes. Increases in these areas indicate modest growth in the local economy.
- ◆ Revenue from other governments increased \$3.0 million (2.0%) which is primarily attributable to an increase of \$2.1 million in state sales tax collected to fund education in the Commonwealth. This increase reflects a modest rebound in retail sales. In addition, the County received a \$1.0 million Governor's Opportunity Fund grant from the Commonwealth which was disbursed to Amazon as an incentive to locate a new distribution center facility in the County as discussed previously.

Overall, functional expenditures of the General Fund (excluding education and debt service) increased \$10.9 million (3.5%) with the most significant increases in the general government (8.6%) and community development (59.6%) functions which were offset by a decrease in the parks, recreation and cultural (19.9%) function. Several of the more significant changes in expenditures not already discussed include:

- ◆ In the general government function, employee benefits payments not allocated to specific departments increased \$2.9 million primarily due to funding the line of duty postemployment benefit. The Line of Duty Act (LODA) (Section 9.1-400 et seq. of the Code of Virginia) provides benefits to certain hazardous duty employees, or their survivors, who are disabled or die in the line of duty. Employees eligible for benefit coverage under LODA include hazardous duty local employees and volunteer fire department, police department and rescue squad members. During the 2010 session of the General Assembly, a budget amendment shifted the cost of LODA from the Commonwealth's General Fund to local governments. This amendment also retroactively shifted the cost of existing and past liabilities. Effective July 1, 2010, a Trust Fund was created in VRS to pay for LODA benefits. Each local government in the Commonwealth was given the option of electing to participate in the Trust Fund or to opt out of the Trust Fund and create its own self-funded plan. Because of the high quality of its training programs and continuous emphasis on safety and wellness, the County has significantly fewer claims than similarly sized local governments; therefore, the County's most cost effective option is self-funding. On June 15, 2011, the County Board elected to opt out of the Trust Fund. In the current year, the County created its own trust fund making an initial \$2.9 million cash contribution to the fund and contributing an additional \$0.2 million towards current year benefit payments. Note 13C of the notes to the financial statements provides additional information about this benefit.
- ◆ In the parks, recreation and cultural function, expenditures for the Parks and Recreation Department decreased due to one-time lease and grant payments in the prior year of \$4.3 million to River City Sportsplex (formerly SportsQuest), a private 250-acre recreational campus. In July 2010, the County granted \$2.0 million to River City Sportsplex to assist in the construction of a facility where the County will be entitled to use of space for a senior center and to use of a gymnasium. The grant is subject to an agreement that provides recourse to the County in the event of nonperformance. In addition to the grant, the County secured an operating lease with River City Sportsplex, for the County's use of eight synthetic recreational fields, practice areas and appurtenant facilities for a minimum lease period of ten years.

MANAGEMENT'S DISCUSSION AND ANALYSIS **(unaudited)**

At fiscal year-end, the County's Capital Projects Fund had a total fund balance of \$92.8 million consisting of bond proceeds and cash proffers which are restricted for use on specific County projects and functions. In October 2011, 28.4 acres of the Cloverleaf Mall redevelopment property was sold to a developer for \$5.8 million, the approximate book value of the property. As agreed with the developer, the proceeds from the sale of the property are funding required infrastructure improvements on the parcels still owned by the County. The School Capital Projects Fund had a total fund balance of \$42.8 million consisting primarily of bond proceeds that are restricted for use on School projects.

General Fund Budgetary Highlights

The overall difference between the original budget and the amended budget for revenues and other financing sources reflected an increase of \$32.5 million (5.1%). The final amended budget for expenditures and other financing uses was greater than the original budget by \$99.8 million (15.2%). Some of the key budget adjustments are summarized as follows:

- ◆ The original budget was amended to appropriate \$7.2 million in proceeds from the sale of the 2012 General Obligation and Public Improvement and Refunding Bonds. The proceeds from the bond sale were used to defease previously issued general obligation bonds. Accordingly, the budget for payment to the refunded bond escrow agent was also increased \$6.9 million. The balance of the proceeds was used to fund issuance costs. Details for this transaction are included in Note 9I of the notes to the financial statements.
- ◆ The original budget was amended to appropriate \$22.4 million in proceeds from the sale of the 2012 Refunding Certificates of Participation. The proceeds from the sale of the certificates of participation were used to defease previously issued debt. Accordingly, the budget for payment to refunded bond escrow agent was also increased \$22.4 million as part of the defeasement. Details for this defeasement transaction are included in Note 9I of the notes to the financial statements.
- ◆ The original budget was increased by \$1.1 million to fund higher per diem payments and increased utilization of inmate services provided by the Riverside Regional Jail Authority.
- ◆ The original budget was amended to appropriate approximately \$8.0 million in economic development incentives including \$1.0 million received from the Governor's Opportunity Fund.
- ◆ The budget for transfers out increased by \$58.3 million. Budgeted transfers to the County Capital Projects Fund and the School Capital Projects Fund increased \$50.8 million and \$6.1 million, respectively, primarily due to the appropriation of prior year construction "reserves".

Actual revenues and other financing sources were \$17.2 million (2.6%) greater than the amended budget. A summary of some key variances includes the following:

- ◆ The collection of general property taxes was \$7.9 million higher than expected. Personal property taxes were \$2.9 million greater than the budget primarily due to a surge in used car prices resulting from higher demand. Real property taxes were \$2.9 million higher than budget primarily due to higher than expected appreciation of existing commercial buildings. In addition, the County did not budget for payments of \$1.6 million in special assessments which is a matter of practice.
- ◆ Miscellaneous revenues were \$7.1 million greater than expected because \$5.0 million in proceeds from the Meadowville Technology Park land sale was not budgeted as it was conveyed in the form of a land credit. In addition, approximately \$0.9 million in excess gainsharing revenue from the County's healthcare provider and \$0.7 million in public, education and government revenue were not budgeted.
- ◆ Revenue from other governments exceeded the amended budget by \$1.9 million which was due to conservative estimates of aid for constitutional officers and state sales tax in the original budget. Actual receipts of these revenues are subject to decisions made at the state level and, as such, are subject to fluctuations from year to year.

Actual expenditures and other financing uses were \$81.2 million (10.8%) less than the amended budget amount. A summary of several key differences is as follows:

MANAGEMENT'S DISCUSSION AND ANALYSIS **(unaudited)**

- ◆ General government expenditures resulted in a \$3.1 million positive variance with the amended budget. Employee benefits contributed \$1.1 million to this variance which was attributable to amounts that were earmarked to supplement departments' budgets for workers' compensation expenditures in excess of departmental budgets but were not used. Actual workers' compensation expenditures are difficult to estimate for budgetary purposes. The remaining savings in general government was spread across multiple departments and reflects the County's initiative to control the costs of providing services in administrative functions.
- ◆ Public safety expenditures resulted in a \$4.1 million positive variance with the amended budget. Approximately half of this amount was encumbered through purchasing contracts at fiscal year end. The remainder is attributable to vacancies and cost containment measures.
- ◆ Health and welfare expenditures resulted in a \$4.0 million positive variance with the amended budget. Mental Health Support Services maintained 21 vacancies for most of the fiscal year, and Social Services averaged 20 to 23 vacant positions during the fiscal year.
- ◆ Transfers to other funds resulted in a \$65.8 million positive variance. Transfers to the County and School Capital Projects Funds were \$52.1 million and \$5.6 million, respectively, less than the amended budget due to not spending all amounts budgeted for specific capital projects. Unspent capital projects transfers were assigned at year-end and appropriated as a part of the amended budget for fiscal year 2013. A positive \$6.4 million variance in the transfer to School operations was assigned at year-end and earmarked to cover anticipated future revenue shortfalls as directed by the County Board.

CAPITAL/INTANGIBLE ASSETS AND DEBT ADMINISTRATION

Overview

Governmental Accounting Standards Board (GASB) Statement No. 34 requires the issuing entity to report "on behalf" debt and debt service. The operational relationship between the County and School Board component unit related to capital assets and debt involves several transactions between the two entities that are presented in the financial statements to meet reporting requirements. The School Board can neither levy taxes nor incur debt under Virginia law. The County issues debt "on behalf" of the School Board, which is recorded as a liability of the County's governmental activities. The County's charter states that "title to all real property of the school system shall be vested in the County of Chesterfield." The County provides the School Capital Projects Fund with funding to purchase and/or construct real property (land, buildings, improvements other than buildings, and construction in progress) for use in school operations. Due to the charter, the value associated with the purchase and/or construction of School Board real property is reported as capital assets in the governmental activities of the County. Depreciation and accumulated depreciation related to School Board real property is reported in the County's governmental activities within the appropriate government-wide financial statements.

Capital and Intangible Assets

At the end of the fiscal year, the County had invested \$1.9 billion in a broad range of capital and intangible assets, including public safety buildings, park facilities, libraries, and water and wastewater facilities. This amount represents a net decrease of \$1.2 million over the prior year. More detailed information about the County's capital and intangible assets is presented in Note 8 of the notes to the financial statements. The amount of capital assets (net of accumulated depreciation) used by the School Board in its operations was \$620.1 million of the total value of capital assets of the governmental activities.

This fiscal year's major completed projects and additions to construction in progress included:

- ◆ Completed major County projects:
 - Circuit/General District Courts Roof and HVAC Replacement – \$1.3 million
 - Lane B. Ramsey Administrative Building Renovations – \$1.2 million
 - Fire Apparatus Replacement – \$1.1 million
- ◆ Completed major School projects:
 - Robious Middle School Renovations – \$9.9 million
 - Salem Church Middle School Renovations – \$8.3 million

MANAGEMENT'S DISCUSSION AND ANALYSIS
(unaudited)

- ◆ Additions to major School construction in progress:
 - O. B. Gates Elementary School Renovations – \$2.5 million
 - Midlothian Middle School Addition – \$5.4 million
 - J. B. Watkins Elementary School Renovations – \$3.5 million
- ◆ Completed major Water and Wastewater projects:
 - Wastewater Treatment Plant Upgrades – \$25.5 million
 - Proctor's Creek Wastewater Treatment Plant Sludge Pad Expansion – \$1.4 million
 - Timsbury Pump Station – \$4.6 million
 - Elkhardt Elevated Tank – \$4.3 million
 - Southwest Corridor Water Line, Phase II – \$5.7 million
- ◆ Addition to major Water and Wastewater construction in progress:
 - Cosby Road Tank – \$2.5 million

TABLE 3
Chesterfield County's Capital and Intangible Assets
June 30, 2012 and 2011
(net of depreciation, in millions of dollars)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>		<u>Total Percentage Change</u>
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012-2011</u>
Non-depreciable assets:							
Land	\$ 56.4	\$ 56.2	\$ 6.4	\$ 5.1	\$ 62.8	\$ 61.3	2.4%
Redevelopment asset	11.4	16.3	-	-	11.4	16.3	-30.1%
Construction in progress	25.8	25.1	51.7	82.3	77.5	107.4	-27.8%
Depreciable assets:							
Capacity rights	-	-	72.6	73.3	72.6	73.3	-1.0%
Buildings	786.5	782.5	116.8	109.3	903.3	891.8	1.3%
Improvements other than buildings	26.9	27.7	31.0	31.5	57.9	59.2	-2.2%
Machinery and equipment	61.9	63.4	576.7	552.7	638.6	616.1	3.7%
Infrastructure	27.1	27.0	-	-	27.1	27.0	0.4%
Total	\$ 996.0	\$ 998.2	\$ 855.2	\$ 854.2	\$ 1,851.2	\$ 1,852.4	-0.1%

The County's FY2013 capital improvement program budget added \$82.2 million in planned funding for capital projects, which includes \$53.0 million for the primary government and \$29.2 million for the School Board. Principal projects for the primary government include major facilities maintenance and repair; Mental Health Support Services Intermediate Care Facility; Public Safety Training Center at Enon; transportation revenue sharing projects; and the Matoaca Water Tank Project. School projects are principally for school building improvements, including upgrades of heating, ventilation and air conditioning systems at various schools and technology improvements. The County plans to issue new debt to finance portions of these and future projects as identified in the fiscal years 2013-2017 Capital Improvement Program.

Long-term Debt

At fiscal year-end, the County had \$632.7 million in bonds, leases and other long-term debt outstanding, a decrease of \$8.7 million (1.4%) compared to the prior year. More detailed information about the County's long-term liabilities is presented in Note 9 of the notes to the financial statements. The amount of "on behalf" debt outstanding related to School Board activities is \$334.2 million of the total outstanding debt of the governmental activities.

A key debt policy established by the County Board is the ratio of debt service (principal and interest) costs to general government expenditures, which was 9.2% for the current year comparing favorably to the policy target of 10.0%.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(unaudited)

The County's fiscally responsible financial policies, solid financial results and sound management were reaffirmed in fiscal year 2012 (FY2012). The County's "AAA" general obligation bond rating from all three major rating agencies was confirmed when it entered the bond market in March 2012 to sell \$67.5 million of general improvement and refunding bonds.

TABLE 4
Chesterfield County's Outstanding Debt
June 30, 2012 and 2011
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012-2011</u>
General obligation bonds, net (backed by the County)	\$ 445.8	\$ 443.9	\$ -	\$ -	\$ 445.8	\$ 443.9	0.4%
Revenue bonds, net (backed by user fee revenues)	-	-	86.2	89.8	86.2	89.8	-4.0%
Certificates of participation	55.8	60.6	1.2	1.3	57.0	60.6	-5.9%
Support agreement	19.8	21.1	-	-	19.8	21.1	-6.2%
Taxable redevelopment facility note	16.6	16.6	-	-	16.6	16.6	0.0%
Public facility revenue refunding bonds, net	6.5	7.2	-	-	6.5	7.2	-9.7%
Capital lease purchases	<u>0.8</u>	<u>0.9</u>	<u>-</u>	<u>-</u>	<u>0.8</u>	<u>2.2</u>	-63.6%
Total	<u>\$ 545.3</u>	<u>\$ 550.3</u>	<u>\$ 87.4</u>	<u>\$ 91.1</u>	<u>\$ 632.7</u>	<u>\$ 641.4</u>	-1.4%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The County's annual unemployment rate for calendar year 2011 (CY2011) averaged 6.1% and was a decrease from the previous calendar year's rate of 6.9%. The County's annual unemployment for CY2011 was comparable to the Commonwealth's 6.2% annual unemployment rate for the same period. The County's unemployment rate for August 2012 was 5.6% compared to the Commonwealth's rate of 5.8%. Improvements in unemployment are expected to be gradual and somewhat volatile as the economy rebuilds job growth lost during the recession.

The County's investments, excluding Trust Funds, (Primary Government Portfolio) are invested in accordance with an Investment Policy created and maintained by the Treasurer of the County. The Investment Policy was established to ensure effective management of the day-to-day investment activity for the County, and is designed to maximize non-tax revenues by investing funds when not needed for current obligations. The objective is to obtain the highest possible yield on available financial assets, consistent with constraints imposed by safety objectives, cash flow considerations and State Code that restricts the placement of public funds. The Primary Government Portfolio is managed in a manner to attain a market rate of return throughout budgetary and economic cycles while preserving and protecting capital in the overall portfolio.

The County's investments, including Trust Funds, are exposed to various investment risks such as interest rate, market and credit risks. Such risks, and the resulting investment security values, may be influenced by changes in economic conditions and market perceptions and expectations. Accordingly, it is at least reasonably possible that changes in the values of investment securities will occur in the near-term and such changes could materially affect the amounts reported in the financial statements. The Trust Funds, specifically the Pension and Other Post Employment Benefit Trusts for both the County and the School Board component unit, are managed according to investment policies with a long-term capital growth objective and, therefore, are subject to a higher degree of investment risk than the Primary Government Portfolio. The investment policies for the Trust Funds mitigate market volatility and fluctuations in market value through the diversification of investments.

MANAGEMENT'S DISCUSSION AND ANALYSIS **(unaudited)**

During fiscal year 2010, the Commonwealth initiated certain responsive actions to the economic downturn that continue to impact the County. Through changes in certain actuarial assumptions for VRS sponsored retirement plans, which were affected by legislation passed by the General Assembly, the Commonwealth was able to defer rate increases requested by the Virginia Retirement System (VRS) Trustees, and an increase in the local employer share of these pension contributions was similarly deferred. The impact of these deferrals reduced pension related costs of the County in FY2011. The legislation requires that this deferral of costs begin to be replenished starting in FY2012 and will continue until fully replenished in fiscal year 2021. Ultimately, it is likely that there will be significant increases in the local employer costs in order for the VRS to meet its future payment obligations.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68), will be effective for the County in fiscal year 2015. Under GASB 68, both the County and the School Board component unit will be required to report net pension liabilities, or unfunded liabilities, in the government-wide financial statements. GASB 68 reporting requirements will apply to all pension plans offered by the County and School Board as disclosed in Note 12 of the notes to the financial statements and will also include the County's proportionate share of VRS' cost-sharing multiple-employer teachers' pool (Teachers' Pool). For the local government VRS plans, the local government's decision to participate in VRS is irrevocable although there have been opportunities to choose whether or not to participate in certain benefit options over the years. It is important to note that all school systems are required by State Code to participate in the Teachers' Pool. Additionally, the Commonwealth designates the minimum number of teachers allowed for classroom size purposes and the benefits offered under the plan. VRS controls the assumptions used to calculate plan liabilities and the contributions required to adequately fund the plan. The General Assembly determines the actual contribution amount the Commonwealth will provide to each locality through Basic Aid and the amount each locality must in turn fund. Local governments and school divisions within the Commonwealth have no ability to improve the funding position for their respective share of the Teachers' Pool. Current interpretation of GASB 68 suggests that localities will be required to report their proportionate share of the net unfunded liability for the Teachers' Pool on their statements of net assets because the Commonwealth's share of funding passes through to localities and is not paid directly to the pool by the Commonwealth. The County's management is continuing to evaluate the impacts on the County and the School Board component unit of the future adoption of GASB 68.

The County developed a Biennial Financial Plan for fiscal years 2013 and 2014 that was adopted on March 28, 2012, whereby the resolution for the first year of the biennium contained appropriated first-year expenditures and approved second-year expenditures. The FY2013 adopted budget, totaling \$1.1 billion, represents an increase of 2.4% over the FY2012 adopted budget. In response to continuing recessionary pressures, the County Board fundamentally reshaped the County into a leaner organization with a renewed focus on its core mission. Faced with the expiration of the final federal stimulus funding, the FY2013 general fund budget contains a \$7.6 million increase in local funding for education, contributing to an overall school budget that includes no classroom impacts, restoration of the two to three percent pay reduction absorbed by school staff, and \$2.0 million for the replacement of school buses. The bulk of the remaining increase in the FY2013 budget was allocated to public safety for the restoration of four police officer positions, an additional animal control officer, \$2.3 million for replacement of fire apparatus and police cruisers, and the next installment of career development funding for police, fire and the Sheriff's Department. There are also additional resources dedicated to the County's growing tax relief program. The program has grown more than 30% since FY2009 and, with a projected \$0.4 million increase in FY2013, is nearly equal to a full two cents on the real estate tax rate. The FY2013 budget is balanced within the existing tax structure with a real estate tax rate of \$0.95 per \$100 of assessed value.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our residents, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Chesterfield County Accounting Department, 9901 Lori Road Room 203, Chesterfield, Virginia 23832.

FINANCIAL STATEMENTS

County of Chesterfield, Virginia
Statement of Net Assets
June 30, 2012

Exhibit I

	<u>Primary Government</u>				
	<u>Governmental</u>	<u>Business-type</u>		<u>Component</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Units</u>	<u>Reporting Entity</u>
ASSETS					
Cash and cash equivalents	\$ 281,934,426	\$ 69,626,815	\$ 351,561,241	\$ 58,663,428	\$ 410,224,669
Investments	163,994,990	84,024,990	248,019,980	14,004,537	262,024,517
Receivables, net of allowance for uncollectibles	223,436,631	14,935,685	238,372,316	16,931,033	255,303,349
Due from component unit	6,024,391	-	6,024,391	-	6,024,391
Due from primary government	-	-	-	60,634,311	60,634,311
Internal balances	220,000	(220,000)	-	-	-
Inventories	621,031	884,118	1,505,149	1,408,913	2,914,062
Prepays	7,682,658	-	7,682,658	19,443,156	27,125,814
Bond issuance costs, net of amortization	2,529,548	491,921	3,021,469	2,217,941	5,239,410
Capital assets, not being depreciated	93,622,621	58,149,013	151,771,634	13,121,522	164,893,156
Other capital and intangible assets, net of depreciation	902,434,764	797,065,660	1,699,500,424	60,916,661	1,760,417,085
Total assets	<u>1,682,501,060</u>	<u>1,024,958,202</u>	<u>2,707,459,262</u>	<u>247,341,502</u>	<u>2,954,800,764</u>
LIABILITIES					
Accounts payable	44,493,614	7,214,148	51,707,762	43,533,342	95,241,104
Due to component units	60,634,311	-	60,634,311	-	60,634,311
Due to primary government	-	-	-	6,024,391	6,024,391
Unearned revenues	140,169,960	-	140,169,960	2,012,097	142,182,057
Deposits and advances	-	21,171	21,171	13,319,217	13,340,388
Developers' connection fees refundable	-	1,036,698	1,036,698	-	1,036,698
Prepaid connection fees	-	272,220	272,220	-	272,220
Non-current liabilities:					
Due within one year	66,682,761	5,005,914	71,688,675	15,639,683	87,328,358
Due in more than one year	520,250,054	84,868,505	605,118,559	115,410,024	720,528,583
Total liabilities	<u>832,230,700</u>	<u>98,418,656</u>	<u>930,649,356</u>	<u>195,938,754</u>	<u>1,126,588,110</u>
NET ASSETS					
Invested in capital assets, net of related debt	599,754,295	770,297,665	1,370,051,960	20,630,210	1,390,682,170
Restricted for:					
Capital projects	40,301,381	-	40,301,381	-	40,301,381
Debt covenants	-	15,815,265	15,815,265	3,673,835	19,489,100
Grantor programs	8,371,664	-	8,371,664	273,290	8,644,954
Legislated programs	11,756,090	-	11,756,090	4,840,862	16,596,952
Public safety programs	1,076,153	-	1,076,153	-	1,076,153
Expendable	9,496	-	9,496	-	9,496
Nonexpendable	5,000	-	5,000	-	5,000
Total restricted	61,519,784	15,815,265	77,335,049	8,787,987	86,123,036
Unrestricted	<u>188,996,281</u>	<u>140,426,616</u>	<u>329,422,897</u>	<u>21,984,551</u>	<u>351,407,448</u>
Total net assets	<u>\$ 850,270,360</u>	<u>\$ 926,539,546</u>	<u>\$ 1,776,809,906</u>	<u>\$ 51,402,748</u>	<u>\$ 1,828,212,654</u>

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

County of Chesterfield
Statement of Activities
For the Year Ended June 30, 2012

Exhibit II

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets			Total Reporting Entity	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-type Activities	Total		
Primary government									
Governmental activities									
General government	\$ 63,848,744	\$ 25,626,551	\$ 2,150,602	\$ 172,548	\$ (35,899,043)	\$ -	\$ (35,899,043)	\$ -	\$ (35,899,043)
Administration of justice	10,074,871	2,173,337	3,686,899	-	(4,214,635)	-	(4,214,635)	-	(4,214,635)
Public safety	164,335,666	14,839,567	12,401,547	1,628,510	(135,466,042)	-	(135,466,042)	-	(135,466,042)
Public works	38,710,140	4,040,512	71,233	13,765,389	(20,833,006)	-	(20,833,006)	-	(20,833,006)
Health and welfare	72,359,200	21,210,460	23,693,478	-	(27,455,262)	-	(27,455,262)	-	(27,455,262)
Parks, recreation and cultural	24,969,646	3,432,995	313,813	653,440	(20,569,398)	-	(20,569,398)	-	(20,569,398)
Education - School Board	262,561,566	48,844	51,134,912	2,846,678	(208,531,132)	-	(208,531,132)	-	(208,531,132)
Community development	26,219,996	4,405,861	2,628,583	-	(19,185,552)	-	(19,185,552)	-	(19,185,552)
Interest on long-term debt	19,825,526	-	-	-	(19,825,526)	-	(19,825,526)	-	(19,825,526)
Total governmental activities	<u>682,905,355</u>	<u>75,778,127</u>	<u>96,081,067</u>	<u>19,066,565</u>	<u>(491,979,596)</u>	<u>-</u>	<u>(491,979,596)</u>	<u>-</u>	<u>(491,979,596)</u>
Business-type activities									
Water	37,959,144	35,354,772	-	9,807,539	-	7,203,167	7,203,167	-	7,203,167
Wastewater	36,165,218	35,363,104	-	9,499,081	-	8,696,967	8,696,967	-	8,696,967
Airport	2,083,379	612,878	-	92,440	-	(1,378,061)	(1,378,061)	-	(1,378,061)
Total business-type activities	<u>76,207,741</u>	<u>71,330,754</u>	<u>-</u>	<u>19,399,060</u>	<u>-</u>	<u>14,522,073</u>	<u>14,522,073</u>	<u>-</u>	<u>14,522,073</u>
Total primary government	<u>\$ 759,113,096</u>	<u>\$ 147,108,881</u>	<u>\$ 96,081,067</u>	<u>\$ 38,465,625</u>	<u>(491,979,596)</u>	<u>14,522,073</u>	<u>(477,457,523)</u>	<u>-</u>	<u>(477,457,523)</u>
Component units	<u>\$ 564,570,027</u>	<u>\$ 35,603,694</u>	<u>\$ 103,059,884</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(425,906,449)</u>	<u>(425,906,449)</u>
General revenues:									
Taxes:									
Property taxes, levied for general purposes					353,637,912	-	353,637,912	-	353,637,912
Property taxes, levied for special purposes					1,083,691	-	1,083,691	-	1,083,691
Utility taxes					7,513,492	-	7,513,492	-	7,513,492
Sales taxes					40,411,325	-	40,411,325	-	40,411,325
Motor vehicle licenses					6,872,589	-	6,872,589	-	6,872,589
Business license taxes					17,332,709	-	17,332,709	-	17,332,709
Other					10,508,806	-	10,508,806	-	10,508,806
Payment from School Board					10,243,723	-	10,243,723	-	10,243,723
Payment from County of Chesterfield					-	-	-	244,761,365	244,761,365
Grants and contributions not restricted to specific programs					65,404,091	-	65,404,091	155,153,475	220,557,566
Investment earnings					730,507	585,002	1,315,509	405,501	1,721,010
Miscellaneous					6,239,952	-	6,239,952	3,525,781	9,765,733
Special items					-	-	-	4,461,379	4,461,379
Transfers					608,273	(608,273)	-	-	-
Total general revenues, special item and transfers					<u>520,587,070</u>	<u>(23,271)</u>	<u>520,563,799</u>	<u>408,307,501</u>	<u>928,871,300</u>
Change in net assets					28,607,474	14,498,802	43,106,276	(17,598,948)	25,507,328
Net assets-July 1, 2011					<u>821,662,886</u>	<u>912,040,744</u>	<u>1,733,703,630</u>	<u>69,001,696</u>	<u>1,802,705,326</u>
Net assets-June 30, 2012					<u>\$ 850,270,360</u>	<u>\$ 926,539,546</u>	<u>\$ 1,776,809,906</u>	<u>\$ 51,402,748</u>	<u>\$ 1,828,212,654</u>

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

County of Chesterfield, Virginia
Balance Sheet
Governmental Funds
June 30, 2012

Exhibit III

	<u>General</u>	<u>County Capital Projects</u>	<u>School Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 207,256,483	\$ 31,723,334	\$ 2,116,800	\$ 7,088,310	\$ 248,184,927
Cash, cash equivalents and investments with fiscal agents	27,546	10,662,932	-	-	10,690,478
Investments	61,990,308	56,844,906	45,159,776	-	163,994,990
Receivables, net of allowances for uncollectibles of \$17,949,086	169,406,117	13,738	22,908	1,826,275	171,269,038
Due from other funds	220,000	-	-	-	220,000
Due from component unit - Economic Development Authority	3,359,417	2,664,974	-	-	6,024,391
Due from other governments	47,487,855	2,139,215	-	2,182,905	51,809,975
Total assets	<u>\$ 489,747,726</u>	<u>\$ 104,049,099</u>	<u>\$ 47,299,484</u>	<u>\$ 11,097,490</u>	<u>\$ 652,193,799</u>
LIABILITIES					
Accounts payable	\$ 5,872,402	\$ 9,905,607	\$ 3,050,144	\$ 1,799,369	\$ 20,627,522
Due to component units:					
School Board	60,617,545	-	-	-	60,617,545
Economic Development Authority	16,766	-	-	-	16,766
Accrued liabilities	10,101,949	24,825	-	248,411	10,375,185
Retainages payable	-	719,156	1,459,015	2,658	2,180,829
Deferred revenues:					
Uncollected taxes	153,458,697	-	-	-	153,458,697
Other	1,411,394	2,749	-	1,290,506	2,704,649
Deposits payable	306,481	563,354	-	-	869,835
Total liabilities	<u>231,785,234</u>	<u>11,215,691</u>	<u>4,509,159</u>	<u>3,340,944</u>	<u>250,851,028</u>
FUND BALANCES					
Nonspendable	-	-	-	5,000	5,000
Restricted	13,461,857	92,833,408	42,575,325	1,762,166	150,632,756
Committed	736,367	-	-	-	736,367
Assigned	190,269,268	-	215,000	5,989,380	196,473,648
Unassigned	53,495,000	-	-	-	53,495,000
Total fund balances	<u>257,962,492</u>	<u>92,833,408</u>	<u>42,790,325</u>	<u>7,756,546</u>	<u>401,342,771</u>
Total liabilities and fund balances	<u>\$ 489,747,726</u>	<u>\$ 104,049,099</u>	<u>\$ 47,299,484</u>	<u>\$ 11,097,490</u>	<u>\$ 652,193,799</u>

Total fund balances for governmental funds \$ 401,342,771

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets, net of accumulated depreciation used in governmental activities are not financial resources and are not reported in the funds. 989,271,151

Other long-term assets are not available to pay for current period expenditures and are deferred in the funds:

Uncollected taxes receivable	\$ 11,082,349	
Uncollected receivables from other governments	3,746,544	
Uncollected miscellaneous receivables	<u>1,686,266</u>	16,515,159

Prepaid items:

Other post employment benefit asset	3,491,561	
Prepaid pension asset	11,138	
Prepaid capital asset	23,709	
Rent	<u>4,156,250</u>	7,682,658

Internal service funds are used by management to charge the costs of certain activities, such as insurance, vehicles and communications, and capital projects management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets. 22,167,822

Long-term obligations, including bonds payable, are not due and payable in the current period and are not reported in the funds:

Net bonds, certificates of participation, public facility lease, taxable redevelopment facility note, support agreements, capital lease purchases and unamortized bond issuance costs	(542,759,609)	
Judgments and claims	(9,066,002)	
Landfill	(1,065,350)	
Retirement plan obligations, net	(2,552,179)	
Compensated absences	(19,522,387)	
Pollution remediation obligation	(2,686,500)	
Interest payable	<u>(9,057,174)</u>	(586,709,201)

Net assets of governmental activities \$ 850,270,360

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

County of Chesterfield, Virginia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

	<u>General</u>	<u>County Capital Projects</u>	<u>School Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
From local sources:					
General property taxes	\$ 358,569,311	\$ -	\$ -	\$ -	\$ 358,569,311
Other local taxes	82,831,721	-	-	-	82,831,721
Permits, privilege fees and regulatory licenses	3,864,896	-	-	-	3,864,896
Fines and forfeitures	2,301,977	-	-	-	2,301,977
Use of money and property	1,005,074	256,775	89,071	133	1,351,053
Contributions from developers	-	6,819,873	-	-	6,819,873
Charges for services	30,894,815	45,544	48,844	5,861,581	36,850,784
Miscellaneous	8,525,664	182,611	-	191,210	8,899,485
Recovered costs	11,034,985	-	-	336,282	11,371,267
Donations and contributions	140,674	230,789	-	120,592	492,055
From component unit:					
School Board	-	-	9,140,966	1,102,757	10,243,723
Economic Development Authority	-	2,769,593	-	-	2,769,593
From other governments	151,570,011	6,337,845	-	11,531,417	169,439,273
Total revenues	<u>650,739,128</u>	<u>16,643,030</u>	<u>9,278,881</u>	<u>19,143,972</u>	<u>695,805,011</u>
Expenditures					
Current:					
General government	46,315,295	-	-	-	46,315,295
Administration of justice	8,571,395	-	-	624,443	9,195,838
Public safety	148,090,253	-	-	8,059,207	156,149,460
Public works	17,559,882	-	-	769,379	18,329,261
Health and welfare	62,869,626	-	-	8,938,200	71,807,826
Parks, recreation and cultural	17,867,689	-	-	145,296	18,012,985
Education - School Board	237,240,888	-	-	571,517	237,812,405
Community development	23,524,254	-	-	1,792,155	25,316,409
Debt service:					
Retirement of principal	43,650,523	-	-	-	43,650,523
Interest	22,493,861	-	-	-	22,493,861
Other	1,318,521	-	-	-	1,318,521
Capital outlay	-	36,649,694	29,494,011	-	66,143,705
Total expenditures	<u>629,502,187</u>	<u>36,649,694</u>	<u>29,494,011</u>	<u>20,900,197</u>	<u>716,546,089</u>
Excess (deficiency) of revenues over (under) expenditures	<u>21,236,941</u>	<u>(20,006,664)</u>	<u>(20,215,130)</u>	<u>(1,756,225)</u>	<u>(20,741,078)</u>
Other financing sources (uses)					
Transfers in	3,073,616	12,629,017	4,025,941	2,710,424	22,438,998
Transfers out	(15,232,271)	(4,613,230)	(476,403)	(1,111,674)	(21,433,578)
Sale of land for redevelopment	-	5,751,083	-	-	5,751,083
Refunding certificates of participation issued	19,011,905	-	-	-	19,011,905
Premium on refunding certificates of participation issued	3,373,405	-	-	-	3,373,405
Bonds issued	88,112	17,935,000	18,506,888	-	36,530,000
Premium on bonds issued	182,824	775,229	2,897,554	-	3,855,607
Refunding bonds issued	49,560,000	-	-	-	49,560,000
Premium on refunding bonds issued	10,708,925	-	-	-	10,708,925
Payment to refunded bonds escrow agent	(82,086,894)	-	-	-	(82,086,894)
Total other financing sources (uses), net	<u>(11,320,378)</u>	<u>32,477,099</u>	<u>24,953,980</u>	<u>1,598,750</u>	<u>47,709,451</u>
Net change in fund balances	9,916,563	12,470,435	4,738,850	(157,475)	26,968,373
Fund balances, July 1, 2011	248,045,929	80,362,973	38,051,475	7,914,021	374,374,398
Fund balances, June 30, 2012	<u>\$ 257,962,492</u>	<u>\$ 92,833,408</u>	<u>\$ 42,790,325</u>	<u>\$ 7,756,546</u>	<u>\$ 401,342,771</u>

County of Chesterfield, Virginia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

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

Net change in fund balances - total governmental funds.	\$	26,968,373
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:

Capitalized assets	\$ 37,748,349	
Depreciation	(35,443,414)	2,304,935

In the Statement of Activities, only the gain on the sale of surplus assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the surplus assets sold.		(5,101,838)
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Donations of capital assets increase revenues in the Statement of Activities but do not appear in the governmental funds because they are not financial resources.		1,030,930
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		(2,272,696)
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Amortization of prepaid rent in the government-wide statements is not an expenditure in the fund statements.		(115,000)
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Debt proceeds provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the Statement of Net Assets:

Payments	125,737,417	
Proceeds	(123,039,842)	2,697,575

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the net changes (exclusive of internal service fund changes) of the following balances:

Compensated absences	(601,899)	
Judgement and claims	(656,214)	
Retirement plan obligations, net	(38,355)	
Other post employment benefits obligation	2,164,088	
Landfill	288,542	
Interest payable	1,008,517	
Amortization of bond premiums and issuance costs	4,002,967	
Amortization of deferred amount on refunding	(1,024,629)	5,143,017

Internal service funds are used by management to charge the costs of insurance, vehicles and communications and capital projects management to individual funds. The net revenue of the internal service funds is reported with governmental activities.		(2,047,822)
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Change in net assets of governmental activities.	\$	28,607,474
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The accompanying notes are an integral part of the financial statements.

County of Chesterfield, Virginia
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
From local sources:				
General property taxes	\$ 350,681,400	\$ 350,681,400	\$ 358,569,311	\$ 7,887,911
Other local taxes	96,351,800	96,586,900	97,430,942	844,042
Permits, privilege fees and regulatory licenses	3,834,100	3,905,990	4,329,396	423,406
Fines and forfeitures	1,517,500	1,727,581	2,301,977	574,396
Use of money and property	1,776,700	1,776,962	1,005,074	(771,888)
Charges for services	30,885,600	31,286,046	30,430,315	(855,731)
Miscellaneous	1,285,100	1,375,926	8,525,664	7,149,738
Recovered costs	10,561,100	10,727,170	11,034,985	307,815
Donations and contributions	108,000	139,356	140,674	1,318
From other governments	134,738,200	135,082,281	136,970,790	1,888,509
Total revenues	<u>631,739,500</u>	<u>633,289,612</u>	<u>650,739,128</u>	<u>17,449,516</u>
Expenditures				
Current:				
General government	47,581,890	49,413,792	46,315,295	3,098,497
Administration of justice	8,476,156	8,778,852	8,615,168	163,684
Public safety	145,309,822	149,492,605	145,364,327	4,128,278
Public works	16,968,982	18,030,930	17,559,882	471,048
Health and welfare	71,208,136	70,098,772	66,143,589	3,955,183
Parks, recreation and cultural	17,839,186	18,167,292	17,867,689	299,603
Community development	15,572,387	23,674,127	23,524,254	149,873
Non-departmental	700,000	700,000	-	700,000
Debt service:				
Retirement of principal	15,539,700	15,539,700	14,024,717	1,514,983
Interest	9,993,000	7,193,230	6,707,999	485,231
Other	729,500	991,978	879,756	112,222
Total expenditures	<u>349,918,759</u>	<u>362,081,278</u>	<u>347,002,676</u>	<u>15,078,602</u>
Excess of revenues over expenditures	<u>281,820,741</u>	<u>271,208,334</u>	<u>303,736,452</u>	<u>32,528,118</u>
Other financing sources (uses)				
Transfers in	1,958,600	3,323,616	3,073,616	(250,000)
Transfers out	(304,917,200)	(363,210,085)	(297,453,454)	65,756,631
Proceeds from refunding bonds issued	-	5,662,440	5,662,440	-
Premium on refunding bonds issued	-	4,684,547	4,684,547	-
Premium on bonds issued	-	182,824	182,824	-
Payment to refunded bond escrow agent	-	(29,334,802)	(28,981,766)	353,036
Refunding certificates of participation issued	-	19,011,904	19,011,904	-
Total other financing uses, net	<u>(302,958,600)</u>	<u>(359,679,556)</u>	<u>(293,819,889)</u>	<u>65,859,667</u>
Net change in fund balance	(21,137,859)	(88,471,222)	9,916,563	98,387,785
Fund balance, July 1, 2011	<u>248,045,929</u>	<u>248,045,929</u>	<u>248,045,929</u>	-
Fund balance, June 30, 2012	<u>\$ 226,908,070</u>	<u>\$ 159,574,707</u>	<u>\$ 257,962,492</u>	<u>\$ 98,387,785</u>

(Continued)

County of Chesterfield, Virginia
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2012

Explanation of differences between actual amounts on the budgetary basis and GAAP basis.

Expenditures

Total expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	\$ 347,002,676
Local funding of grant programs are transfers to other funds, rather than expenditures, for financial reporting purposes.	(591,810)
Budgetary transfers to component units, excluding transfers for funding "on behalf" debt payments, are expenditures for financial reporting purposes.	237,240,888
Debt service on debt issued "on behalf" of the School Board component unit is considered an expenditure of the primary government for financial reporting purposes.	<u>45,850,433</u>
Total expenditures of the General Fund on the Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds	<u>\$ 629,502,187</u>

Other financing sources (uses)

Total other financing uses on the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	\$ (293,819,889)
Local funding of grant programs are transfers to other funds, rather than expenditures, for financial reporting purposes.	(591,810)
Budgetary transfers to component units are expenditures for financial reporting purposes.	282,812,993
Proceeds from debt issued "on behalf" of the School Board component unit are considered other financing sources for the primary government for financial reporting purposes.	<u>278,328</u>
Total other financing uses of the General Fund on the Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds	<u>\$ (11,320,378)</u>

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

County of Chesterfield, Virginia
Statement of Net Assets
Proprietary Funds
June 30, 2012

Exhibit VI

	Business-type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	<u>Water</u>	<u>Wastewater</u>	<u>Non-major Airport</u>	<u>Total</u>	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 31,663,304	\$ 27,456,767	\$ 263,186	\$ 59,383,257	\$ 23,059,021
Investments	38,115,174	37,331,107	-	75,446,281	-
Receivables, net of allowances for uncollectibles of \$532,870					
Accounts	6,866,963	6,676,153	47,369	13,590,485	133,412
Accrued interest	52,209	34,835	-	87,044	-
Special assessments	13,670	26,969	-	40,639	-
Total net receivables	6,932,842	6,737,957	47,369	13,718,168	133,412
Due from other governments	172,570	385,749	30,499	588,818	224,206
Inventories	884,118	-	-	884,118	621,031
Total current assets	77,768,008	71,911,580	341,054	150,020,642	24,037,670
Non-current assets:					
Accrued interest receivable	-	161,148	-	161,148	-
Special assessments receivable	168,948	298,603	-	467,551	-
Restricted cash and cash equivalents:					
Investments	4,905,926	3,672,783	-	8,578,709	-
Cash and cash equivalents with trustees	5,254,907	4,988,651	-	10,243,558	-
Total restricted assets	10,160,833	8,661,434	-	18,822,267	-
Bond issuance costs, net of amortization	153,642	338,279	-	491,921	-
Capital and Intangible assets:					
Capacity rights	69,792,221	2,853,044	-	72,645,265	-
Land	3,552,303	1,189,188	1,663,935	6,405,426	193,685
Buildings	46,518,205	126,239,226	7,112,132	179,869,563	2,197,507
Improvements other than buildings	8,267,523	18,950,184	27,163,040	54,380,747	311,805
Machinery and equipment	398,938,232	459,261,247	1,449,785	859,649,264	13,089,247
Construction in progress	4,792,163	46,812,247	139,177	51,743,587	29,530
Total capital and intangible assets	531,860,647	655,305,136	37,528,069	1,224,693,852	15,821,774
Less accumulated depreciation	(142,367,218)	(210,940,244)	(16,171,717)	(369,479,179)	(9,035,540)
Total capital and intangible assets, net of accumulated depreciation	389,493,429	444,364,892	21,356,352	855,214,673	6,786,234
Total non-current assets	399,976,852	453,824,356	21,356,352	875,157,560	6,786,234
Total assets	477,744,860	525,735,936	21,697,406	1,025,178,202	30,823,904

(Continued)

County of Chesterfield, Virginia
Statement of Net Assets
Proprietary Funds
June 30, 2012

Exhibit VI

Business-type Activities
Enterprise Funds

	<u>Water</u>	<u>Wastewater</u>	<u>Non-major Airport</u>	<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 3,235,394	\$ 1,786,290	\$ 10,262	\$ 5,031,946	\$ 1,023,225
Due to other funds	-	-	220,000	220,000	-
Accrued liabilities:					
Wages and benefits	474,660	420,897	12,634	908,191	359,844
Interest	-	-	2,289	2,289	-
Other	365,982	31,661	-	397,643	-
Total accrued liabilities	<u>840,642</u>	<u>452,558</u>	<u>14,923</u>	<u>1,308,123</u>	<u>359,844</u>
Compensated absences	405,003	422,111	14,918	842,032	287,627
Judgments and claims	164,684	94,624	-	259,308	3,741,905
Certificates of participation, net	-	-	111,724	111,724	-
Revenue bonds payable, net	<u>1,862,302</u>	<u>1,930,548</u>	<u>-</u>	<u>3,792,850</u>	<u>-</u>
Total current liabilities	<u>6,508,025</u>	<u>4,686,131</u>	<u>371,827</u>	<u>11,565,983</u>	<u>5,412,601</u>
Non-current liabilities:					
Liabilities payable from restricted assets:					
Principal installments with trustee	1,230,000	1,226,655	-	2,456,655	-
Accrued interest payable	277,980	272,367	-	550,347	-
Deposits and advances	<u>6,026</u>	<u>8,500</u>	<u>6,645</u>	<u>21,171</u>	<u>-</u>
Total liabilities payable from restricted assets	<u>1,514,006</u>	<u>1,507,522</u>	<u>6,645</u>	<u>3,028,173</u>	<u>-</u>
Developers' connection fees refundable	323,274	713,424	-	1,036,698	-
Retainages payable	196,871	126,861	-	323,732	-
Prepaid connection fees	44,266	227,954	-	272,220	-
Compensated absences	283,154	308,162	8,494	599,810	197,400
Unearned revenue	-	-	-	-	521,773
Judgments and claims	353,192	202,937	-	556,129	2,446,760
Retirement plan obligations	153,132	85,835	4,510	243,477	77,548
Certificates of participation, net	-	-	1,074,954	1,074,954	-
Revenue bonds payable, net	<u>37,737,854</u>	<u>42,199,626</u>	<u>-</u>	<u>79,937,480</u>	<u>-</u>
Total non-current liabilities	<u>40,605,749</u>	<u>45,372,321</u>	<u>1,094,603</u>	<u>87,072,673</u>	<u>3,243,481</u>
Total liabilities	<u>47,113,774</u>	<u>50,058,452</u>	<u>1,466,430</u>	<u>98,638,656</u>	<u>8,656,082</u>
NET ASSETS					
Invested in capital assets, net of related debt	349,893,273	400,234,718	20,169,674	770,297,665	6,786,234
Restricted - debt covenants	8,652,853	7,162,412	-	15,815,265	-
Unrestricted	<u>72,084,960</u>	<u>68,280,354</u>	<u>61,302</u>	<u>140,426,616</u>	<u>15,381,588</u>
Total net assets	<u>\$ 430,631,086</u>	<u>\$ 475,677,484</u>	<u>\$ 20,230,976</u>	<u>\$ 926,539,546</u>	<u>\$ 22,167,822</u>

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

County of Chesterfield, Virginia
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2012

Exhibit VII

	Business-type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	<u>Water</u>	<u>Wastewater</u>	<u>Non-major Airport</u>	<u>Total</u>	
Operating revenues					
Charges for services	\$ 33,348,427	\$ 35,230,842	\$ 63,187	\$ 68,642,456	\$ 29,237,771
Sale of supplies	788,564	-	-	788,564	-
Rental fees	994,208	-	529,390	1,523,598	-
Other	<u>223,573</u>	<u>132,262</u>	<u>20,301</u>	<u>376,136</u>	<u>1,595,693</u>
Total operating revenues	<u>35,354,772</u>	<u>35,363,104</u>	<u>612,878</u>	<u>71,330,754</u>	<u>30,833,464</u>
Operating expenses					
Salaries and wages	7,827,014	7,385,031	296,663	15,508,708	7,679,336
Contractual services	10,407,147	3,912,197	63,268	14,382,612	974,348
Capacity rights amortization	1,860,537	118,876	-	1,979,413	-
Materials and supplies	2,852,512	4,262,107	16,711	7,131,330	11,408,120
Heat, light and power	1,385,545	3,034,871	79,785	4,500,201	77,418
Rent	-	-	-	-	10,643
Depreciation	10,318,392	14,534,155	1,277,806	26,130,353	1,509,669
Repairs and maintenance	758,288	1,224,822	253,902	2,237,012	1,429,119
Insurance	-	-	-	-	2,450,812
Claims	-	-	-	-	5,090,195
Other	<u>570,131</u>	<u>378,591</u>	<u>34,271</u>	<u>982,993</u>	<u>29,323</u>
Total operating expenses	<u>35,979,566</u>	<u>34,850,650</u>	<u>2,022,406</u>	<u>72,852,622</u>	<u>30,658,983</u>
Operating income (loss)	<u>(624,794)</u>	<u>512,454</u>	<u>(1,409,528)</u>	<u>(1,521,868)</u>	<u>174,481</u>
Non-operating revenues (expenses)					
Interest and dividend income	252,812	332,190	-	585,002	5,291
Bond amortization and interest expense	(1,288,375)	(7,690)	(42,643)	(1,338,708)	-
Loss on disposal of capital assets	(625,435)	(1,155,203)	(18,330)	(1,798,968)	(1,630,211)
Other	<u>(65,768)</u>	<u>(151,675)</u>	<u>-</u>	<u>(217,443)</u>	<u>(500,150)</u>
Net non-operating expenses	<u>(1,726,766)</u>	<u>(982,378)</u>	<u>(60,973)</u>	<u>(2,770,117)</u>	<u>(2,125,070)</u>
Loss before contributions and transfers	(2,351,560)	(469,924)	(1,470,501)	(4,291,985)	(1,950,589)
Capital contributions	9,807,539	9,499,081	110,615	19,417,235	281,739
Transfers in	-	-	4,977	4,977	-
Transfers out	<u>(629,225)</u>	<u>(2,200)</u>	<u>-</u>	<u>(631,425)</u>	<u>(378,972)</u>
Change in net assets	6,826,754	9,026,957	(1,354,909)	14,498,802	(2,047,822)
Total net assets-July 1, 2011	<u>423,804,332</u>	<u>466,650,527</u>	<u>21,585,885</u>	<u>912,040,744</u>	<u>24,215,644</u>
Total net assets-June 30, 2012	<u>\$ 430,631,086</u>	<u>\$ 475,677,484</u>	<u>\$ 20,230,976</u>	<u>\$ 926,539,546</u>	<u>\$ 22,167,822</u>

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

County of Chesterfield, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2012

	Business-type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	Water	Wastewater	Non-major Airport	Total	
Cash flows from operating activities					
Receipts from customers	\$ 35,328,361	\$ 35,383,719	\$ 655,807	\$ 71,367,887	\$ 29,235,087
Payments to suppliers	(15,253,592)	(12,362,351)	(484,968)	(28,100,911)	(16,515,852)
Payments to employees	(8,041,644)	(7,492,314)	(303,313)	(15,837,271)	(7,794,294)
Claims recovered	-	-	-	-	1,419,869
Claims paid	-	-	-	-	(3,446,517)
Other receipts	-	-	-	-	103,619
Net cash provided by (used in) operating activities	<u>12,033,125</u>	<u>15,529,054</u>	<u>(132,474)</u>	<u>27,429,705</u>	<u>3,001,912</u>
Cash flows from non-capital financing activities					
Transfers out	(629,225)	(2,200)	-	(631,425)	(378,972)
Advance repaid to Water from Wastewater	<u>23,000,000</u>	<u>(23,000,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided by (used in) non-capital financing activities	<u>22,370,775</u>	<u>(23,002,200)</u>	<u>-</u>	<u>(631,425)</u>	<u>(378,972)</u>
Cash flows from capital and related financing activities					
Advance from General Fund	-	-	65,000	65,000	-
Repayment to General Fund	-	-	(125,000)	(125,000)	-
Purchase of capital assets	(11,789,101)	(11,457,436)	(63,567)	(23,310,104)	(1,406,093)
Purchase of capacity rights	(1,305,578)	-	-	(1,305,578)	-
Payments to developers for utility assets	(114,158)	(173,544)	-	(287,702)	-
Retainages paid to contractors	(294,737)	(1,326,763)	-	(1,621,500)	-
Proceeds from sale of capital assets	-	3,275	11,858	15,133	178,670
Capital contributions	5,723,163	7,157,961	84,397	12,965,521	-
Interest paid on bonds, certificates of participation and other liabilities	(1,703,430)	(1,669,450)	(48,753)	(3,421,633)	-
Proceeds from sale of refunding certificates of participation	-	-	877,442	877,442	-
Payment to escrow agent	-	-	(877,442)	(877,442)	-
Principal paid on revenue bonds and certificates of participation	(1,770,000)	(1,770,000)	(96,183)	(3,636,183)	-
Payment of other debt expenses	(2,755)	(2,670)	-	(5,425)	-
Net cash used in capital and related financing activities	<u>(11,256,596)</u>	<u>(9,238,627)</u>	<u>(172,248)</u>	<u>(20,667,471)</u>	<u>(1,227,423)</u>
Cash flows from investing activities					
Purchase of investments	(59,000,000)	(82,000,000)	-	(141,000,000)	-
Proceeds from sale of investments	46,950,000	118,500,000	-	165,450,000	-
Interest received	<u>231,877</u>	<u>402,782</u>	<u>-</u>	<u>634,659</u>	<u>5,291</u>
Net cash provided by (used in) investing activities	<u>(11,818,123)</u>	<u>36,902,782</u>	<u>-</u>	<u>25,084,659</u>	<u>5,291</u>
Net increase (decrease) in cash and cash equivalents	<u>11,329,181</u>	<u>20,191,009</u>	<u>(304,722)</u>	<u>31,215,468</u>	<u>1,400,808</u>

(Continued)

County of Chesterfield, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2012

	Business-type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	Water	Wastewater	Non-major Airport	Total	
Cash and cash equivalents, June 30, 2011:					
Cash and cash equivalents	\$ 20,363,688	\$ 7,300,625	\$ 561,163	\$ 28,225,476	\$ 21,658,213
Investments	26,178,622	73,932,090	-	100,110,712	-
Less: Investments with maturities greater than 90 days when purchased	(26,178,622)	(73,932,090)	-	(100,110,712)	-
Restricted cash and cash equivalents	-	-	6,745	6,745	-
Restricted investments	4,787,943	3,597,350	-	8,385,293	-
Less: Investments with maturities greater than 90 days when purchased	(4,787,943)	(3,597,350)	-	(8,385,293)	-
Restricted cash and cash equivalents with trustees	5,225,342	4,953,784	-	10,179,126	-
Total cash and cash equivalents, June 30, 2011	<u>25,589,030</u>	<u>12,254,409</u>	<u>567,908</u>	<u>38,411,347</u>	<u>21,658,213</u>
Cash and cash equivalents, June 30, 2012:					
Cash and cash equivalents	31,663,304	27,456,767	263,186	59,383,257	23,059,021
Investments	38,115,174	37,331,107	-	75,446,281	-
Less: Investments with maturities greater than 90 days when purchased	(38,115,174)	(37,331,107)	-	(75,446,281)	-
Restricted investments	4,905,926	3,672,783	-	8,578,709	-
Less: Investments with maturities greater than 90 days when purchased	(4,905,926)	(3,672,783)	-	(8,578,709)	-
Restricted cash and cash equivalents with trustees	5,254,907	4,988,651	-	10,243,558	-
Total cash and cash equivalents, June 30, 2012	<u>\$ 36,918,211</u>	<u>\$ 32,445,418</u>	<u>\$ 263,186</u>	<u>\$ 69,626,815</u>	<u>\$ 23,059,021</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ (624,794)	\$ 512,454	\$ (1,409,528)	\$ (1,521,868)	\$ 174,481
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	10,318,392	14,534,155	1,277,806	26,130,353	1,509,669
Amortization	1,860,537	118,876	-	1,979,413	-
Changes in assets and liabilities:					
Receivables, net	306,050	294,723	43,029	643,802	(286,710)
Inventories	(44,538)	-	-	(44,538)	(25,993)
Accounts and other payables	217,478	68,846	(43,781)	242,543	1,627,318
Unearned revenue	-	-	-	-	3,147
Net cash provided by (used in) operating activities	<u>\$ 12,033,125</u>	<u>\$ 15,529,054</u>	<u>\$ (132,474)</u>	<u>\$ 27,429,705</u>	<u>\$ 3,001,912</u>
Noncash transactions related to financing, capital and investing activities are as follows:					
Contributions of capital assets	4,282,346	\$ 2,223,116	\$ 18,175	\$ 6,523,637	\$ 281,739
Unrealized gain on investments	21,100	3,890	-	24,990	-

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

County of Chesterfield, Virginia
Statement of Fiduciary Net Assets
June 30, 2012

	<u>Pension Trust</u>	<u>OPEB Trust</u>	<u>OPEB Trust</u>	<u>OPEB Trust</u>	<u>Agency</u>
		Pooled	Pooled	Pooled	
		Postemployment	Postemployment	Postemployment	
	County	Retiree	Retiree	Line	
	Supplemental	Healthcare	Healthcare	of Duty	
	Retirement	Benefits	Benefits	Benefits	
	<u>Plan</u>	<u>County</u>	<u>Schools</u>	<u>County</u>	
ASSETS					
Cash and cash equivalents	\$ 1,003,524	\$ -	\$ -	\$ -	\$ 9,140,578
Accounts receivable	-	6	-	-	372,540
Due from other governments	-	-	-	-	1,594,296
Restricted assets:					
Cash and cash equivalents	-	-	-	-	6,388,968
Investments	-	-	-	-	4,002,100
Cash, cash equivalents, and investments with trustee	-	-	-	-	13,125,873
Due from other governments	-	-	-	-	1,964,458
Interest receivable	-	-	-	-	40
Total restricted assets	-	-	-	-	25,481,439
Investments:					
Fund of funds	3,000,554	-	-	-	-
Common stocks	12,357,609	-	-	-	-
Corporate bonds	3,233,831	-	-	-	-
U.S. government and agency securities	1,942,197	-	-	-	-
Exchange traded funds	743,018	-	-	-	-
Collateralized mortgage obligations	516,185	-	-	-	-
Pooled funds	-	15,207,373	5,423,624	2,979,062	-
Total investments	21,793,394	15,207,373	5,423,624	2,979,062	-
Total assets	22,796,918	15,207,379	5,423,624	2,979,062	\$ 36,588,853
LIABILITIES					
Due to broker	70,589	-	-	-	-
Amounts held for others	-	-	-	-	36,588,853
Total liabilities	70,589	-	-	-	\$ 36,588,853
NET ASSETS					
Held in trust for pension/other post employment benefits	\$ 22,726,329	\$ 15,207,379	\$ 5,423,624	\$ 2,979,062	

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

County of Chesterfield, Virginia
Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2012

	<u>Pension Trust</u>	<u>OPEB Trust</u>	<u>OPEB Trust</u>	<u>OPEB Trust</u>
		Pooled	Pooled	Pooled
		Postemployment	Postemployment	Postemployment
	County	Retiree	Retiree	Line
	Supplemental	Healthcare	Healthcare	of Duty
	Retirement	Benefits	Benefits	Benefits
	<u>Plan</u>	<u>County</u>	<u>Schools</u>	<u>County</u>
Additions:				
Contributions - employer	\$ 1,475,556	\$ 9,255,196	\$ 19,400,406	\$ 3,092,601
Investment earnings:				
Interest and dividends	532,268	2,327	838	11
Accrued income	-	6	-	-
Net increase (decrease) in the fair value of investments	(648,506)	(160,963)	(64,469)	79,409
Total investment income	(116,238)	(158,630)	(63,631)	79,420
Less investment expenses	(146,059)	(15,710)	(6,305)	(358)
Net investment income	(262,297)	(174,340)	(69,936)	79,062
Total additions, net	1,213,259	9,080,856	19,330,470	3,171,663
Deductions:				
Benefit payments	1,103,699	7,570,770	19,400,406	192,601
Administrative expenses	54,972	500	500	-
Total deductions	1,158,671	7,571,270	19,400,906	192,601
Change in net assets	54,588	1,509,586	(70,436)	2,979,062
Net assets - July 1, 2011	22,671,741	13,697,793	5,494,060	-
Net assets - June 30, 2012	<u>\$ 22,726,329</u>	<u>\$ 15,207,379</u>	<u>\$ 5,423,624</u>	<u>\$ 2,979,062</u>

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

County of Chesterfield, Virginia
Statement of Net Assets
Component Units
June 30, 2012

	<u>School Board</u>	<u>Economic Development Authority</u>	<u>Watkins Centre Community Development Authority</u>	<u>Chippenham Place Community Development Authority</u>	<u>Health Center Commission</u>	<u>Total Component Units</u>
ASSETS						
Cash and cash equivalents	\$ 39,797,437	\$ 15,696,951	\$ 318,676	\$ 37,780	\$ 2,812,584	\$ 58,663,428
Investments	-	-	1,800,000	-	12,204,537	14,004,537
Receivables, net of allowance for uncollectibles of \$262,200	8,402,069	6,522,430	28,870	-	1,977,664	16,931,033
Due from primary government	60,617,545	16,766	-	-	-	60,634,311
Inventories	1,344,244	-	-	-	64,669	1,408,913
Prepays	17,133,906	-	400	-	2,308,850	19,443,156
Bond issuance costs, net of amortization	-	198,982	339,272	505,715	1,173,972	2,217,941
Capital assets, not being depreciated	-	12,746,268	-	-	375,254	13,121,522
Other capital assets, net of depreciation	10,072,944	1,067,776	-	-	49,775,941	60,916,661
Total assets	<u>137,368,145</u>	<u>36,249,173</u>	<u>2,487,218</u>	<u>543,495</u>	<u>70,693,471</u>	<u>247,341,502</u>
LIABILITIES						
Accounts payable and other liabilities	39,177,204	1,920,531	323,770	34,446	2,077,391	43,533,342
Due to primary government	-	6,024,391	-	-	-	6,024,391
Unearned revenues	399,126	-	-	-	1,612,971	2,012,097
Deposits and advances	-	-	-	-	13,319,217	13,319,217
Non-current liabilities:						
Due within one year	12,431,548	1,294,269	1,564,822	-	349,044	15,639,683
Due in more than one year	18,510,153	24,920,831	16,418,507	6,410,000	49,150,533	115,410,024
Total liabilities	<u>70,518,031</u>	<u>34,160,022</u>	<u>18,307,099</u>	<u>6,444,446</u>	<u>66,509,156</u>	<u>195,938,754</u>
NET ASSETS						
Invested in capital assets, net of related debt	10,072,944	1,513,944	-	-	9,043,322	20,630,210
Restricted for:						
Debt covenants	-	3,673,835	-	-	-	3,673,835
Grantor programs	273,290	-	-	-	-	273,290
Legislated programs	4,840,862	-	-	-	-	4,840,862
Total restricted	5,114,152	3,673,835	-	-	-	8,787,987
Unrestricted (deficit)	51,663,018	(3,098,628)	(15,819,881)	(5,900,951)	(4,859,007)	21,984,551
Total net assets (deficit)	<u>\$ 66,850,114</u>	<u>\$ 2,089,151</u>	<u>\$ (15,819,881)</u>	<u>\$ (5,900,951)</u>	<u>\$ 4,184,315</u>	<u>\$ 51,402,748</u>

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

County of Chesterfield, Virginia
Statement of Activities
Component Units
For the Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets					Totals
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	School Board	Economic Development Authority	Watkins Centre Community Development Authority	Chippenham Place Community Development Authority	Health Center Commission	
School Board	\$ 520,686,519	\$ 15,560,613	\$ 103,059,884	\$ -	\$ (402,066,022)	\$ -	\$ -	\$ -	\$ -	\$ (402,066,022)
Economic Development Authority	12,291,663	50,000	-	-	-	(12,241,663)	-	-	-	(12,241,663)
Watkins Centre Community Development Authority	1,177,494	-	-	-	-	-	(1,177,494)	-	-	(1,177,494)
Chippenham Place Community Development Authority	5,900,951	-	-	-	-	-	-	(5,900,951)	-	(5,900,951)
Health Center Commission	24,513,400	19,993,081	-	-	-	-	-	-	(4,520,319)	(4,520,319)
Total	<u>\$ 564,570,027</u>	<u>\$ 35,603,694</u>	<u>\$ 103,059,884</u>	<u>\$ -</u>	<u>(402,066,022)</u>	<u>(12,241,663)</u>	<u>(1,177,494)</u>	<u>(5,900,951)</u>	<u>(4,520,319)</u>	<u>(425,906,449)</u>
General revenues:										
Payment from County of Chesterfield					238,599,347	3,653,648	2,508,370	-	-	244,761,365
Grants and contributions not restricted to specific programs					155,153,475	-	-	-	-	155,153,475
Investment earnings					5,860	149,878	86,069	-	163,694	405,501
Miscellaneous					3,521,281	4,500	-	-	-	3,525,781
Special items					-	4,461,379	-	-	-	4,461,379
Total general revenues					<u>397,279,963</u>	<u>8,269,405</u>	<u>2,594,439</u>	<u>-</u>	<u>163,694</u>	<u>408,307,501</u>
Change in net assets					(4,786,059)	(3,972,258)	1,416,945	(5,900,951)	(4,356,625)	(17,598,948)
Net assets (deficit) - July 1, 2011					<u>71,636,173</u>	<u>6,061,409</u>	<u>(17,236,826)</u>	<u>-</u>	<u>8,540,940</u>	<u>69,001,696</u>
Net assets (deficit) - June 30, 2012					<u>\$ 66,850,114</u>	<u>\$ 2,089,151</u>	<u>\$ (15,819,881)</u>	<u>\$ (5,900,951)</u>	<u>\$ 4,184,315</u>	<u>\$ 51,402,748</u>

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

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2012

1. Summary of Significant Accounting Policies

A. Reporting Entity

Primary Government. Chesterfield County, Virginia (County) is a political subdivision of the Commonwealth of Virginia (Commonwealth) governed by a five-member elected Board of Supervisors (County Board). The accompanying financial statements for the primary government and its component units are prepared in accordance with specifications issued by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, the Financial Accounting Standards Board (FASB) and the U. S. generally accepted accounting principles (GAAP) applicable to governmental units, as prescribed by the Governmental Accounting Standards Board (GASB).

Discretely Presented Component Units. The financial data of the County's five component units that meet the criteria for inclusion under GAAP are reported in a single column/row on the face of the government-wide financial statements with combining statements of major individual component units as Exhibits XI and XII.

1. The Chesterfield County Public School System (School Board) is responsible for elementary and secondary education within the County's jurisdiction. The five members of the School Board are elected for a four-year term. The members of the current School Board were elected in November 2011. The School Board functions independently of the County Board and County Administration, but is fiscally dependent upon the County because the County Board approves the budget, levies the necessary taxes to finance operations and issues debt on behalf of the School Board. The School Board can neither levy taxes nor incur bonded indebtedness under Virginia law. Fund financial statements of the School Board are included in the supplementary information section.
2. The Economic Development Authority (Authority or EDA) of the County of Chesterfield, previously known as the Industrial Development Authority, was created as a political subdivision of the Commonwealth by the County, pursuant to the provisions of the Industrial Development and Revenue Bond Act, Chapter 49 of Title 15.2, Code of Virginia. This Act empowers the Authority, among other activities, to issue tax-exempt bonds to acquire, improve, maintain, equip, own, lease or dispose of properties by inducing manufacturing and industrial enterprises to locate or remain in the Commonwealth. The County Board appoints the seven directors of the Authority and provides financial support by making direct payments of debt service expenses on behalf of the Authority. Complete financial statements for the Authority may be obtained at Chesterfield County Economic Development Department, 9401 Courthouse Road, Centre Court - Suite B, Chesterfield, Virginia 23832.
3. The Watkins Centre Community Development Authority (Watkins Centre CDA) was created as a political subdivision of the Commonwealth by the County, pursuant to Sections 15.2-5152 of the Code of Virginia. The Watkins Centre CDA was created for the purpose of financing a portion of the transportation infrastructure improvements within the Watkins Centre District (District), a site located in the northwest quadrant at the intersection of State Route 288 and State Route 60 within the County. The District is part of a mixed-use development that includes retail and commercial components. The County Board appoints the five members of the Watkins Centre CDA board and has pledged a tax increment of certain real property and sales taxes collected within the District as a revenue source for retiring debt issued by the Watkins Centre CDA. The County's obligation is limited to the amount of tax increments collected as well as to any special assessments collected on the Watkins Centre CDA's behalf. Complete financial statements for the Watkins Center CDA may be obtained by contacting the Chesterfield County Accounting Department, 9901 Lori Road, P.O. Box 40, Chesterfield, Virginia 23832.

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2012

4. The Chippenham Place Community Development Authority (Chippenham Place CDA) was created as a political subdivision of the Commonwealth by the County, pursuant to Sections 15.2-5152 of the Code of Virginia. The Chippenham Place CDA was created to fund public infrastructure improvements at the Cloverleaf Mall site owned by the County. The improvements are part of a mixed-use development project that will provide residential, retail and commercial office components. The County Board appoints the five members of the Chippenham Place CDA board and has pledged a tax increment of certain real property and sales taxes collected within the Chippenham Place CDA district as a revenue source for retiring debt issued by the Chippenham Place CDA. The County's obligation is limited to the amount of tax increments collected as well as to any special assessments collected on the Chippenham Place CDA's behalf. Complete financial statements for the Chippenham Place CDA may be obtained by contacting the Chesterfield County Accounting Department, 9901 Lori Road, P.O. Box 40, Chesterfield, Virginia 23832.
5. The Health Center Commission for the County of Chesterfield (Health Center Commission or HCC) is responsible for operating a long-term care facility (Lucy Corr Village) in a professional and cost-effective manner providing high quality care for its residents. The County Board appoints the seven members of the Health Center Commission and, in accordance with the Code of Virginia, can remove the appointed members at will. Complete financial statements for the Health Center Commission may be obtained at the Health Center Commission's administrative office at 6800 Lucy Corr Court, Chesterfield, Virginia 23832.

B. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the County as a whole) and fund financial statements. All non-fiduciary activities are categorized as either governmental or business-type in both the government-wide and fund statements. Fiduciary activities, whose resources are not available to finance the County's programs, are not included in the government-wide statements.

Government-wide financial statements consist of a Statement of Net Assets and a Statement of Activities and reflect a full economic resources measurement focus and the accrual basis of accounting. The Statement of Net Assets presents the assets, liabilities and net assets of the governmental and business-type activities by columns. In the Statement of Activities, both the gross and net cost per individual function is reported for both governmental and business-type activities. Related program revenues include 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by the function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of the function. The County does not allocate indirect expenses. Taxes and other revenues not restricted to a particular function are reported as general revenues.

In the fund financial statements, financial transactions and accounts are organized on the basis of funds. Fund financial statements consist of a series of statements that primarily focus on the information about the County's major governmental and enterprise funds. The governmental funds' statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Proprietary funds' statements are prepared using the economic resources measurement focus and the accrual basis of accounting. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Fiduciary fund statements are used to report assets that are held in a trustee or agency capacity and consist of a Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets.

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

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2012

recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue when all eligibility requirements imposed by the provider have been met and amounts are measurable.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when susceptible to accrual, i.e., both measurable and available. Generally, revenues are considered available only if the monies are received within 45 days after the end of the accounting period and are due on or before the last day of the accounting period. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on general long-term debt, which is recorded when paid.

Real and personal property taxes are recorded as deferred revenue and receivables when billed, net of allowances for uncollectible amounts. During the fiscal year, property tax collections are recorded as revenues and deferred revenue is reduced. Property taxes for the current and prior years, not collected within 45 days after year-end, remain recorded as deferred revenue. Sales taxes, which are collected by the State by year-end and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the State, which is generally in the month preceding receipt by the County.

Licenses and permits, fines and forfeitures, charges for services and miscellaneous revenues, except interest on temporary investments, are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded when earned since they are measurable and available.

The County reports the following major governmental funds:

General Fund - The General Fund is the general operating fund and is used to account for all financial resources except those required to be accounted for in another fund.

County Capital Projects Fund – The County Capital Projects Fund is used to account for financial resources to be used for the acquisition, construction or renovation of major capital facilities and other capital assets used for County operations (other than those financed by Proprietary Funds).

School Capital Projects Fund – The School Capital Projects Fund is used to account for financial resources used primarily for the acquisition, construction or renovation of major capital facilities and other capital assets used for school operations.

The non-major governmental funds of the County are:

Grants Fund – The Grants Fund accounts for the proceeds related to federal and state programs that are legally restricted to expenditures for specific purposes.

Comprehensive Services Fund – The Comprehensive Services Fund is used to account for the financial resources related to providing child centered, family focused and locally based services for at-risk youth.

T. F. Jeffress Memorial Fund – The T. F. Jeffress Memorial Fund is used to account for the financial activity related to trust assets designated to assist in the maintenance of Camp Baker, a camp for mentally disabled individuals.

Proprietary Funds are used to account for the reporting entity's ongoing organizations and activities similar to those often found in the private sector. The County reports the following proprietary funds:

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2012

Enterprise Funds:

Water Fund – The Water Fund reflects the operations of the County's water system and is reported as a major fund.

Wastewater Fund – The Wastewater Fund reflects the operations of the County's wastewater system and also is reported as a major fund.

Airport Fund – The Airport Fund reflects the operation of the County's Airport and is reported as a non-major fund.

Internal Service Funds - Internal service funds are used to account for the operations of the vehicles and communications maintenance, general self-insurance functions and capital projects management. Resources to meet the cost of operations are derived from interfund charges on a cost-reimbursement basis.

Additionally, the County reports the following fund category:

Fiduciary Funds – Fiduciary funds are used to account for the supplemental retirement pension trust, the other postemployment benefits trusts and agency funds. Agency funds are custodial in nature and do not involve the measurement of results of operations.

The effect of interfund activity has been eliminated from the government-wide financial statements except for program-related services such as water and wastewater usage, inspections and permit issuances. Elimination of these program-related services would distort the direct costs and program revenues reported.

Amounts reported as program revenues include charges to customers for goods, services, or privileges provided, operating grants and contributions and capital grants and contributions. General revenues include all taxes, grants and contributions not restricted to specific programs and other revenues not meeting the definition of program revenues.

Operating revenues and expenses in the proprietary funds result from the provision of goods and services in connection with their principal ongoing operations. The principal operating revenues of the County's proprietary funds are charges for services. Operating expenses for the enterprise and internal service funds include the cost of services, administrative expenses, contractual services and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Unbilled charges for water and wastewater services are recorded at year-end to the extent they can be estimated.

The connection fee charged to connect to the County's water and wastewater system consists of a capital recovery charge and a meter installation charge. The capital recovery charge will be used to finance future capital improvements, whereas the meter installation charge recovers the cost of the meter and its installation. In accordance with industry practice, capital recovery charges of \$5,458,682 and \$3,826,527 in fiscal year 2012 have been recorded as capital contributions in the Water and Wastewater Enterprise Funds, respectively and the meter installation fees have been classified as charges for services in the Water Enterprise Fund.

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

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2012

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

For the purpose of the statement of cash flows, the County considers cash and all highly liquid investments, including restricted assets with a maturity of three months or less when purchased, as cash and cash equivalents.

2. Investment Policy

The reporting entity follows a deposit and investment policy in accordance with the Commonwealth's statutes. Investments with a maturity date of more than one year from the date of purchase are stated at fair value and investments with a maturity date of one year or less from the date of purchase are stated at amortized cost. Deposit and investment instruments include certificates of deposit, savings accounts, money market funds, Virginia State Non-Arbitrage Program (SNAP), bankers' acceptances, the Commonwealth of Virginia Local Government Investment Pool (LGIP) and United States (U.S.) government securities. Investments are generally on deposit with banks and savings and loan institutions and are collateralized under the provisions of the Virginia Security for Public Deposits Act, Section 2.1-359 et seq. Securities are held in safekeeping by the respective financial institutions. Investment income is reported in the same fund that reports the investment.

3. Allowances for Uncollectibles

The reporting entity determines allowances for uncollectibles using historical collection data, specific account analysis and management's judgment.

4. Inventories

Inventories are valued at the lower of cost (first-in, first-out) or market for the Enterprise and Internal Service Funds of the primary government. In the School Board, inventories are valued at the lower of cost (moving average) or market and in the Health Center Commission, inventories are valued at cost using the first-in, first-out method. Inventory items are considered expended when used (consumption method).

5. Restricted Assets – Enterprise Funds

Certain assets of the Water, Wastewater and Airport Funds are classified as restricted assets on the Statement of Net Assets – Proprietary Funds because their use is limited by revenue bond covenants.

6. Capacity Rights – Enterprise Funds

Capacity rights are recorded in the Water and Wastewater Funds. The County has entered into agreements with the City of Richmond, Virginia (City) and the Appomattox River Water Authority (ARWA) to purchase capacity rights to meet future water needs. The County, in conjunction with the Counties of Dinwiddie and Prince George and the Cities of Petersburg and Colonial Heights, created the South Central Wastewater Authority to maintain wastewater treatment facilities and provide capacity for purchase by the participating jurisdictions.

Water and Wastewater capacity rights are amortized using the straight-line method over 50 years and are included in the net assets invested in capital assets, net of related debt category of net assets.

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2012

7. Capital Assets

Capital assets include property, plant, equipment and infrastructure assets (e.g. roads, bridges, drainage systems and similar items). The standard for capitalization of tangible property is \$5,000 or more per unit with an expected useful life of greater than one year. The standard for capitalization of computer software is \$50,000 with an expected useful life of greater than one year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Capital assets acquired for general governmental purposes are recorded as expenditures in the fund financial statements and reported at cost, net of accumulated depreciation, in the government-wide financial statements. Contributed capital assets are recorded at estimated fair market value at the time of receipt. Upon sale or retirement of land, buildings and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is reflected in the results of operations in the government-wide statements.

Capital assets are reported in the business-type activities and proprietary funds at cost, net of accumulated depreciation. Contributed assets are valued at estimated fair market value at the date of receipt. When capital assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and the gains or losses are reflected in the results of operations.

Depreciation has been provided over estimated useful lives using the straight-line method. The estimated useful lives of capital assets are as follows:

Buildings	40-60 years
Improvements other than buildings	8-25 years
Machinery and equipment:	
Transmission lines and mains	35-50 years
Other	3-20 years
Infrastructure:	
Drainage systems	70 years

Depreciation of all exhaustible capital assets used by the County is charged as an expense in the Statement of Activities and accumulated depreciation is reported in the Statement of Net Assets. The Proprietary Funds also record depreciation and accumulated depreciation in their fund based statements and capitalize interest when material in amount.

Interest costs of \$1,999,114 in the business-type activities of the primary government were capitalized during the fiscal year.

8. Compensated Absences

County and School Board employees are granted vacation pay, based on length of service, in varying amounts, as the services are provided. School Board employees are also granted personal leave. Employees may accumulate unused vacation and/or personal leave earned, subject to certain limitations. Upon retirement, termination or death, employees may be compensated for certain amounts at their current rates of pay. Employees may accumulate an unlimited amount of earned but unused sick leave benefit, which is forfeited upon separation from service, except when separation is caused by retirement. Upon retirement, County employees receive cash compensation at a rate of \$2 per hour with no cap on accrued sick leave benefits.

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2012

Upon retirement, School Board employees receive compensation for unused sick days based on years of consecutive employment with Chesterfield County Schools per the following schedule:

<u>Years of Employment</u>	<u>Daily Compensation</u>	<u>Maximum</u>
0-14	\$30	\$4,000
15-24	30	-
25-29	40	-
30+	50	-

The cost of accumulated vacation and sick leave pay is accounted for as a liability in the government-wide financial statements and proprietary fund type statements.

9. Retirement Plans

Retirement plan contributions are actuarially determined for the Virginia Retirement System (VRS) and the County Supplemental Retirement Plan. The policy is to fund pension costs at the actuarially determined rates. The County and School Board funded the VRS Plan using the actuarially determined rate. The County made a contribution to its Supplemental Retirement Plan in fiscal year 2012, which was more than the annual required contribution. Retirement contributions for the School Board Supplemental Retirement Program are based on savings derived from employees electing to retire under the Plan. The School Board made a contribution to its Supplemental Retirement Program in fiscal year 2012, which was less than the required contribution. The required supplementary information section presents required schedules of funding progress that includes multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

10. Other Postemployment Benefits Plans – Retiree Healthcare and Line of Duty

Other postemployment benefits plan contributions are actuarially determined for retiree healthcare and line of duty plans. The County and School Board component unit's policy is to pay premiums and make contributions to irrevocable trusts that, in total, are at least equal to actuarially determined contributions for the retiree healthcare plans. The County's policy is to pay premiums and make contributions to an irrevocable trust that, in total, are at least equal to actuarially determined contributions for the line of duty plan. The required supplementary information section presents required schedules of funding progress that includes multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

11. Long-term Obligations

The reporting entity has no legal debt margin requirement and there are no jurisdictions with overlapping general obligation debt incurring powers. Any issue of general obligation bonded debt and Virginia Public School Authority (VPSA) bonds, must be approved by a voting majority of the qualified voters. Revenue bonds may be issued by the adoption of a resolution by the County Board. Revenue bonds issued by a community development authority shall not be deemed to constitute a debt, liability or obligation of the County.

In the basic financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the bonds outstanding method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period but no related long-term liabilities. The face

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2012

amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Payments to an escrow agent to defease debt is reported as other financing uses while issuance costs and repayments of principal and interest are reported as debt service expenditures. Matured principal and interest payments are reported when due.

12. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts revenues and expenditures during the reporting period. Actual results could differ from those estimates.

2. Stewardship, Compliance, and Accountability

A. Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the basic financial statements:

- ◆ Prior to budget submission, department directors develop departmental performance plans which include objectives, performance measures, initiatives and work plans for the coming year.
- ◆ In early fall, the School Board and County departments receive an expenditure target. Budgets are prepared with work plans consistent with the resources available.
- ◆ Departments submit budgets and work plans to the County Administrator for review in December and January. The County Administrator's recommended budget is prepared by early March. During this time, work sessions are held with the County Board to inform them on details of the budget.
- ◆ No later than March 1, the School Board submits its proposed budget to the County Administrator.
- ◆ Prior to March 15, the County Administrator submits to the County Board a proposed operating budget for the County and School Board for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the revenues for financing them.
- ◆ A public hearing is conducted to obtain taxpayer comments. Constituent meetings are also held around the County to provide information to citizens and to receive community input on the County Administrator's proposed budget.
- ◆ Prior to May 1, the County Board adopts the budget by resolution and funds are appropriated generally at the function level for the General Fund, at the fund level for the Comprehensive Services Fund, and at the major expenditure category for the School Operating Fund of the School Board component unit, through passage of an appropriation resolution. The resolution establishes the levels of control at which expenditures may not legally exceed appropriation. The expenditure categories for the School Operating Fund are: instruction, administration, pupil transportation, operations and maintenance, technology, food service and debt service.
- ◆ The County prepares appropriations resolutions for the biennium. The resolution for the first year of the biennium contains appropriated first-year revenue and expenditures and approved second-year revenue and expenditures. For the second year of the biennium, any necessary amendments are made to the approved budget and the County Board then adopts and appropriates the second-year revenues and spending plan.
- ◆ Formal budgetary integration is employed as a management control device during the year for all funds. Budgets are legally adopted annually for the County's General Fund, the Comprehensive

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2012

Services Fund and the School Operating Fund. The appropriations resolution specifies that Trust and Agency disbursements must be for the purpose for which the fund was established.

- ◆ A budget is adopted for each grant or project in the Grants Fund or the County Capital Projects Fund when funds become available. In the School Capital Projects Fund, projects are appropriated in total when funds become available. The appropriations resolution specifies that the budget and appropriation for each grant or project continue until the expiration of the grant or completion of the project. All other appropriations lapse at year-end. The level of control at which expenditures may not legally exceed appropriations is at the individual grant or project level in the Grants Fund and County Capital Projects Fund and at the total appropriation level in the School Capital Projects Fund.
- ◆ Budgets for all funds are adopted on a budgetary basis. Budgeted amounts reflected in the basic financial statements are as originally adopted and as amended by the County Board, School Board, County Administrator or the School Superintendent. The statements include an explanation of differences between actual amounts on the budgetary basis and GAAP basis.
- ◆ The County Administrator is authorized to amend appropriations by transferring unencumbered appropriated amounts within appropriation categories, and up to \$50,000 between appropriation categories. The County Administrator is also authorized to (1) appropriate any unanticipated revenues that are received from insurance recoveries received for damage to County property, refunds or reimbursements made to the County for which the County has expended funds directly related to that refund or reimbursement and other revenues not to exceed \$50,000; (2) appropriate funds from asset forfeiture accounts consistent with spending requirements; (3) increase the General Fund appropriation to the School Board, contingent upon available funds and consideration of other expenditures up to \$9.0 million; (4) transfer funds to departments for worker's compensation, supplemental retirement, healthcare for retirees and other compensation related costs as well as for transfers to cover energy/fuel costs, and; (5) reallocate funding sources for specific programs. Otherwise, the County Board must approve amendments that increase the total appropriation of any function level. During the year, the County Board approved several amendments to the various appropriations. The County is required to hold a public hearing for any single amendment that exceeds 1% of the County's currently adopted budget.
- ◆ The Superintendent and/or School Board have the authority to make transfer amendments within major appropriation categories in the school budget. The Superintendent and/or School Board are authorized to approve amendments in the school budget that cross major appropriation categories up to \$499,999. Any amendment that crosses major appropriation categories in excess of \$499,999 must first be approved by the School Board and then by the County Board. The County Administrator has the authority to appropriate any unanticipated revenues that are received from insurance recoveries, reimbursements and other revenue of the School Board for amounts up to \$50,000.

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2012

B. Fund balances

1. Primary Government

The County Board has adopted policies that provide a framework for the County's overall fiscal planning and management. The County's unassigned General Fund balance has been built over the years to provide the County with sufficient working capital to finance unforeseen emergencies without borrowing. The County is dedicated to maintaining a diversified and stable revenue system to shelter the government from fluctuations in any single revenue source and to ensure its ability to provide ongoing services. The County's policy is to fund current expenditures with current revenues. If it becomes necessary to fund current expenditures with fund balance, amounts already set aside for that specific purpose will be utilized unless otherwise directed by the County Board.

The County, in accordance with GAAP, categorizes its governmental-type fund balances using the following guidance:

Nonspendable fund balance – Nonspendable funds are resources not in spendable form or that are legally required to remain intact.

Restricted fund balance – Restricted funds are either externally imposed (such as by debt covenants, grantor requirements or other governments) or imposed by law (constitutionally or enabling legislation).

Committed fund balance – The County's committed fund balance requires expressed formal action of the County Board, either by resolution or ordinance, which identifies the specific circumstances under which resources can be expended. Only the County Board can modify the specified use of commitments.

Assigned fund balance – Assigned fund balance amounts do not meet the criteria to be classified as either restricted or committed but are constrained by the County's plans, or intent, to use amounts for specific purposes. Intent is stipulated by actions taken by a majority vote of the County Board where each action provides the County Administrator with a specific level of administrative authority to fulfill the County Board's intent.

Unassigned fund balance – Unassigned fund balance is the residual classification of fund balance. Only the General Fund can report a positive unassigned fund balance. The County Board has established a minimum fund balance policy which is the ratio of unassigned General Fund balance to General Fund expenditures. The County's minimum unassigned fund balance target is 8.0% for fiscal year 2012.

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2012

The County had the following classifications of fund balances at June 30, 2012:

	General Fund	County Capital Projects Fund	School Capital Projects Fund	Other Governmental Funds	Totals
Nonspendable:					
T. F. Jeffress Memorial Fund	\$ -	\$ -	\$ -	\$ 5,000	\$ 5,000
Restricted for:					
General government	5,034,965	326,939	-	-	5,361,904
Administration of justice	119,896	-	-	-	119,896
Public safety	1,104,230	5,659,409	-	712,125	7,475,764
Public works	1,440,002	52,562,110	-	-	54,002,112
Health and welfare	1,412,082	9,606,549	-	247,936	11,266,567
Parks, recreation and cultural	80,187	16,199,414	-	212,894	16,492,495
Education - School Board	-	-	41,785,279	-	41,785,279
Community development	4,270,495	5,341,627	-	589,211	10,201,333
Debt service	-	3,137,360	790,046	-	3,927,406
Total restricted	<u>13,461,857</u>	<u>92,833,408</u>	<u>42,575,325</u>	<u>1,762,166</u>	<u>150,632,756</u>
Committed to:					
Community contracts	12,122	-	-	-	12,122
District improvement funds	216,518	-	-	-	216,518
Economic development	57,727	-	-	-	57,727
Public works	450,000	-	-	-	450,000
Total committed	<u>736,367</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>736,367</u>
Assigned to:					
General government	10,386,702	-	-	-	10,386,702
Administration of justice	115,654	-	-	-	115,654
Public safety	3,262,725	-	-	3,732,663	6,995,388
Public works	555,539	-	-	-	555,539
Health and welfare	630,687	-	-	2,256,717	2,887,404
Parks, recreation and cultural	289,831	-	-	-	289,831
Community development	6,656,522	-	-	-	6,656,522
Airport	144,313	-	-	-	144,313
Construction	52,115,362	-	-	-	52,115,362
Critical capital and one-time needs	5,633,559	-	-	-	5,633,559
Debt service	11,061,770	-	-	-	11,061,770
Fiscal year 2013 adopted budget	22,905,400	-	-	-	22,905,400
Future capital projects	4,117,140	-	-	-	4,117,140
Future revenue shortfall - County	58,363,068	-	-	-	58,363,068
Future revenue shortfall - Schools	6,783,576	-	-	-	6,783,576
Registrar and economic development	1,600,000	-	-	-	1,600,000
Education - School Board	5,647,420	-	215,000	-	5,862,420
Total assigned	<u>190,269,268</u>	<u>-</u>	<u>215,000</u>	<u>5,989,380</u>	<u>196,473,648</u>
Unassigned	<u>53,495,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,495,000</u>
Total fund balances	<u>\$ 257,962,492</u>	<u>\$ 92,833,408</u>	<u>\$ 42,790,325</u>	<u>\$ 7,756,546</u>	<u>\$ 401,342,771</u>

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2012

2. Component Unit - School Board

The School Board has adopted policies that provide a framework for the school system's overall fiscal planning and management in order to ensure its ability to provide ongoing services. Since the School Board relies primarily on funds from other governments, fluctuations in these revenue sources are offset by County resources. It is the School Board's policy to fund current expenditures with current revenues. Therefore, the School Board has no unassigned fund balance since it is fiscally dependant on County resources.

The School Board, in accordance with GAAP, categorizes its fund balances using the following guidance:

Nonspendable fund balance – Nonspendable funds are resources not in spendable form or are legally required to remain intact.

Restricted fund balance – Restricted funds are either externally imposed (such as by debt covenants, grantor requirements or other governments) or are imposed by law (constitutionally or enabling legislation).

Committed fund balance – Committed fund balance requires expressed formal action of the School Board and then by the County Board, either by resolution or ordinance, which identifies the specific circumstances under which resources can be expended. Only the School Board can modify the specified use of commitments with County approval. At June 30, 2012, the School Board had no committed fund balance.

Assigned fund balance – Assigned fund balance amounts do not meet the criteria to be classified as either restricted or committed but are constrained by the School Board's plans, or intent, to use amounts for specific purposes. Intent is stipulated by either adoption or consent actions taken by a majority vote of the County Board whereby the School Board is then provided with various levels of administrative authority by each Board action.

Unassigned fund balance – Unassigned fund balance is the residual classification of fund balance. At June 30, 2012, the School Board had no unassigned fund balance.

The School Board had the following classifications of fund balances at June 30, 2012:

School Operating Fund

Nonspendable:	
Inventories	\$ 1,344,244
Restricted for:	
Instruction	19,527
Administration, attendance and health	253,763
Food service	<u>4,840,862</u>
Total restricted	<u>5,114,152</u>
Assigned to:	
Instruction	8,749,815
Administration, attendance and health	2,062,829
Transportation	76,700
Operations and maintenance	26,613,899
Technology	11,778,187
Food service	13,736,239
Future capital projects	108,900
Other	<u>1,000,000</u>
Total assigned	<u>64,126,569</u>
Total fund balances	<u>\$ 70,584,965</u>

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2012

3. Significant Transactions of the County and Discretely Presented Component Units

A. School Board

There are some transactions between the County and School Board component unit that are explained here in detail to provide a more informed understanding of the operational relationship of the two entities and how such transactions are presented in the financial statements:

- 1) The School Board can neither levy taxes nor incur debt under Virginia law. Therefore, the County issues debt "on behalf" of the School Board. The debt obligation is recorded as a liability of the County's governmental activities. The proceeds from the debt issued "on behalf" of the School Board are recorded in the School Capital Projects Fund, a major fund of the primary government, and used to pay for school capital expenditures.
- 2) The County's charter states that title to all real property of the school system shall be vested in the County. The purchase and/or construction of School Board real property is accounted for in the School Capital Projects Fund, which is reported as a major fund of the primary government. The capital assets are reported in the governmental activities of the County. Depreciation and accumulated depreciation related to School Board real property are reported in the County's governmental activities within the appropriate government-wide statement.
- 3) The primary government's budgeting process provides funding to the School Board component unit for debt service payments. The School Board is responsible for appropriating debt service payments for debt issued by the primary government on its behalf. These transactions are reported as transfers on the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - General Fund and as transfers and debt service payments on the School Board's Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual. GAAP requires that debt issued "on behalf" of the School Board and related debt service payments be reported by the primary government for financial reporting purposes. Therefore, School Board debt service payments are eliminated in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Fund. The primary government eliminates budgetary transfers for these debt service payments for financial reporting purposes in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

B. Economic Development Authority

On October 18, 2004, the Authority sold its Taxable Redevelopment Facility Note, Series 2004 (the Note), on behalf of the County in an amount not to exceed \$10,000,000 to acquire the Cloverleaf Mall property ("Mall Property") for redevelopment by the County. On August 1, 2008, the principal amount of the Note was increased by \$7,371,199 for the purchase of the ground lease interest in the Mall Property. As of June 30, 2012, \$16,596,199 was outstanding on the Note. The County recorded interest expense related to the Note in the amount of \$140,155 during fiscal year 2012, \$11,647 of which was accrued.

On January 27, 2005, the Authority issued Variable Rate Revenue Bonds, Series 2005A, and Variable Rate Revenue Bonds, Taxable Series 2005B, in the amounts of \$6,490,000 and \$11,630,000, respectively. As of June 30, 2012, \$12,305,000 remained outstanding on the 2005 Revenue Bonds. These bonds were issued to finance the acquisition of real property for the development of the Meadowville Technology Park and to finance certain infrastructure improvements within the Park. Debt service related to these revenue bonds is payable solely from support payments made by the County, pursuant to an Amended and Restated Development Agreement, dated January 1, 2005, between the Authority and the County. The County made support payments of \$860,000 for principal and \$40,164 for interest during fiscal year 2012. In connection with issuing the revenue bonds, the EDA entered into a standing bond purchase agreement with a liquidity facility to purchase, from time to time, an aggregate principal amount of bonds and related interest. Due to the terms of the standing bond purchase agreement, principal payments due after fiscal year 2013 are classified as non-current liabilities due in more than one year.

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2012

On October 14, 2010, the Authority issued \$8,345,000 in Taxable Recovery Zone Economic Development Bonds, Series 2010B, to finance a portion of the costs of the acquisition of real property for an interchange with Interstate I-295 and the construction of such interchange connecting Meadowville Technology Park with Interstate I-295. The Series 2010B Bonds were issued as Taxable Recovery Zone Economic Development Bonds under Section 1400U-2 of the Internal Revenue Code of 1986, which was added by the provisions of the American Recovery and Reinvestment Act of 2009 ("ARRA"). Pursuant to ARRA, the Authority will receive a cash subsidy payment from the U. S. Treasury equal to 45% of the interest payable on the Series 2010B Bonds on each interest payment date. The cash payment does not constitute a guarantee by the U. S. Treasury or a pledge of the faith and credit of the U. S., but is required to be paid by the U. S. Treasury under ARRA. The County made support payments of \$420,000 for principal and \$134,317 for interest during the fiscal year. As of June 30, 2012, \$7,505,000 remained outstanding on the Series 2010B Bonds.

4. Deposits and Investments

A. Primary Government:

As of June 30, 2012, the carrying value of the County's deposits and investments, other than that of the County Supplemental Retirement Plan Pension Trust Fund and the Line of Duty and the County and School Board OPEB Funds, with their respective credit ratings, was as follows:

<u>Asset Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Demand deposits	\$ 288,609,952	N/A
LGIP	66,159,202	AAAm
SNAP	103,410,572	AAAm
Federal Home Loan Bank	110,115,376	AA+
Federal Home Loan Mortgage Corporation	17,914,752	AA+
Federal National Mortgage Association	18,002,728	AA+
Federal Agricultural Mortgage Corporation	5,015,378	AA+
Federal Farm Credit Bank	23,010,780	AA+
Total deposits and investments	<u>\$ 632,238,740</u>	

Credit Risk:

In accordance with the Code of Virginia and other applicable law, including regulations, the County's investment policy (Policy) permits investments in U.S. Government obligations, obligations of the Commonwealth of Virginia or political subdivisions thereof, prime quality commercial paper, and certain corporate notes, bankers' acceptances, repurchase agreements, negotiable certificates of deposit, and the LGIP.

The Virginia Security for Public Deposits Act requires financial institutions holding public deposits in excess of amounts covered by Federal insurance to pledge collateral to a pool in the name of the State Treasury Board. The State Treasury Board is responsible for monitoring compliance with the requirements of the Act and for notifying local governments of compliance by banks and savings and loans. If the value of the pool's collateral is inadequate to cover a loss, additional amounts would be assessed on a pro rata basis to the members of the pool. Accordingly, all deposits in banks and savings and loans are considered to be insured.

The LGIP is an externally managed investment pool that is not registered with the Securities Exchange Commission but is managed as a "2a-7 like pool." Pursuant to the *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. The LGIP values portfolio securities by the amortized cost method and on a monthly basis this valuation is compared to current market to monitor any variance. The fair value of the County's position in the pool is the same as the value of the pool shares.

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2012

To ensure compliance with the restrictions and requirements created by the Federal Tax Reform Act of 1986 for general obligation tax-exempt bonds issued, the bond proceeds are invested with SNAP. SNAP is a professionally managed money market program which provides local governments with a method of pooling general obligation and note proceeds for temporary investment. SNAP assists issuing officials in complying with the arbitrage rebate requirements of the Internal Revenue Code of 1986 and the pool invests only in those investments permitted by Virginia statutes. SNAP is registered with the Securities and Exchange Commission. The fair value of the County's position in the pool is the same as the value of the pool shares.

The Policy establishes limitations by type of instrument. The maximum percentage of the portfolio (book value at the date of acquisition) permitted in each security is as follows:

Bankers' Acceptances	40% maximum
Commercial Paper	35% maximum
LGIP	75% maximum
Money market funds	75% maximum
Negotiable Certificates of Deposit – Commercial Banks	100% maximum
Negotiable Certificates of Deposit – Savings & Loan Association	10% maximum
Repurchase Agreements	25% maximum
U. S. Treasury obligations	80% maximum
U.S. Government agency securities and instruments of government sponsored organizations	80% maximum

As required by state statute, the Policy requires that commercial paper have a short-term debt rating of no less than "A-1" (or its equivalent) from at least two of the following; Moody's Investors Service, Standard & Poor's, Fitch Investor's Service and Duff and Phelps, Inc. Corporate notes, negotiable Certificates of Deposit and bank deposit notes maturing in less than one year must have a short-term debt rating of at least "A-1" by Standard & Poor's and "P-1" by Moody's Investor Service. Notes having a maturity of greater than one year must be rated "AA" by Standard & Poor's and "Aa" by Moody's Investor Service. All credit ratings in the above table are ratings by Standard and Poor's. Deposits and investments not exposed to credit quality risk, as defined by GASB 40, are designated as "N/A" in the credit rating column in the above table.

Custodial Credit Risk:

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the depositor will not be able to recover the value of its investments or collateral securities that are in the possession of outside party. As of June 30, 2012, \$94,811,487 of the \$288,609,952 in demand deposits was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 92,723,330
Uninsured and partially collateralized with securities held by the pledging financial institution but not in the government's name	2,088,157
Total	<u><u>\$94,811,487</u></u>

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2012

Concentration of Credit Risk:

The Policy establishes limitations on portfolio composition by issuer in order to control concentration of credit risk as follows:

Bankers' acceptances	25% maximum
Certificates of deposit – commercial banks	45% maximum
Certificates of deposit – savings and loan associations	\$100,000
Commercial paper	25% maximum
LGIP	\$200 million
Each federal agency	No maximum
Each repurchase agreement counterparty	10% maximum
U.S. Treasury	No maximum

As of June 30, 2012, the portion of the County's portfolio, excluding demand deposits, LGIP and SNAP, that represents 5% or more of the total portfolio is as follows:

<u>Issuer</u>	<u>% of Portfolio</u>
Federal Home Loan Bank	63.3%
Federal Farm Credit Bank	13.2%
Federal Home Loan Mortgage Corporation	10.3%
Federal National Mortgage Corporation	10.3%

Interest Rate Risk:

As a means of limiting exposure to fair value losses arising from rising interest rates, the Policy limits the investment of operating funds to investments with a stated maturity of no more than 2.5 years from the date of purchase. Proceeds from the sale of bonds must be invested in compliance with the specific requirements of the bond covenants and may be invested in securities with longer maturities.

As of June 30, 2012, the County had the following investments and maturities:

<u>Asset Type</u>	<u>Fair Value</u>	<u>Investment Maturity</u>		
		<u>0-6 Months</u>	<u>6 Months -1 Year</u>	<u>1-3 Years</u>
LGIP	\$ 66,159,202	\$ 66,159,202	\$ -	\$ -
SNAP	103,410,572	103,410,572	-	-
Federal Home Loan Bank	110,115,376	12,135,436	49,994,560 (a)	47,985,380 (b)
Federal Home Loan Mortgage Corporation	17,914,752	-	-	17,914,752 (c)
Federal National Mortgage Association	18,002,728	-	-	18,002,728 (d)
Federal Agricultural Mortgage Corporation	5,015,378	-	5,015,378	-
Federal Farm Credit Bank	23,010,780	-	2,999,940 (e)	20,010,840 (f)
Total	<u>\$ 343,628,788</u>	<u>\$ 181,705,210</u>	<u>\$ 58,009,878</u>	<u>\$ 103,913,700</u>

(a) These bonds have call dates ranging from July 6, 2012 to February 11, 2013

(b) These bonds have call dates ranging from July 5, 2012 to September 28, 2012

(c) These bonds have call dates ranging from August 8, 2012 to February 21, 2013

(d) These bonds have call dates ranging from August 23, 2012 to December 6, 2012

(e) These bonds have a call date of July 1, 2012

(f) These bonds have call dates ranging from July 1, 2012 to April 23, 2013

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2012

Chesterfield County Supplemental Retirement Plan:

As of June 30, 2012, the carrying value of the County Supplemental Retirement Plan Pension Trust Fund's (Plan) deposits and investments, with their respective credit ratings, was as follows:

<u>Asset Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Demand deposits	\$ 1,003,524	N/A
Common stocks	12,357,609	N/A
Corporate bonds	3,233,831	N/A
Fund of funds	3,000,554	N/A
Exchange traded funds	743,018	N/A
Collateralized mortgage obligations	516,185	N/A
U. S. Treasuries	233,141	AA+
Federal Home Loan Mortgage Corporation	741,377	AA+
Federal National Mortgage Association	966,685	AA+
Government National Mortgage Association	994	Not Rated
Total deposits and investments	<u>\$ 22,796,918</u>	

The Plan's investments include a fund of funds, which is an investment fund that uses an investment strategy of holding a portfolio of other investment funds rather than investing directly in shares, bonds or other securities, resulting in greater portfolio diversification. At June 30, 2012, the underlying investments in the Plan's fund of funds consisted primarily of equities and fixed income securities.

Credit Risk:

Investments in the Plan are managed in accordance with an Investment Policy Statement (Statement). The Statement permits investments in cash equivalents, fixed income securities, equity securities, mutual funds, U.S. Government obligations, hedge funds and commodities and sets minimum, maximum and preferred allocations by asset class and maximum average and individual bond maturities. The Statement specifically addresses the credit quality rating requirements on fixed income investments, permitting the purchase of investment grade bonds rated BBB or better. The Board of Trustees, which is the governing board established to administer the Plan, meets quarterly to review the portfolio, assures adherence to policy guidelines and monitors investment objective progress.

All credit ratings in the above table are ratings by Standard and Poor's except for U. S. Treasuries which is rated by Moody's. Deposits and investments not exposed to credit quality risk, as defined by GASB 40, are designated as "N/A" in the credit rating column in the above table.

Custodial Credit Risk:

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of outside party. Of the Plan's \$1,003,524 of demand deposits, \$993,660 is invested in money market funds that are uninsured and uncollateralized.

Concentration of Credit Risk:

The Statement limits portfolio composition by security and industry in order to control concentration of credit risk as follows:

Security (except U.S. Treasuries and Agencies)	Not to exceed 5% of the Total Fund
Industry	Not to exceed 25% of the Total Fund
U. S. Treasuries and Agencies	No limit

As of June 30, 2012, in addition to equities and corporate bonds and fund of funds, there were no investments which represented 5% or more of the Plan's portfolio, excluding demand deposits.

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2012

Interest Rate Risk:

As a means of limiting its exposure to fair value losses resulting from rising interest rates (interest rate risk), the Statement sets bond duration ranges of 75% - 125% of LB Aggregate Bond Index and limits the maximum maturity for any single security to 45 years and the weighted average portfolio maturity may not exceed 15 years.

At June 30, 2012, the Plan had investments of \$516,185 (2.4% of total portfolio), excluding demand deposits in collateralized mortgage obligations. These securities are based on cash flows from interest and principal payments on underlying mortgages and therefore are sensitive to interest rate changes.

As of June 30, 2012, the Plan had the following investments and maturities:

<u>Asset Type</u>	<u>Fair Value</u>	<u>Investment Maturity</u>		
		<u>0 - 5 Years</u>	<u>5 - 10 Years</u>	<u>10 - 30 Years</u>
U. S. Treasuries	\$ 233,141	\$ -	\$ -	\$ 233,141
Federal Home Loan Mortgage Corporation	741,377	-	56,485	684,892
Federal National Mortgage Association	966,685	135,115	-	831,570
Government National Mortgage Association	994	994	-	-
Total	<u>\$ 1,942,197</u>	<u>\$ 136,109</u>	<u>\$ 56,485</u>	<u>\$ 1,749,603</u>

County and School Board Retiree Healthcare OPEB Funds; County Line of Duty OPEB Fund

As of June 30, 2012, the carrying value of the County Retiree Healthcare OPEB Fund's deposits and investments held by the Trust and their respective credit rating was as follows:

<u>Asset Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Investment in pooled funds	\$15,207,373	N/A

As of June 30, 2012, the carrying value of the School Board Retiree Healthcare OPEB Fund's deposits and investments held by the Trust and their respective credit rating was as follows:

<u>Asset Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Investment in pooled funds	\$ 5,423,624	N/A

As of June 30, 2012, the carrying value of the County Line of Duty OPEB Fund's deposits and investments held by the Trust and their respective credit rating was as follows:

<u>Asset Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Investment in pooled funds	\$2,979,062	N/A

In response to the change in accounting standards (GASB 45) related to postemployment benefits other than pensions (OPEB), the Virginia General Assembly passed legislation effective July 1, 2007 allowing local governments, authorities and school divisions to establish an irrevocable trust for the purpose of accumulating and investing assets to fund OPEB liabilities.

In an effort to assist local governments in funding their OPEB liabilities, the Virginia Association of Counties and the Virginia Municipal League established the VACo/VML Pooled OPEB Trust (Trust). The Trust is an irrevocable trust offered to local governments and authorities and is governed by a Board of Trustees consisting of local officials of participants in the Trust. The Board of Trustees has adopted an investment policy to achieve a compound annualized rate of return over a market cycle, including current income and capital appreciation, in excess of 5 percent after inflation, in a manner consistent with prudent

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2012

risk-taking. Investment decisions of the funds' assets are made by the Board of Trustees. The Board of Trustees establishes investment objectives, risk tolerance and asset allocation policies in light of the investment policy, market and economic conditions, and prevailing prudent investment practices. The Board of Trustees also monitors the investments to ensure adherence to the adopted policies and guidelines. In addition, the Trustees review, monitor, and evaluate the performance of the investments and its investment advisors in light of available investment opportunities, market conditions, and publicly available indices for the generally accepted evaluation and measurement of such performance. The Trust provides a diversified portfolio consisting of investments in various asset classes such as bonds, domestic equities, international equities and cash. Specific investment information for the Trust can be obtained by writing to VML/VACo Finance Program, 919 East Main Street, Suite 1100, Richmond, Virginia 23219.

As of June 30, 2012, excluding the pooled funds, there were no other investments. Accordingly, there is no credit risk, concentration of credit risk or interest rate risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Trust will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The entire balance of the pooled funds in the County and School Board Retiree Healthcare OPEB Funds and the County Line of Duty OPEB Fund are uninsured and uncollateralized.

B. Component Unit – School Board:

As of June 30, 2012, the carrying value of the School Board operating and agency fund's deposits with their respective credit rating were as follows:

<u>Asset Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Demand deposits	\$45,439,771	N/A

School Board deposits are invested in accordance with the County's investment policy. As of June 30, 2012, excluding the demand deposits, there were no investments. Accordingly, there is no credit risk, concentration of credit risk or interest rate risk.

School Board Supplemental Retirement Program:

As of June 30, 2012, the carrying value of the School Board Supplemental Retirement Program Pension Trust Fund's (Program) deposits and investments, with their respective credit ratings, was as follows:

<u>Asset Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Demand deposits	\$ 1,824,626	N/A
Mutual funds - equity	4,699,273	Not Rated
Mutual funds - fixed income	2,177,960	Not Rated
Exchange traded funds	14,816,465	Not Rated
Total deposits and investments	<u>\$ 23,518,324</u>	

Credit Risk:

Investments in the Program are managed in accordance with a Statement of Investment Policy (Statement). This Statement authorizes investments in cash equivalents, fixed income securities, equity securities and mutual funds and sets target allocations of 40% to 60% for equities, 30% to 60% for fixed income, and 0% to 10% for cash and cash equivalents.

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2012

The Statement establishes limitations for certain cash equivalent instruments. The maximum percentage of the cash and cash equivalent portfolio permitted in each security is as follows:

Commercial Paper	35% maximum
Corporate Bonds	35% maximum

The Statement specifically addresses the credit quality rating requirements of the portfolio. Equity securities should be institutional quality issues, publicly traded with a market capitalization of \$20 million or more. The fixed income portfolio is required to have an average credit quality of at least AA and up to 15% of the fixed income portfolio can be invested in investment grade securities rated below Baa or BBB (Moody's and Standard & Poor's quality ratings, respectively). Cash equivalents, defined as debt securities of any U. S. entity with a maximum average maturity of one year, should have minimum quality ratings as follows: Asset Backed Securities – A, Certificates of Deposit and Bankers' Acceptances – Thompson Bankwatch B or better, Commercial Paper – A1/P1, Corporate Bonds – AA-, Aa3 and Repurchase Agreements – U. S. Government or agency secured.

Custodial Credit Risk:

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Program will not be able to recover the value of its investments or collateral securities that are in the possession of outside party. The entire amount of the Program's \$1,824,626 of demand deposits is invested in a money market fund that is uninsured and uncollateralized.

Concentration of Credit Risk:

The Statement establishes limitations on portfolio composition by issuer in order to control concentration of credit risk as follows:

Equities – cost and market not to exceed 5% and 8%, respectively of each equity portfolio

Fixed Income – with the exception of the U. S. Government and its agencies, cost and market not to exceed 10% and 15% of each fixed income portfolio

Cash Equivalents – no more than 10% of the cash portfolio in Certificates of Deposit or Banker's Acceptances issued by any single bank, no more than 5% in commercial paper with a single issuer, and no more than 5% in corporate bonds with a single issuer

As of June 30, 2012, excluding mutual funds and exchange traded funds, the Program had no investments.

Interest Rate Risk:

The Statement places no maturity limits on the portfolio. However, as a means of limiting its exposure to fair value losses resulting from rising interest rates (interest rate risk), the Statement sets the expectation that the average effective duration of the fixed income portfolio will not exceed 6.5 years.

As of June 30, 2012, excluding mutual funds and exchange traded funds, the Program had no investments.

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2012

5. Receivables

A. Real and Personal Property Taxes

Property tax revenues may be used to fund any general governmental services authorized by the Code of Virginia and the County Board. Property taxes levied by the County are not subject to any statutory maximum; however, a public hearing must be held prior to setting the current tax rate. The tax rate is set by the County Board in March or April and is applied to the assessed value as of January 1 of the calendar year. The assessed value of all classes of property approximates market value. January 1 is also the date an enforceable legal claim to the asset applies. Real property taxes are due June 5th and December 5th in two equal installments. Installments due on June 5, 2012, are levied for fiscal year 2012 and installments due on December 5, 2012, are levied for fiscal year 2013 and are recorded as deferred revenue.

Personal property taxes, which do not create a lien on property, are due on June 5th and levied for fiscal year 2012 on property with situs in the County as of January 1st. The County prorates personal property taxes levied on motor vehicles acquiring or losing situs after January 1.

The Personal Property Tax Relief Act of 1998 (PPTRA) provided for the Commonwealth to reimburse a portion of the personal property tax levied on the first \$20,000 of personal use cars, motorcycles and trucks. During the 2005 Special Session I, the Virginia General Assembly passed Senate Bill 5005. The bill provides for the Commonwealth to reimburse a portion of the tangible personal property tax levied based on a fixed relief amount. The fixed relief amount was capped at \$950,000,000 in total for all localities with the County's share capped at \$41,092,048, which the County received during the year ended June 30, 2012. The Commonwealth requires localities to record the revenue from PPTRA as received from other governments, not as property taxes.

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2012

B. Receivables

Receivables at June 30, 2012, were as follows:

Governmental Activities	General	County Capital	School Capital	Other	Internal	
	Fund	Projects	Projects	Governmental	Service	Total
	Fund	Fund	Fund	Funds	Funds	
Taxes	\$ 167,625,081	\$ -	\$ -	\$ -	\$ -	\$ 167,625,081
Accounts	14,009,513	2,850	22,908	6,790,866	133,412	20,959,549
Interest	47,018	10,888	-	-	-	57,906
Special assessments	709,000	-	-	-	-	709,000
Commonwealth of Virginia	46,974,032	718,440	-	903,005	39,421	48,634,898
Federal government	<u>513,823</u>	<u>1,420,775</u>	<u>-</u>	<u>1,279,900</u>	<u>184,785</u>	<u>3,399,283</u>
Gross receivables	229,878,467	2,152,953	22,908	8,973,771	357,618	241,385,717
Less: Allowance for uncollectibles	<u>(12,984,495)</u>	<u>-</u>	<u>-</u>	<u>(4,964,591)</u>	<u>-</u>	<u>(17,949,086)</u>
Net receivables	<u>\$ 216,893,972</u>	<u>\$ 2,152,953</u>	<u>\$ 22,908</u>	<u>\$ 4,009,180</u>	<u>\$ 357,618</u>	<u>\$ 223,436,631</u>

Business-type Activities	Water	Wastewater	Non-major	
	Fund	Fund	Airport	Total
	Fund	Fund	Fund	
Accounts	\$ 7,150,575	\$ 6,907,289	\$ 65,491	\$ 14,123,355
Interest	52,209	195,983	-	248,192
Special assessments	182,618	325,572	-	508,190
Commonwealth of Virginia	45,589	281,242	17,991	344,822
Federal government	<u>126,981</u>	<u>104,507</u>	<u>12,508</u>	<u>243,996</u>
Gross receivables	7,557,972	7,814,593	95,990	15,468,555
Less: Allowance for uncollectibles	<u>(283,612)</u>	<u>(231,136)</u>	<u>(18,122)</u>	<u>(532,870)</u>
Net receivables	<u>\$ 7,274,360</u>	<u>\$ 7,583,457</u>	<u>\$ 77,868</u>	<u>\$ 14,935,685</u>

Component Unit	School
	Board
Accounts	\$ 974,625
Commonwealth of Virginia	386,670
Federal government	<u>7,040,774</u>
Gross receivables	<u>\$ 8,402,069</u>

Special assessments of \$168,948 and \$298,603, respectively in the Water and Wastewater funds, in addition to \$161,148 of accrued interest on those special assessments in the Wastewater fund, are not expected to be collected within one year.

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2012

6. Payables

Payables at June 30, 2012, were as follows:

Governmental Activities

	General	Capital	School	Other	Internal	
	Fund	Projects	Capital	Governmental	Service	Total
	Fund	Fund	Projects	Funds	Funds	
Vendors	\$ 5,872,402	\$ 9,905,607	\$ 3,050,144	\$ 1,799,369	\$ 1,023,225	\$ 21,650,747
Wages and benefits	10,101,949	24,825	-	248,411	359,844	10,735,029
Retainages	-	719,156	1,459,015	2,658	-	2,180,829
Deposits	306,481	563,354	-	-	-	869,835
Total	<u>\$ 16,280,832</u>	<u>\$ 11,212,942</u>	<u>\$ 4,509,159</u>	<u>\$ 2,050,438</u>	<u>\$ 1,383,069</u>	35,436,440
					Accrued interest	9,057,174
					Total per Government-wide	<u>\$ 44,493,614</u>

Business-type Activities

	Water	Wastewater	Non-major	
	Fund	Fund	Airport Fund	Total
Vendors	\$ 3,235,394	\$ 1,786,290	\$ 10,262	\$ 5,031,946
Wages and benefits	474,660	420,897	12,634	908,191
Accrued interest	277,980	272,367	2,289	552,636
Retainages	196,871	126,861	-	323,732
Other	365,982	31,661	-	397,643
Total	<u>\$ 4,550,887</u>	<u>\$ 2,638,076</u>	<u>\$ 25,185</u>	<u>\$ 7,214,148</u>

Component Unit

	School
	Board
Vendors	\$ 4,353,456
Wages and benefits	<u>34,823,748</u>
Total	<u>\$ 39,177,204</u>

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2012

7. Reporting Entity - Internal Transactions

Internal receivable and payable balances at June 30, 2012, were as follows:

Fund	Internal Receivables	Internal Payables
A. Internal Receivables/Payables Other Funds		
Governmental Activities:		
General Fund	\$ 220,000	\$ -
Business-type Activities:		
Non-major Airport Fund	-	220,000
Total primary government	<u>\$ 220,000</u>	<u>\$ 220,000</u>
B. Receivables/Payables Primary Government and Component Units		
Primary Government:		
General Fund:		
School Board	\$ -	\$ 60,617,545
EDA	3,359,417	16,766
Total General Fund	<u>3,359,417</u>	<u>60,634,311</u>
County Capital Projects	2,664,974	-
Total primary government	<u>6,024,391</u>	<u>60,634,311</u>
Component Units:		
School Board - General Fund	60,617,545	-
General Fund	16,766	3,359,417
County Capital Projects	-	2,664,974
Total component units	<u>60,634,311</u>	<u>6,024,391</u>
Total	<u>\$ 66,658,702</u>	<u>\$ 66,658,702</u>

Balances resulted from a timing difference between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. At June 30, 2011, the Water Fund advanced \$23,000,000 to the Wastewater Fund to offset a cash deficit caused by investment activity in the Wastewater Fund. This advance was repaid by the Wastewater Fund in fiscal year 2012.

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2012

Transfers are used (1) to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) to use revenues collected in the General Fund to finance various grants, projects or programs accounted for in other funds in accordance with budgetary authorization and (3) to provide funding for capital expenditures or budgeted subsidies for operations. Interfund transfers in the fund financial statements during fiscal year 2012 were as follows:

Transfers In:

A. Governmental Funds

General Fund - County Capital Projects Fund	\$ 1,073,956	
Grants Fund	1,101,300	
Risk Management Fund	303,360	
Water Fund	592,800	
Wastewater Fund	<u>2,200</u>	\$ 3,073,616
County Capital Projects Fund - General Fund	12,030,203	
Comprehensive Services Fund	10,374	
Vehicle and Communications Maintenance Fund	75,612	
Water Fund	36,425	
School Capital Projects Fund	<u>476,403</u>	12,629,017
School Capital Projects Fund - General Fund	487,145	
County Capital Projects Fund	<u>3,538,796</u>	4,025,941
Grants Fund - General Fund	1,052,046	
County Capital Projects Fund	<u>478</u>	1,052,524
Comprehensive Services Fund - General Fund		1,657,900

B. Proprietary Funds

Airport Fund - General Fund		<u>4,977</u>
Total transfers in		<u>\$ 22,443,975</u>

Transfers Out:

A. Governmental Funds

General Fund - County Capital Projects Fund	\$ 12,030,203	
School Capital Projects Fund	487,145	
Grants Fund	1,052,046	
Comprehensive Services Fund	1,657,900	
Airport Fund	<u>4,977</u>	\$ 15,232,271
County Capital Projects Fund - General Fund	1,073,956	
Grants Fund	478	
School Capital Projects Fund	<u>3,538,796</u>	4,613,230
School Capital Projects - County Capital Projects Fund		476,403
Grants Fund - General Fund		1,101,300
Comprehensive Services Fund- County Capital Projects Fund		10,374

B. Proprietary Funds

Water Fund - General Fund	592,800	
County Capital Projects Fund	<u>36,425</u>	629,225
Wastewater Fund - General Fund		2,200
Vehicle and Communications Maintenance Fund - General Fund	303,360	
County Capital Projects Fund	<u>75,612</u>	<u>378,972</u>
Total transfers out		<u>\$ 22,443,975</u>

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2012

8. Capital and Intangible Assets

A. Governmental Activities

Capital asset activity for the year ended June 30, 2012, was as follows:

	<u>Balance July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2012</u>
Capital assets, not being depreciated:				
Land	\$ 56,238,760	\$ 181,600	\$ -	\$ 56,420,360
Revelopment asset	16,266,795	691,827	5,591,434	11,367,188
Construction in progress	25,126,687	31,817,283	31,108,897	25,835,073
Total assets, not being depreciated	<u>97,632,242</u>	<u>32,690,710</u>	<u>36,700,331</u>	<u>93,622,621</u>
Capital assets, being depreciated:				
Buildings	1,094,065,500	27,987,596	2,468,927	1,119,584,169
Improvements other than buildings	63,126,351	1,332,500	354,460	64,104,391
Machinery and equipment	150,298,119	14,063,927	13,414,885	150,947,161
Infrastructure	34,716,502	606,603	-	35,323,105
Total at historical cost	<u>1,342,206,472</u>	<u>43,990,626</u>	<u>16,238,272</u>	<u>1,369,958,826</u>
Less accumulated depreciation for:				
Buildings	311,560,895	22,238,077	670,011	333,128,961
Improvements other than buildings	35,379,716	2,058,669	274,556	37,163,829
Machinery and equipment	86,930,903	12,156,054	10,095,836	88,991,121
Infrastructure	7,739,868	500,283	-	8,240,151
Total accumulated depreciation	<u>441,611,382</u>	<u>36,953,083</u>	<u>11,040,403</u>	<u>467,524,062</u>
Total capital assets, being depreciated, net	<u>900,595,090</u>	<u>7,037,543</u>	<u>5,197,869</u>	<u>902,434,764</u>
Governmental activities capital assets, net	<u>\$ 998,227,332</u>	<u>\$ 39,728,253</u>	<u>\$ 41,898,200</u>	<u>\$ 996,057,385</u>

In accordance with the County's charter, land, buildings, improvements other than buildings, construction in progress and accumulated depreciation associated with School assets are reported as capital assets in the governmental net assets of the County. Depreciation on those assets is reported as an expense of the education function in the governmental activities of the County.

Governmental activities capital assets, net of accumulated depreciation at June 30, 2012, are comprised of the following:

General capital assets, net	\$ 989,271,151
Internal service funds capital assets, net	<u>6,786,234</u>
Total	<u>\$ 996,057,385</u>

Depreciation expense was charged to the following functions:

General government	\$ 2,309,659
Administration of justice	1,027,853
Public safety	9,572,206
Public works	1,489,713
Health and welfare	456,107
Education - School Board	17,135,724
Parks, recreation and cultural	2,635,846
Community development	816,306
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	<u>1,509,669</u>
Total depreciation expense	<u>\$ 36,953,083</u>

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2012

Construction in progress for governmental operations is composed of the following:

<u>Function</u>	<u>Committed at</u> <u>June 30, 2012</u>
General government	\$ 1,316,077
Administration of justice	997,416
Public safety	12,107,558
Public works	997,934
Health and welfare	16,504,182
Parks, recreation and cultural	26,283,209
Education - School Board	73,222,233
Community development	500,956
Total construction in progress	<u>\$ 131,929,565</u>

B. Business-type Activities

Intangible and capital asset activity for the year ended June 30, 2012, was as follows:

Water Fund	<u>Balance</u> <u>July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2012</u>
Intangible assets:				
Capacity rights, net of amortization	\$ 70,347,180	\$ 1,305,578	\$ 1,860,537	\$ 69,792,221
Capital assets, not being depreciated:				
Land	2,600,167	952,136	-	3,552,303
Construction in progress	10,504,946	8,601,420	14,314,203	4,792,163
Total assets, not being depreciated	13,105,113	9,553,556	14,314,203	8,344,466
Capital assets, being depreciated:				
Buildings	44,772,567	3,381,580	1,635,942	46,518,205
Improvements other than buildings	7,945,623	495,965	174,065	8,267,523
Machinery and equipment	383,224,423	17,021,097	1,307,288	398,938,232
Totals at historical cost	435,942,613	20,898,642	3,117,295	453,723,960
Less accumulated depreciation for:				
Buildings	16,496,302	1,141,939	1,238,525	16,399,716
Improvements other than buildings	3,649,183	301,021	135,786	3,814,418
Machinery and equipment	114,395,201	8,875,432	1,117,549	122,153,084
Total accumulated depreciation	134,540,686	10,318,392	2,491,860	142,367,218
Total capital assets, being depreciated, net	301,401,927	10,580,250	625,435	311,356,742
Water capital and intangible assets, net	<u>\$ 384,854,220</u>	<u>\$ 21,439,384</u>	<u>\$ 16,800,175</u>	<u>\$ 389,493,429</u>

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2012</u>
Wastewater Fund				
Intangible assets:				
Capacity rights, net of amortization	\$ 2,971,920	\$ -	\$ 118,876	\$ 2,853,044
Capital assets, not being depreciated:				
Land	884,866	304,322	-	1,189,188
Construction in progress	71,318,978	9,954,387	34,461,118	46,812,247
Total assets, not being depreciated	72,203,844	10,258,709	34,461,118	48,001,435
Capital assets, being depreciated:				
Buildings	119,949,495	9,373,303	3,083,572	126,239,226
Improvements other than buildings	20,372,000	945,140	2,366,956	18,950,184
Machinery and equipment	436,342,123	27,324,035	4,404,911	459,261,247
Totals at historical cost	576,663,618	37,642,478	9,855,439	604,450,657
Less accumulated depreciation for:				
Buildings	43,707,257	2,678,303	2,201,599	44,183,961
Improvements other than buildings	8,603,778	522,717	2,344,604	6,781,891
Machinery and equipment	152,792,015	11,333,135	4,150,758	159,974,392
Total accumulated depreciation	205,103,050	14,534,155	8,696,961	210,940,244
Total capital assets, being depreciated, net	371,560,568	23,108,323	1,158,478	393,510,413
Wastewater capital and intangible assets, net	\$ 446,736,332	\$ 33,367,032	\$ 35,738,472	\$ 444,364,892
	<u>Balance</u> <u>July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2012</u>
Non-major Airport Fund				
Capital assets, not being depreciated:				
Land	\$ 1,663,935	\$ -	\$ -	\$ 1,663,935
Construction in progress	432,254	25,503	318,580	139,177
Total assets, not being depreciated	2,096,189	25,503	318,580	1,803,112
Capital assets, being depreciated:				
Buildings	7,093,957	18,175	-	7,112,132
Improvements other than buildings	27,341,578	-	178,538	27,163,040
Machinery and equipment	1,115,417	388,218	53,850	1,449,785
Totals at historical cost	35,550,952	406,393	232,388	35,724,957
Less accumulated depreciation for:				
Buildings	2,361,780	143,987	-	2,505,767
Improvements other than buildings	11,932,163	1,057,936	148,349	12,841,750
Machinery and equipment	770,594	75,883	22,277	824,200
Total accumulated depreciation	15,064,537	1,277,806	170,626	16,171,717
Total capital assets, being depreciated, net	20,486,415	(871,413)	61,762	19,553,240
Airport capital assets, net	\$ 22,582,604	\$ (845,910)	\$ 380,342	\$ 21,356,352

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2012

Total Business-type Activities	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Intangible assets:				
Capacity rights, net of amortization	\$ 73,319,100	\$ 1,305,578	\$ 1,979,413	\$ 72,645,265
Capital assets, not being depreciated:				
Land	5,148,968	1,256,458	-	6,405,426
Construction in progress	82,256,178	18,581,310	49,093,901	51,743,587
Total assets, not being depreciated	87,405,146	19,837,768	49,093,901	58,149,013
Capital assets, being depreciated:				
Buildings	171,816,019	12,773,058	4,719,514	179,869,563
Improvements other than buildings	55,659,201	1,441,105	2,719,559	54,380,747
Machinery and equipment	820,681,963	44,733,350	5,766,049	859,649,264
Totals at historical cost	1,048,157,183	58,947,513	13,205,122	1,093,899,574
Less accumulated depreciation for:				
Buildings	62,565,339	3,964,229	3,440,124	63,089,444
Improvements other than buildings	24,185,124	1,881,674	2,628,739	23,438,059
Machinery and equipment	267,957,810	20,284,450	5,290,584	282,951,676
Total accumulated depreciation	354,708,273	26,130,353	11,359,447	369,479,179
Total capital assets, being depreciated, net	693,448,910	32,817,160	1,845,675	724,420,395
Total business-type activities capital and intangible assets, net	\$ 854,173,156	\$ 53,960,506	\$ 52,918,989	\$ 855,214,673

Amortization and depreciation were charged to the various activities as follows:

Water	\$ 1,860,537
Wastewater	118,876
Total amortization expense	\$ 1,979,413
Water	\$ 10,318,392
Wastewater	14,534,155
Airport	1,277,806
Total depreciation expense	\$ 26,130,353

C. Component Unit - School Board

Capital asset activity for the year ended June 30, 2012, for the School Board component unit was as follows:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Capital assets, being depreciated:				
Machinery and equipment				
Historical cost	\$ 59,280,896	\$ 3,668,239	\$ 2,310,105	\$ 60,639,030
Less accumulated depreciation	48,525,442	4,321,041	2,280,397	50,566,086
School Board capital assets, net	\$ 10,755,454	\$ (652,802)	\$ 29,708	\$ 10,072,944

Current year depreciation on capital assets of the School Board was \$4,321,041.

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2012

9. Long-term Obligations

A. General Obligation Bonds

The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities of the primary government and including those used by the School Board component unit. The 2004 voter-approved bond referendum authorized \$341,745,000 in bonds to be issued in five major project categories. \$25,100,000 of this authorization remained at June 30, 2012. General obligation bonds are direct obligations and pledge the full faith and credit of the County. The general obligation bonds are payable from the General Fund. At June 30, 2012, general obligation bonds outstanding were as follows:

	<u>Original Issue Amount</u>	<u>Interest Rates</u>	<u>Annual Principal Requirements</u>	<u>Total Outstanding</u>
General Obligation Bonds				
1995A School, due 2016	\$ 15,160,000	5.90 - 5.975 %	\$755,000	\$ 3,020,000
1995C School, due 2016	26,175,000	5.10	1,305,000	5,220,000
2002 General Improvement, due 2013	23,280,000	4.25	1,165,000	1,165,000
2002B School, due 2023	23,950,000	4.35 - 5.10	1,195,000 - 1,200,000	13,150,000
2003B School Refunding, due 2014	4,580,000	6.225 - 6.30	415,000 - 420,000	835,000
2004 School, due 2014	56,825,000	5.00	2,840,000	5,680,000
2004 General Refunding, due 2020	60,110,000	4.00 - 5.00	1,800,000 - 8,180,000	36,740,000
2005 General Improvement & Refunding, due 2018	36,775,000	4.00 - 5.00	2,270,000 - 5,505,000	21,790,000
2006 General Improvement, due 2026	64,305,000	4.00 - 5.00	3,215,000	32,150,000
2007 General Improvement & Refunding, due 2027	96,215,000	4.00 - 5.00	3,630,000 - 9,130,000	77,895,000
2008 General Improvement, due 2028	73,920,000	3.50 - 5.00	3,750,000	60,000,000
2009 General Improvement & Refunding, due 2030	92,000,000	3.00 - 5.00	1,830,000 - 6,485,000	67,645,000
2011 School, due 2032	15,630,000	2.05 - 5.05	780,000 - 785,000	15,630,000
2012 General Improvement & Refunding, due 2032	67,495,000	2.50 - 5.00	1,320,000 - 7,735,000	67,495,000
2012B School, due 2033	18,595,000	2.55 - 5.05	925,000 - 930,000	<u>18,595,000</u>
Total general obligation bonds				427,010,000
Add: Premium				24,880,556
Less: Deferred amount on refunding				<u>6,083,291</u>
Net general obligation bonds				<u>\$ 445,807,265</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending</u>	<u>General Obligation Bonds</u>		
	<u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2013	\$	37,305,000	\$ 18,495,696
2014		35,310,000	17,664,634
2015		33,900,000	16,050,918
2016		32,545,000	14,520,274
2017		32,100,000	13,017,689
2018-2022		136,205,000	43,508,124
2023-2027		92,975,000	16,476,673
2028-2032		25,745,000	2,423,462
2033-2037		<u>925,000</u>	<u>21,044</u>
Total	\$	<u>427,010,000</u>	<u>\$ 569,188,514</u>

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2012

B. Revenue Bonds

The County issued bonds to finance construction projects for the Water and Wastewater enterprise funds. Revenue bonds outstanding at June 30, 2012, are as follows:

	<u>Original Issue Amount</u>	<u>Interest Rates</u>	<u>Annual Principal Requirements</u>	<u>Amount Outstanding</u>
Primary Government				
Business-type activities:				
2007 Water and Sewer, due 2028	\$ 47,315,000	4.00 - 4.25%	\$1,845,000 - 3,400,000	\$ 40,675,000
2009 Water and Sewer, due 2030	47,900,000	2.50 - 4.125	1,840,000 - 3,335,000	44,445,000
Total revenue bonds				85,120,000
Add Premium				1,066,985
Net revenue bonds				<u>\$ 86,186,985</u>

The Water and Wastewater Funds are responsible for all revenue bonds:

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Total revenue bonds	\$ 40,675,000	\$ 44,445,000	\$ 85,120,000
Net revenue bonds	40,830,156	45,356,829	86,186,985

Debt service requirements to maturity for the revenue bonds are as follows:

<u>Year Ending</u>	<u>Primary Government Enterprise Funds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30</u>			
2013	\$ 3,685,000	\$ 3,242,180	\$ 6,927,180
2014	3,805,000	3,115,605	6,920,605
2015	3,935,000	2,979,930	6,914,930
2016	4,080,000	2,844,330	6,924,330
2017	4,215,000	2,703,680	6,918,680
2018-2022	23,610,000	10,904,238	34,514,238
2023-2027	28,770,000	5,700,710	34,470,710
2028-2032	13,020,000	675,231	13,695,231
Total	<u>\$ 85,120,000</u>	<u>\$ 32,165,904</u>	<u>\$ 117,285,904</u>

C. Public Facility Lease Revenue Bonds, Certificates of Participation and Taxable Redevelopment Facility Note

The County is a party to several Real Property Lease/Purchase Agreements. These agreements are structured with Public Facility Lease Revenue Bonds, Certificates of Participation and a Taxable Redevelopment Facility Note. Obligations under these leases are to be liquidated by the General Fund and the non-major Airport Fund.

In the public facility lease revenue bonds transaction dated April 1, 1999, the County leases a new Juvenile and Domestic Relations Courts Building from the lessor for a lease term ending November 1, 2019. Public Facility Lease Revenue bonds evidencing owners' interest in the lease payments were issued to finance the new building and were advance refunded with Public Facility Revenue Refunding Bonds, Series 2010A.

Under an agreement dated January 1, 2001, the County leases the Juvenile Detention Home, the old Juvenile and Domestic Relations Courts Building, the Information Systems Technology Building and an Airport Hangar Building. Certificates of Participation Series 2001, 2003A and 2006A evidencing owners'

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2012

interest in the lease payments made by the County to the lessor were issued to finance construction and renovation of these buildings, as well as a new Financial/Human Resources Information System. These certificates were partially refunded with Certificates of Participation, Refunding Series 2012.

Under an agreement dated March 1, 2003, the County leases the real property together with the new County Jail and all other buildings, structures, improvements and equipment located thereon. Certificates of Participation Series 2003B and 2004A evidencing owners' interest in the lease payments made by the County to the lessor were issued to finance acquisition, construction, installation, furnishing and equipping the new jail. These certificates were partially refunded with Certificates of Participation, Refunding Series 2012.

Under an agreement dated March 1, 2004, the County leases real property incorporating a new Community Development Building, a replacement Chester House Rehabilitative Facility, and a new Airport Hangar. Certificates of Participation Series 2004B, 2005B and 2006B were issued to finance a portion of the cost of the acquisition, construction, installation, furnishing and equipping of these buildings, as well as an Emergency Systems Integration Project. In addition, Certificates of Participation Series 2005A and 2005B were used to finance the acquisition of a financial management system. These certificates were partially refunded with Certificates of Participation, Refunding Series 2012.

Under an agreement dated April 15, 2005, the County leases real property incorporating a new Police Property and Evidence Storage Facility. Certificates of Participation Series 2005C were issued to finance a portion of the acquisition, construction, installation, furnishing and equipping of the building.

Under an agreement dated June 1, 2007, the County leases real property incorporating the Smith Wagner Building, the Circuit Court and General District Court Courthouse, the Lane B. Ramsey Building and the off-site Public Safety Training Center. Certificates of Participation Series 2007 were issued to finance a portion of the cost to expand, renovate, construct, furnish and equip various portions of these facilities.

In the Taxable Redevelopment Facility Note dated October 18, 2004, the County leases real property incorporating the Cloverleaf Mall property. The County is reporting a redevelopment asset in its government-wide statements.

In each of these leases, the County acts as the lessor's agent for the construction and furnishing of the capital acquisitions. The County is required, subject to annual appropriations by the Board of Supervisors, under the Real Property Lease/Purchase Agreements to make lease payments to a trustee, as assignee of the lessor. These payments will be sufficient for the trustee to pay debt service on the Public Facility Revenue Refunding Bonds, Series 2010A, the Certificates of Participation and the Taxable Redevelopment Facility Note as and when due. At the expiration of the lease terms, title to the assets will vest in the County if the County has made all lease payments required under the Agreements.

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2012

Amounts outstanding as of June 30, 2012, on the Public Facility Lease, the Certificates of Participation and the Taxable Redevelopment Note are as follows:

	<u>Original Issue</u>	<u>Interest</u>	<u>Annual</u>	<u>Amount</u>
Governmental Activities	<u>Amount</u>	<u>Rates</u>	<u>Principal</u>	<u>Outstanding</u>
2001 Certificates of Participation, due 2013	\$ 13,310,000	4.13%	\$544,250	\$ 544,250
2003A Certificates of Participation, due 2015	3,070,000	3.45 - 3.55	170,000	510,000
2003B Certificates of Participation, due 2024	3,030,000	3.45 - 4.40	150,000 - 155,000	760,000
2004A Certificates of Participation, due 2015	14,980,000	3.50	790,000	2,370,000
2004B Certificates of Participation, due 2016	5,982,795	3.50	299,568	1,198,271
2004 Taxable Redevelopment Facility Note *	16,596,199	Variable**	0 - 16,596,199	16,596,199
2005A Certificates of Participation, due 2016	4,300,000	3.75	430,000	1,720,000
2005B Certificates of Participation, due 2025	8,500,000	3.75 - 4.25	445,000	2,670,000
2005C Certificates of Participation, due 2016	1,245,000	3.75	120,000 - 125,000	495,000
2006A Certificates of Participation, due 2016	3,565,000	4.25	355,000	1,420,000
2006B Certificates of Participation, due 2025	8,395,000	4.25 - 4.50	440,000 - 445,000	5,285,000
2007 Certificates of Participation, due 2028	22,220,000	4.25 - 5.00	950,000 - 1,165,000	17,545,000
2010 Public Facility Revenue Refunding Bonds, due 2020	7,185,000	2.00 - 4.00	690,000 - 875,000	6,475,000
2012 Certificates of Participation Refunding, due 2025	19,011,905	2.50 - 5.00	115,486 - 2,377,090	<u>19,011,905</u>
Total governmental activities				76,600,625
Add: Premium				4,036,783
Less: Deferred amount on refunding				<u>1,809,218</u>
Net governmental activities				<u>78,828,190</u>
Business-type Activities				
2001 Certificates of Participation, due 2013	\$ 415,000	4.13%	\$20,750	20,750
2004B Certificates of Participation, due 2016	1,007,205	3.50	50,432	201,729
2005B Certificates of Participation, due 2025	450,000	3.75 - 4.25	25,000	150,000
2012 Certificates of Participation, due 2025	743,095	2.50 - 5.00	4,514 - 92,910	<u>743,095</u>
Total business-type activities				1,115,574
Add: Premium				134,347
Less: Deferred amount on refunding				<u>63,243</u>
Net business-type activities				<u>1,186,678</u>
Total certificates of participation				<u>\$ 80,014,868</u>

* On October 18, 2004, the Authority sold its Taxable Redevelopment Facility Note, Series 2004 on behalf of the County in an amount of \$9,225,000 to acquire the Cloverleaf Mall property for redevelopment by the County. On August 1, 2008, the principal amount of the Note was increased by \$7,371,199 for the purchase of the ground lease interest in the Mall.

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2012

**The interest rate will be the LIBOR Market Index Rate plus 0.60%, as that rate may change from day to day. "LIBOR *Market Index Rate", for any day, is the rate for one month U. S. dollar deposits as reported on Telerate page 3750 as of 11:00 a.m., London time, on such day, or if such day is not a London business day, then the immediately preceding London business day (or if not so reported, then as determined by Bank from another recognized source or inter-bank quotation). At June 30, 2012, the one month LIBOR rate was 0.24575%.

Annual debt service requirements to maturity for the Public Facility Lease, the Certificates of Participation and the Taxable Redevelopment Note are as follows:

Year Ending	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
June 30						
2013	\$ 5,724,304	\$ 2,439,646	\$ 8,163,950	\$ 100,696	\$ 40,031	\$ 140,727
2014	5,703,691	2,352,441	8,056,132	96,309	41,117	137,426
2015	22,365,267	2,042,317	24,407,584	95,933	37,846	133,779
2016	4,561,888	1,818,650	6,380,538	93,111	34,571	127,682
2017	4,742,402	1,652,525	6,394,927	97,598	31,365	128,963
2018-2022	22,127,783	5,263,082	27,390,865	457,217	96,131	553,348
2023-2027	10,425,290	1,150,813	11,576,103	174,710	9,465	184,175
2028	950,000	23,750	973,750	-	-	-
Total	<u>\$ 76,600,625</u>	<u>\$ 16,743,224</u>	<u>\$ 93,343,849</u>	<u>\$ 1,115,574</u>	<u>\$ 290,526</u>	<u>\$ 1,406,100</u>

The interest rate for the Taxable Redevelopment Note is estimated using the average of the fiscal year 2012 LIBOR Market Index Rate plus 0.60%.

D. Capital Leases

The County has acquired equipment under capital lease arrangements with an interest rate of 3.83% and annual principal payments ranging from \$90,613 to \$173,011 per fiscal year. Capital leases are to be liquidated by the General Fund. Future minimum lease payments at June 30, 2012, for these capital leases are as follows:

Year Ending	Primary Government Governmental Activities		
	Principal	Interest	Total
June 30			
2013	\$ 130,491	\$ 31,096	\$ 161,587
2014	139,718	26,011	165,729
2015	149,407	20,568	169,975
2016	160,462	14,750	175,212
2017	173,011	8,486	181,497
2018	90,613	1,735	92,348
Total	<u>\$ 843,702</u>	<u>\$ 102,646</u>	<u>\$ 946,348</u>

E. Judgments, Claims, and Compensated Absences Payable

The County recorded a liability for workers compensation claims in the government-wide statements for the primary government and the School Board component unit and in the fund financial statements of the proprietary funds. The workers compensation liability recorded is \$9,126,795 for the governmental activities of the primary government, \$815,437 for the business-type activities of the primary government and \$9,935,580 for the School Board component unit. A liability of \$6,127,872 has been recorded for judgment and claims in the Risk Management Fund. These liabilities consist of a) liabilities for claims incurred, reported and outstanding as of June 30, 2012, and b) liabilities for claims incurred but not reported as of June 30, 2012. These liabilities have been estimated based upon a case-by-case review, investigation and historical experience. Payments for workers compensation liabilities are recorded as a charge to the fund that incurred the liability. Judgments and claims recorded in the Risk Management Fund are payable from the Risk Management Fund.

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2012

The County recorded a liability for compensated absences in the Statement of Net Assets of the government-wide statements for the primary government and the School Board component unit and in the fund financial statements of the proprietary funds. The governmental activities of the primary government recorded \$16,588,981 and \$3,418,433 for accrued vacation and sick leave benefits, respectively and the business-type activities of the primary government recorded \$1,084,484 and \$357,358 for accrued vacation and sick leave benefits, respectively. The School Board component unit recorded \$11,238,902 and \$9,141,753 for accrued vacation/personal leave and sick leave benefits, respectively. Payments for these liabilities are recorded as a charge to the fund that incurred the liability.

In October 1991, the Environmental Protection Agency (EPA) issued a rule establishing municipal solid waste landfills (MSWLF) closure requirements for all MSWLF's that accepted solid waste after October 9, 1991 and postclosure requirements for all MSWLF's that accepted solid waste after October 9, 1993. The County operated one landfill, which was closed on October 8, 1993, and completed the final cover during fiscal year 1995. The County has met the Commonwealth's ten-year requirement to perform maintenance and monitoring postclosure functions at the site and has applied for certification from the Commonwealth to release it from further maintenance and monitoring requirements. The County anticipates it will incur an additional postclosure care liability of \$1,065,350 (included in judgments and claims) at June 30, 2012. This amount represents the estimated total current cost of landfill postclosure care for an additional ten years, based on the use of 100 percent of the estimated capacity of the landfill. Actual cost may be higher due to inflation, changes in technology or changes in regulations. Actual cost may be lower if the County is released from postclosure maintenance and monitoring by the Commonwealth. Payments for this liability will be recorded as a charge to the General Fund. The County is not required by state and federal laws or regulations to make annual contributions to a trust to finance postclosure care. The County expects to pay additional postclosure care cost from the General Fund with charges to users of the County's solid waste transfer stations, General Fund tax revenue and/or General Fund assigned fund balance.

Beginning June 30, 2009, the County reported obligations to address the current or potential detrimental effects of existing pollution by participating in remediation activities. Site investigation, planning and design, cleanup and site monitoring are typical activities associated with pollution remediation. The Department of Interior – National Park Service (NPS) has named the County as a primary responsible party requiring the County to participate in cleanup efforts at a landfill site that was closed in 1972 and subsequently donated to the NPS by the County. The County estimates it will incur pollution remediation obligations of \$2,686,500 at this site as of June 30, 2012. This amount is based on reasonable and supportable assumptions measured at current value using the expected cash flow technique. Actual cost may be higher or lower due to changes in assumptions resulting from ongoing site assessments, inflation and changes in technology and/or regulations. Payments for this liability will be recorded as a charge to the County Capital Projects Fund.

F. Retirement Plan Obligations

As required by GAAP, a long-term liability has been recorded for the VRS Pension Plan, the County Supplemental Retirement Plan and the School Board Supplemental Retirement Program for the cumulative difference between the Annual Required Contribution and the amount actually contributed. The governmental activities of the primary government recorded a liability of \$2,629,727 and a prepaid asset of \$11,138 for the VRS Pension Plan and the County Supplemental Retirement Plan, respectively, and the business-type activities of the primary government recorded \$243,477 for the VRS Pension Plan. The School Board component unit recorded a liability of \$625,466 and a prepaid asset of \$16,873,387 for the VRS Pension Plan and the Supplemental Retirement Program, respectively. Payments for these liabilities are recorded as a charge to the fund that incurred the liability.

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2012

G. Other Postemployment Benefits Obligations – Retiree Healthcare and Line of Duty

For the fiscal year ended June 30, 2012, the County reported an actuarially determined liability for other postemployment health-care and line of duty benefits for retired, active and disabled employees on the financial statements. The County fully funded annual other postemployment benefits costs for retiree healthcare and line of duty benefits. The School Board component unit funded 99.7% of the annual other postemployment benefits cost for retiree healthcare. Payments for these liabilities are recorded as charges to the fund that incurred the liability.

H. Support Agreements

On January 1, 2005, the County and the EDA entered into an Amended and Restated Development Agreement (Agreement). The Agreement obligates the County to make support payments on behalf of the EDA on a periodic basis in an amount equal to the debt service on the Variable Rate Revenue Bonds, Series 2005A and Taxable Series 2005B issued by the EDA in the amount of \$18,120,000 on January 27, 2005. These bonds were issued to provide funds for the acquisition of real property for the Meadowville Technology Park including areas to be preserved as wetlands and to build a system of streets and roads and other infrastructure improvements within the Park.

On September 1, 2010, the County and EDA entered into a Support Agreement (Agreement) which obligates the County to make support payments on behalf of the EDA on a periodic basis in an amount equal to the debt service on Taxable Recovery Zone Economic Development Revenue Bonds, Series 2010B (Bonds) issued by the EDA in the amount of \$8,345,000 on October 14, 2010. The Bonds were issued to provide funds for the acquisition of real property for an interchange with Interstate I-295 and the acquisition and construction of such interchange interconnecting the Meadowville Technology Park in the County with Interstate I-295. The Bonds are Recovery Zone Economic Development Bonds issued under Section 1400U-2 of the Internal Revenue Code of 1986, which was added by the provisions of the American Recovery and Reinvestment Act of 2009 (ARRA). Pursuant to ARRA, the Authority is entitled to receive a cash subsidy payment from the U.S. Treasury equal to 45% of the interest payable on the Series 2010B Bonds on each interest payment date. The cash subsidy payment reduces the payments required by the County under the agreement.

The Bonds are limited obligations of the Authority, payable solely from payments made by the County, pursuant to the agreements. The Bonds are not a general obligation debt of the County and payments made pursuant to the Agreements are subject to annual appropriation by the County Board. For the year ended June 30, 2012, the General Fund paid \$40,164 in interest on the Series 2005A and Series 2005B Bonds and \$134,317 on the Series 2010B Bonds on behalf of the Authority.

The Support Agreements annual debt service requirements to maturity are as follows:

Year Ending	2005 Variable Rate		2010B Recovery Zone		Total
	Principal	Interest*	Principal	Interest**	
June 30					
2013	\$ 875,000	\$ 36,421	\$ 420,000	\$ 292,111	\$ 1,623,532
2014	890,000	33,612	420,000	286,135	1,629,747
2015	895,000	30,782	420,000	278,268	1,624,050
2016	910,000	27,907	420,000	268,768	1,626,675
2017	920,000	25,000	420,000	257,797	1,622,797
2018-2022	4,790,000	79,959	2,085,000	1,077,133	8,032,092
2023-2027	3,025,000	10,468	2,075,000	644,512	5,754,980
2028-2032	-	-	1,245,000	131,098	1,376,098
Total	\$ 12,305,000	\$ 244,149	\$ 7,505,000	\$ 3,235,822	\$ 23,289,971

* Assumed rate of 0.22% for Series 2005A (Tax-Exempt), and 0.37% for Series 2005B (Taxable) of the Economic Development Authority Variable Rate Revenue Bonds.

** Interest for 2010B Recovery Zone Revenue Bonds has not been adjusted for 45% U.S. Treasury cash subsidy payment.

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2012

I. Defeased Debt

On March 6, 2012, the County sold \$49,560,000 in General Obligation Public Improvement Refunding Bonds with an average interest rate of 4.70%. Net proceeds of \$60,054,621 were deposited into an irrevocable trust with an escrow agent to pay interest when due on the refunded bonds up to and including their redemption dates and the principal redemption prices on the refunded bonds on their respective redemption dates. As a result of this transaction, the selected maturities of the bonds are considered to be defeased and the assets in the related escrow accounts for the refunded issues are not reflected in the accompanying financial statements.

The refunded bonds include:

<u>Description</u>	<u>Amount</u>	<u>Issue Date</u>	<u>Maturity Dates</u>	<u>Call Date</u>
2002 General Improvement	\$ 2,330,000	01/15/2002	2014-2015	04/20/2012
2004 School	31,240,000	02/26/2004	2015-2025	01/15/2014
2005 General Improvement	8,145,000	03/01/2005	2017-2025	01/01/2015
2006 General Improvement	12,860,000	03/06/2006	2019-2022	01/01/2016

At June 30, 2012, the outstanding balance of the defeased debt was \$52,245,000 of general obligation bonds.

The refunding resulted in the recognition of an accounting loss of \$4,096,223 for the year ended June 30, 2012; however, the County in effect reduced its aggregate debt service payments by \$4,749,313 over the next thirteen years and obtained an economic gain (the difference between the present values of the old and new debt service payments) of \$4,363,252.

On June 7, 2012, the County sold \$19,755,000 in Refunding Certificates of Participation with an average interest rate of 4.59%. Net proceeds of \$22,909,716 were deposited into an irrevocable trust with an escrow agent to pay interest when due on the refunded certificates up to and including their redemption dates and the principal redemption prices on the refunded certificates on their respective redemption dates. As a result of this transaction, the selected maturities of the certificates are considered to be defeased and the assets in the related escrow accounts for the refunded issues are not reflected in the accompanying financial statements. The refunded certificates include:

<u>Description</u>	<u>Amount</u>	<u>Issue Date</u>	<u>Maturity Dates</u>	<u>Call Date</u>
2001 Certificates of Participation	\$ 5,040,000	01/01/2001	2014-2022	07/21/2012
2003A Certificates of Participation	1,200,000	03/01/2003	2016-2022	11/01/2013
2003B Certificates of Participation	1,070,000	03/01/2003	2016-2022	11/01/2013
2004A Certificates of Participation	7,080,000	04/15/2004	2016-2024	11/01/2014
2004B Certificates of Participation	3,140,000	04/15/2004	2017-2025	11/01/2014
2005B Certificates of Participation	3,290,000	05/11/2005	2018-2024	11/01/2015
2006B Certificates of Participation	440,000	05/10/2006	2023	11/01/2016

At June 30, 2012, the outstanding balance of the defeased debt was \$21,260,000 of certificates of participation.

For the year ended June 30, 2012, the refunding resulted in the recognition of an accounting loss of \$1,653,619 and \$63,243 for the General Fund and Airport Fund, respectively; however, the County in effect reduced its aggregate debt service payments by \$1,198,372 over the next thirteen years and obtained an economic gain (the difference between the present values of the old and new debt service payments) of \$1,127,007.

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2012

J. Changes in Long-term Obligations

The following is a summary of long-term obligation transactions for the year ended June 30, 2012:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Governmental Activities					
General obligation bonds	\$ 432,115,000	\$ 86,090,000	\$ 91,195,000	\$ 427,010,000	\$ 37,305,000
Add: Premium	14,789,674	14,564,532	4,473,650	24,880,556	3,360,031
Less: Deferred amount on refunding	2,971,130	4,096,223	984,062	6,083,291	1,089,116
Net bonds payable	<u>443,933,544</u>	<u>96,558,309</u>	<u>94,684,588</u>	<u>445,807,265</u>	<u>39,575,915</u>
Certificates of participation	59,882,139	19,011,905	25,364,618	53,529,426	5,034,304
Add: Premium	686,333	3,373,405	176,102	3,883,636	601,810
Less: Deferred amount on refunding	-	1,653,619	-	1,653,619	256,476
Net certificates of participation	<u>60,568,472</u>	<u>20,731,691</u>	<u>25,540,720</u>	<u>55,759,443</u>	<u>5,379,638</u>
Public facility lease	7,185,000	-	710,000	6,475,000	690,000
Add: Premium	193,074.00	-	39,927	153,147	35,835
Less: Deferred amount on refunding	196,166	-	40,567	155,599	36,409
Net public facility lease	<u>7,181,908</u>	<u>-</u>	<u>709,360</u>	<u>6,472,548</u>	<u>689,426</u>
Taxable redevelopment facility note	16,596,199	-	-	16,596,199	-
Capital lease purchases	965,406	-	121,704	843,702	130,491
Total bonds, leases and loans	<u>529,245,529</u>	<u>117,290,000</u>	<u>121,056,372</u>	<u>525,479,157</u>	<u>45,775,470</u>
Other liabilities:					
Compensated absences	19,368,078	13,044,547	12,405,211	20,007,414	12,791,797
Judgments and claims	12,810,731	2,443,936	-	15,254,667	6,624,894
Landfill	1,353,892	-	288,542	1,065,350	195,600
Pollution remediation	2,686,500	-	-	2,686,500	-
Retirement plan obligations*	2,590,511	39,216	-	2,629,727	-
Support agreements	21,090,000	-	1,280,000	19,810,000	1,295,000
Total other liabilities	<u>59,899,712</u>	<u>15,527,699</u>	<u>13,973,753</u>	<u>61,453,658</u>	<u>20,907,291</u>
Total long-term liabilities	<u>\$ 589,145,241</u>	<u>\$ 132,817,699</u>	<u>\$ 135,030,125</u>	<u>\$ 586,932,815</u>	<u>\$ 66,682,761</u>

*The governmental activities reported a negative net pension obligation of \$11,138 for the Supplemental Retirement Plan.

This amount and the negative net OPEB obligations of \$1,327,473 for retiree healthcare and \$2,164,088 for line of duty are recorded as prepaid assets in the government-wide statements.

Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for these funds are included as part of the above totals for governmental activities. At year-end, \$485,027 for compensated absences, \$6,188,665 for judgments and claims and \$77,548 for retirement plan obligations for internal service funds are included in the above amounts. Except for the amounts for internal service funds, the long-term liabilities for governmental activities are generally liquidated by the General Fund.

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2012

Business-type Activities	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012	Amounts Due Within One Year
<u>Water Fund</u>					
Revenue bonds payable	\$ 42,445,000	\$ -	\$ 1,770,000	\$ 40,675,000	\$ 1,845,000
Add: Premium	173,256	-	18,100	155,156	17,302
Net bonds payable	42,618,256	-	1,788,100	40,830,156	1,862,302
Other liabilities:					
Compensated absences	703,765	428,786	444,394	688,157	405,003
Judgments and claims	473,180	44,696	-	517,876	164,684
Retirement plan obligations	150,848	2,284	-	153,132	-
Total other liabilities	1,327,793	475,766	444,394	1,359,165	569,687
Total long-term liabilities	43,946,049	475,766	2,232,494	42,189,321	2,431,989
<u>Wastewater Fund</u>					
Revenue bonds payable	46,215,000	-	1,770,000	44,445,000	1,840,000
Add: Premium	1,006,182	-	94,353	911,829	90,548
Net bonds payable	47,221,182	-	1,864,353	45,356,829	1,930,548
Other liabilities:					
Compensated absences	687,657	449,944	407,328	730,273	422,111
Judgments and claims - other	289,020	8,541	-	297,561	94,624
Judgments and claims - pollution remediation	114,000	7,500	121,500	-	-
Retirement plan obligations	84,555	1,280	-	85,835	-
Total other liabilities	1,175,232	467,265	528,828	1,113,669	516,735
Total long-term liabilities	48,396,414	467,265	2,393,181	46,470,498	2,447,283
<u>Non-major - Airport Fund</u>					
Certificates of participation	1,282,861	743,095	910,382	1,115,574	100,696
Add: Premium	-	134,347	-	134,347	20,837
Less: Deferred amount on refunding	-	63,243	-	63,243	9,809
Net certificates of participation	1,282,861	814,199	910,382	1,186,678	111,724
Other liabilities:					
Compensated absences	23,914	11,299	11,801	23,412	14,918
Judgments and claims	17,295	-	17,295	-	-
Retirement plan obligations	4,443	67	-	4,510	-
Total other liabilities	45,652	11,366	29,096	27,922	14,918
Total long-term liabilities	1,328,513	825,565	939,478	1,214,600	126,642

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Amounts</u> <u>Due within</u> <u>One Year</u>
Total Business-type Activities					
Revenue bonds payable	\$ 88,660,000	\$ -	\$ 3,540,000	\$ 85,120,000	\$ 3,685,000
Add: Premium	1,179,438	-	112,453	1,066,985	107,850
Net bonds payable	89,839,438	-	3,652,453	86,186,985	3,792,850
Certificates of participation	1,282,861	743,095	910,382	1,115,574	100,696
Add: Premium	-	134,347	-	134,347	20,837
Less: Deferred amount on refunding	-	63,243	-	63,243	9,809
Net certificates of participation	1,282,861	814,199	910,382	1,186,678	111,724
Total bonds and certificates of participation	91,122,299	814,199	4,562,835	87,373,663	3,904,574
Other liabilities:					
Compensated absences	1,415,336	890,029	863,523	1,441,842	842,032
Judgments and claims - other	779,495	53,237	17,295	815,437	259,308
Judgments and claims - pollution remediation	114,000	7,500	121,500	-	-
Retirement plan obligations	239,846	3,631	-	243,477	-
Total other liabilities	2,548,677	954,397	1,002,318	2,500,756	1,101,340
Total long-term liabilities	\$ 93,670,976	\$ 1,768,596	\$ 5,565,153	\$ 89,874,419	\$ 5,005,914

Summaries of long-term obligation transactions for the School Board component unit for the year ended June 30, 2012, are as follows:

School Board	<u>Balance</u> <u>July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Compensated absences	\$ 19,929,948	\$ 5,037,495	\$ 4,586,788	\$ 20,380,655	\$ 9,272,034
Judgments and claims	9,354,343	581,237	-	9,935,580	3,159,514
Retirement plan obligations*	616,162	9,304	-	625,466	-
Total long-term liabilities	\$ 29,900,453	\$ 5,628,036	\$ 4,586,788	\$ 30,941,701	\$ 12,431,548

*The School Board Supplemental Retirement Program has a negative net pension obligation of \$16,873,387.

This amount and the negative OPEB obligation of \$112,925 are prepaid assets in the government-wide statements.

K. Long-term Debt Issued on Behalf of the School Board Component Unit

According to State law, the School Board component unit is not allowed to issue general obligation debt and, therefore, is not legally obligated to repay general obligation debt issued on its behalf by the primary government. The amount of general obligation debt and lease obligations reported in the government-wide statements of the primary government on behalf of the School Board component unit is as follows:

General obligations bonds	\$ 332,960,576
Certificates of participation	1,256,000
Total general obligation debt and lease obligations	<u>\$ 334,216,576</u>

In addition to the general obligation debt and lease obligations, the primary government has also recorded accrued interest payable of \$6,890,279 in the government-wide financial statements on behalf of the School Board component unit.

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2012

10. Commitments and Contingent Liabilities

A. Lease Commitments

Rent expense for all operating leases was \$2,444,646 for the County and \$1,448,825 for the School Board.

The County leases various types of equipment under operating lease agreements. The County lease agreements are contingent on the County Board appropriating funds for each year's payments. As of June 30, 2012, future operating lease payments for the County totaled \$60,942 all of which is due in 2013.

B. Other Commitments

The County has entered into various contracts for the purchase of water and the treatment of wastewater. The County, in establishing water and wastewater rates, considers these commitments which expire at various times through 2045 as disclosed in note 14A and 14F.

C. Contingent Liabilities

Various claims and lawsuits are pending against the County and School Board. In the opinion of County management, resolution of these cases would not involve a substantial liability.

The County and School Board have received a number of Federal and State grants. Although the County and School Board have been audited in accordance with the provisions of Office of Management and Budget Circular A-133, these grants are still subject to financial and compliance audits by the grantors or their representatives. Such audits could result in requests for reimbursements to the grantor agency for expenditures disallowed under the terms of the grants. The amount of expenditures, if any, which may be disallowed as a result of audits at some future date cannot be determined at this time; however, the County and School Board expect such amounts, if any, to be immaterial.

D. Moral Obligations – Richmond Metropolitan Authority (RMA) Baseball Stadium Facility

In connection with the RMA's responsibility for maintaining and operating the Richmond metropolitan area's baseball stadium facility which opened in April 1985, the Counties of Chesterfield and Henrico and the City of Richmond agreed to a nonbinding moral obligation under which each would pay one-third of any annual net operating loss. The County made no contributions during fiscal year 2012.

11. Risk Management – Claims Liability

The Risk Management Fund (an Internal Service Fund) accounts for property, casualty and liability claims for the County and School Board. Third party coverage is obtained for real and personal property and some liability risks. Third party property and casualty coverage is maintained for the Fire Department. The County does maintain a broad form Public Officials Liability insurance policy to provide catastrophe coverage for individual claims in excess of \$2,000,000 excluding property and workers' compensation. For property, the County maintains a deductible of \$250,000 per occurrence. Administration of claims impacting this coverage is reviewed routinely by the insurance company that provides the policies. There have not been any reductions in commercial insurance coverage from the prior year and the amount of settlements in each of the past three years did not exceed the commercial insurance. Risk Management Fund revenues are generated by charges to the departments and School Board for management's estimate of the cost of predictable losses, the cost for administering these losses, a pro rata share of insurance premiums paid, actuarial estimates for incurred but not reported claims and the Risk Management Department's operational costs. Significant claims paid by the Risk Management Fund which exceed the premium charged will be covered by increased premiums in future

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2012

years to the departments and School Board. Liabilities for unpaid claims are based upon the estimate of the ultimate cost of the claims, pursuant to known information. The estimate of the claims liability does not include amounts for non-incremental claims adjustment expenses. On disputed cases, where the chances of prevailing on the legal and medical issues are less than 50%, the claim is recorded at the full exposure amount. The confidence level estimated percentage used to determine the risk management liability is 75% for automobile, general, professional, medical and law enforcement liability.

The County is a significant property owner and, as such, has potential exposure to environmental liabilities. In 2002, the County began the development of a comprehensive environmental management program. The County also continues to expand its countywide Environmental Management System (EMS) based on the International Organization for Standardization (ISO) 14001 requirements. The emphasis of the EMS is to manage and control the County's services and activities in a manner that reduces adverse impacts to the environment, promotes pollution prevention and helps ensure compliance with environmental laws and regulations.

Workers' compensation claims are funded annually by appropriations in the various funds. For the period January 1, 2008, to December 31, 2011, the self-insured retention per occurrence was \$600,000. The self-insured retention is limited to \$750,000 per occurrence after December 31, 2011 and the County maintains an excess insurance policy for claims greater than \$750,000. Claims are administered by Risk Management staff with an independent claims audit conducted periodically. Safety professionals and representatives of the third party insurance companies provide loss prevention consultation.

The changes in the workers' compensation claims liability amounts are as follows:

	<u>County</u>		<u>School Board</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Workers' Compensation:				
Liability, July 1	\$ 9,314,706	\$ 9,113,941	\$ 9,354,343	\$ 8,280,769
Current year claims	3,885,000	2,981,000	3,924,000	3,070,000
Changes in estimates	(4,075)	(225,276)	62,953	1,139,518
Claim payments	<u>(3,253,399)</u>	<u>(2,554,959)</u>	<u>(3,405,716)</u>	<u>(3,135,944)</u>
Liability, June 30	<u>\$ 9,942,232</u>	<u>\$ 9,314,706</u>	<u>\$ 9,935,580</u>	<u>\$ 9,354,343</u>

The changes in the liability amounts for other claims are as follows:

	<u>2012</u>	<u>2011</u>
Risk Management Fund:		
Liability, July 1	\$ 4,275,520	\$ 8,096,956
Current year claims	2,142,820	2,173,948
Changes in estimates	1,604,081	(4,483,883)
Claim payments	<u>(1,894,549)</u>	<u>(1,511,501)</u>
Liability, June 30	<u>\$ 6,127,872</u>	<u>\$ 4,275,520</u>

12. Retirement Plans

A. Virginia Retirement System

1. Plan Description

The County and School Board contribute to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the VRS. School

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2012

Board employees participate in a VRS statewide teacher cost sharing pool and non-professional employees participate as a separate group in the VRS. All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service credits which are earned for each month of employment. VRS administers two defined benefit plans for the agent defined benefit plan called Plan 1 and Plan 2.

- a. County and School Board employees hired before July 1, 2010, and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.
- b. County and School Board employees hired or rehired on or after July 1, 2010, and who have no service credits before July 1, 2010, are covered under Plan 2. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- c. Eligible hazardous duty employees (law enforcement officers, firefighters and sheriffs) in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit.

The VRS basic benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty employees is 1.70% and the retirement multiplier for hazardous duty employees is 1.85%.

Retirees are eligible for annual cost-of-living adjustment (COLA) beginning in their second year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their web site at <http://www.varetire.org/Pdf/Publications/2010-annual-report.pdf> or obtained by writing to VRS at P.O. Box 2500, Richmond, VA, 23218-2500.

2. Funding Status and Progress

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. The employer may assume this 5% member contribution. The County has elected to pay the employee's 5% contribution for employees under Plan 1 while the School Board has elected to pay the employee's 5% contribution under Plan 1 and Plan 2. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The County and School Board's contribution rates, including the 5% member contribution for fiscal year 2012, were 16.59% and 13.96%, respectively, of annual covered payroll. As of June 30, 2011, the County and School agent plans were 73.68%

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2012

and 74.94% funded, respectively. The accrued actuarial liability for benefits for the County agent plan was \$800,869,465 and the actuarial value of assets was \$590,093,309 leaving \$210,776,156 unfunded. The accrued actuarial liability for benefits for the School agent plan was \$102,816,121 and the actuarial value of assets was \$77,047,799 leaving \$25,768,322 unfunded. Covered payroll was \$159,899,472 for the County agent plan and \$26,009,469 for the School agent plan. The ratio of unfunded actuarial accrued liability to annual covered payroll for the County and School agent plans was 131.82% and 99.07%, respectively. The School Board's required contribution, including the 5% member contributions for fiscal years 2012, 2011 and 2010, to the VRS statewide teacher cost-sharing pool was \$28,373,171, \$22,422,224 and \$31,297,210 respectively, which as a percentage of covered payroll was 10.16% for fiscal year 2012, 8.93% for fiscal year 2011, 13.81% for July 2009 – March 2010 and zero percent (0.00%) for April – June 2010. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The actuarial value of plan assets and the actuarial accrued liabilities for benefits were determined through the June 30, 2011, actuarial valuation. The June 30, 2011, actuarial valuation assumptions were the same as the prior year's valuation with the exception of the amortization period of the unfunded actuarial accrued liability, which was increased from 20 to 30 years to phase in the impact of the previously adopted change in the assumed annual rate of return from 7.5% to 7.0%. In future valuations, the amortization period will decrease by one each year until reaching 20 years, at which point is expected to remain 20 years.

3. Annual Pension Cost and Net Pension Obligation

For fiscal year 2012, the County's and School Board's annual required contribution of \$19,023,442 and \$2,291,742, respectively, representing a contribution rate of 11.59% and 8.96%, respectively, was equal to their actual contributions. The required contribution was determined as part of the June 30, 2009, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2009, included (a) 7.5% investment rate of return, (b) projected salary increases that range from 3.75% to 5.60% (per year for general government employees and 3.75% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs) and (c) cost-of-living adjustments of 2.5%. The actuarial value of the plans' assets is a modified market value of assets. This method was determined using techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The plans' unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis for a period of 20 years from valuation date.

Net Pension Obligation (NPO)

	<u>County</u>	<u>School Board</u>
Annual Required Contribution (ARC)	\$ 19,023,442	\$ 2,291,742
Interest on NPO	198,127	43,131
Adjustment to the ARC	<u>(155,280)</u>	<u>(33,827)</u>
Annual Pension Cost	19,066,289	2,301,046
Contributions made	<u>(19,023,442)</u>	<u>(2,291,742)</u>
Increase in NPO	42,847	9,304
NPO beginning of year	<u>2,830,357</u>	<u>616,162</u>
NPO end of year	<u>\$ 2,873,204</u>	<u>\$ 625,466</u>

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2012

4. Three-year Trend Information:

<u>County</u>			
Fiscal Year Ended	Annual	Net	
	Pension	Percent	Pension
	Cost	Contributed	Obligation
6/30/2012	\$19,066,289	99.78 %	\$ 2,873,204
6/30/2011	18,655,886	100.00	2,830,357
6/30/2010	16,732,343	99.96	2,830,647

<u>School Board</u>			
Fiscal Year Ended	Annual	Net	
	Pension	Percent	Pension
	Cost	Contributed	Obligation
6/30/2012	\$2,301,046	99.60 %	\$ 625,466
6/30/2011	2,315,924	100.00	616,162
6/30/2010	2,430,164	99.95	616,223

B. Chesterfield County Supplemental Retirement Plan – Primary Government

The Chesterfield County Supplemental Retirement Plan (Plan) is a single-employer defined benefit pension plan that covers certain qualified County employees in addition to any benefits to be received under the VRS and Social Security. The Board of Trustees, appointed by the Board of Supervisors, administers this plan. The Plan is considered part of the County of Chesterfield's financial reporting entity and is included in the County's financial statements as a Pension Trust Fund. No separate audited pension plan report is available.

1. Summary of Significant Accounting Policies

- a) Basis of Accounting: The Plan's financial statements are prepared using the accrual basis of accounting. Employer 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 plan.
- b) Valuation of Investments: Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales prices at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

2. Plan Descriptions and Contribution Information

- a) Plan Description: The Plan provides retirement benefits as well as disability benefits for certain qualified full-time County employees. Benefits begin to vest after five years of service. Employees with ten years of credited service may retire at or after age 55 and receive an unreduced retirement benefit. Employees who retire at or after age 65 with five years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 0.875% of final average compensation in excess of covered compensation, multiplied by years of service credited to the member at retirement. Covered compensation is the average of taxable wage bases over the 35 calendar years ending with the calendar year in which the participant attains age 64. Covered compensation shall not change after a participant reaches normal retirement age. With respect to calendar years on or after 2013, the taxable wage base used shall equal \$110,100 increased by an adjustment factor equal to the smaller of 5% and a ratio, the numerator of which is the consumer price index for urban workers (CPI-U) for the month of

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2012

September preceding the current January 1 and the denominator of which is the CPI-U for the month of September preceding the previous January 1. The County pays the entire cost of the Plan. The Plan was closed to new employees effective July 1, 2012.

Membership of the Plan consisted of the following at June 30, 2012:

Active members	3,318
Terminated members with vested rights	77
Retired members with benefits in pay status and beneficiaries of deceased members receiving benefits	<u>275</u>
Total	<u>3,670</u>

- b) Funding Policy: The Plan provides for annual employer contributions at actuarially determined rates, which will remain relatively level over time as a percentage of payroll and will accumulate sufficient assets to meet the cost of all basic benefits when due. Contribution rates are developed using the entry age cost method for both normal costs and amortization of the unfunded actuarial accrued liability. The plan is financed through budget appropriations.
- c) Annual Pension Cost and Net Pension Obligation (Asset): For fiscal year 2012, the County's contribution of \$1,475,556 was equal to the recommended contribution which was determined as a part of the July 1, 2011, actuarial valuation.

Net Pension Obligation (NPO) (Asset)

Annual Required Contribution (ARC)	\$ 1,475,556
Interest on NPO	(743)
Adjustment to the ARC	<u>1,038</u>
Annual Pension Cost	1,475,851
Contributions made	<u>(1,475,556)</u>
Decrease in NPO	295
NPO beginning of year	<u>(11,433)</u>
NPO (asset) end of year	<u>\$ (11,138)</u>

d) Three-year Trend Information:

Fiscal Year Ended	Annual Pension Cost	Percent Contributed	Net Pension Obligation (Asset)
6/30/2012	\$1,475,851	99.98 %	\$ (11,138)
6/30/2011	1,342,638	121.03	(11,433)
6/30/2010	1,439,206	100.50	270,929

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2012

3. Related Party Investments

The Plan's plan assets do not include any securities issued by the County.

4. Actuarial Method and Significant Assumptions

The information presented in the schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date.....	July 1, 2012
Actuarial cost method.....	Entry age actuarial cost
Amortization method	Level dollar
Amortization period – actuarial gains and losses	20 years closed
Amortization period – other.....	40 years closed
Asset valuation method.....	Five-year moving average
Actuarial assumptions:	
Investment rate of return	6.5%
Projected salary increases	3.5%
Inflation rate	3.0%

5. Funded Status and Funding Progress

As of June 30, 2012, the plan was 63.04% funded. The actuarial accrued liability for benefits was \$33,958,934 and the actuarial value of assets was \$21,407,766 leaving \$12,551,168 unfunded. Covered payroll was \$174,725,013. The ratio of unfunded actuarial liability to annual covered payroll was 7.18%. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

C. Supplemental Retirement Program – Component Unit - School Board

The School Board contributes to the Supplemental Retirement Program (Program), a single-employer, defined benefit pension plan established in 1996 and administered by the School Board to provide pension benefits for certain qualified School Board employees in addition to any benefits which may be received under the VRS or Social Security.

1. Summary of Significant Accounting Policies

- a) Basis of Accounting: The Program's financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contribution. Benefits and refunds are recognized when due and payable in accordance with the terms of the Program.
- b) Valuation of Investments: Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales prices at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

2. Program Descriptions and Contribution Information

- a) Program Description: The School Board's Program is provided for full-time employees covered by VRS with at least ten years employment by Chesterfield County Public Schools, including the five years immediately preceding retirement. Employees must have at least twenty years in VRS and/or education, be at least age of 50, and not be retired on disability. Upon becoming eligible for benefits from the Program, the employee shall select

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2012

a part-time option to provide supplemental service to the School Board in the same or equivalent position as when the employee was permanently employed. The employee shall receive a monthly retirement benefit, beginning as of the date the employee commenced part-time employment under the provisions of the Program, equal to one twelfth (1/12) of one percent (1%) of the employee's final annual compensation; multiplied times the number of obligated days; divided by the duration of the payout period. The number of obligated days and amount of the monthly retirement benefit shall be determined and paid based on one of the part-time employment options selected by the employee and on the employee's employment classification. The minimum monthly benefit payable is \$50. Benefits under the Program cease upon completion of the elected payout installment period. In the event of the death or total disability of the employee during the first year of receipt of benefits, the employee will only receive payment for the time actually worked.

An employee is vested under the Program when he reaches his normal retirement age defined as the time when services have been rendered in the part-time position classification selected by the employee. During the period the employee is providing services to the School Board in the part-time position, the employee's benefit is paid from the general assets of the School Board. If the employee does not complete the service required, the employee's benefits are forfeited. Benefit payments made after the first year or half year shall be made from the Program's assets.

Membership of the Program consisted of the following at July 1, 2012:

Active participants	6,751
Retirees (vested)	774
Retirees (non-vested)	<u>106</u>
Total	<u>7,631</u>

- b) Funding Policy: The School Board contributes the normal cost plus amortizes the unfunded actuarial accrued liability over a 20 year open rolling period for actives and three year layered closed amortization period for inactives. Actual contributions are based upon savings derived from employees electing to retire under the Program along with a supplement from the School Operating Fund. For a particular Program year, the actual contribution may not equal the recommended level of contribution; however, it is expected that the contribution will be sufficient to meet the funding requirements over the longer term. The Program is funded from available budget allocations and interest earned from the Program.
- c) Annual Pension Cost and Net Pension Obligation (Asset): For fiscal year 2012, the School Board made a contribution of \$8,263,270 to the Program.

Net Pension Obligation (NPO) (Asset)	
Annual Required Contribution (ARC)	\$ 12,320,198
Interest on NPO	(1,756,514)
Adjustment to the ARC	<u>4,246,388</u>
Annual Pension Cost	14,810,072
Contributions made	<u>(8,263,270)</u>
Increase in NPO (asset)	6,546,802
NPO (asset) beginning of year	<u>(23,420,189)</u>
NPO (asset) end of year	<u>\$ (16,873,387)</u>

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2012

d) Three-year Trend Information:

Fiscal Year Ended	Annual Pension Cost	Percent Contributed	Net Pension Obligation (Asset)
6/30/2012	\$14,810,072	55.80 %	\$ (16,873,387)
6/30/2011	8,335,670	117.18	(23,420,189)
6/30/2010	8,750,738	115.06	(16,986,444)

3. Related Party Investments

The Program's assets do not include any securities issued by the County.

4. Actuarial Method and Significant Assumptions

The information presented was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date.....	July 1, 2012
Actuarial cost method	Entry age normal
Amortization method.....	Level dollar
Amortization period - active	20 years – rolling open
Amortization period - retirees	3 years – layered closed
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	4.5%

5. Funded Status and Funding Progress

As of June 30, 2012, the plan was 24.53% funded. The actuarial accrued liability for benefits was \$96,040,383 and the actuarial value of assets was \$23,555,828 leaving \$72,484,555 unfunded. Covered payroll was \$265,364,139. The ratio of unfunded actuarial liability to annual covered payroll was 27.32%. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

13. Other Postemployment Benefits Plans

A. Postemployment Retiree Healthcare Benefits – Primary Government

1. Plan Description

The Other Postemployment Benefit (OPEB) Trust is a single employer defined benefit plan that provides health and dental insurance during retirement for certain qualified retirees and their dependents. Benefit provisions are established by the County Board and may be amended at any time. The Board of Trustees, appointed by the County Board, administers the plan. The OPEB Trust is considered part of the County of Chesterfield's reporting entity and is included in the County's financial statements as an OPEB Trust Fund. No separately audited financial statements are available. The County joined other Virginia localities by opting to participate in the Virginia Municipal League/Virginia Association of Counties (VML/VACO) Trust Fund for the purpose of investing OPEB contributions. VML/VACO issues audited financial statements which can be obtained by contacting the VML/VACO Finance Program, 919 E. Main Street Suite 1100, Richmond, Virginia 23219.

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2012

Employees with a combination of age and full-time service greater than or equal to 60 years as of July 1, 2007, including at least 10 years of service, will be grandfathered. Non-grandfathered employees will receive health benefits at age 55 or older with at least 15 years of service. Employees retiring before age 55 will be allowed to purchase retiree healthcare at the County's group rate with no County contribution from the time of retirement until age 55. At age 55, they will begin to receive the County contribution indicated below for a 25+ year employee.

County contributions for pre-65 health and dental benefits at July 1, 2011, are:

Years of Service	Grandfathered	Non-grandfathered
0 to 9	-	-
10 to 14	50%	\$169 per month
15 to 19	100%*	\$254 per month
20 to 24	100%*	\$254 per month
25+	100%*	\$338 per month

**as a percentage of the County's contribution, not the total premium*

Non-grandfathered County contributions will be increased by 3% per year based on inflation but will never exceed the contribution for an active employee.

All retired employees, active employees who are age 65 and over, public safety employees with 25 or more years of service and non-public safety employees with 30 or more years of service (all as of January 1, 2009), will receive a County contribution toward their post-Medicare coverage no greater than \$190 per month indexed at 3% per year plus \$40 reimbursement for prescription coverage. For all other employees, the County limits its contribution toward post-Medicare coverage based on years of service. The County will contribute \$4 per month for each year of service plus a static \$40 per month for a Medicare Part D plan cost reimbursement.

Employees hired after July 1, 2006, who retire at age 55 or older, with 15 or more years of full-time service, will be permitted to purchase retiree health benefits for themselves and their dependents at the County's group rate, but will receive no County contribution toward the cost.

2. Funding Policy

As of June 30, 2012, the County has \$15,207,379 in plan assets accumulated for payment of future benefits. The County made contributions and paid premiums to the trust in amounts greater than the annual required contribution (ARC) for the fiscal year ended June 30, 2012, and intends to fund at least the ARC amount in future fiscal years. The Board of Supervisors determines actual contributions to the plan on an annual basis. Employees' contributions vary according to individual elections of coverage and the level of County contribution which is based on eligibility requirements.

3. Annual OPEB cost and Net OPEB Obligation

The County's annual OPEB cost (expense) is calculated based on the ARC, an amount actuarially determined in accordance with GAAP. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB asset.

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2012

**Net Other Postemployment Benefits Obligation
(NOPEBO) (ASSET)**

Annual required contribution (ARC)	\$ 8,149,326
Interest on NOPEBO	(92,923)
Adjustment to the ARC	<u>1,198,793</u>
Annual OPEB Cost	9,255,196
Contributions made	<u>(9,255,196)</u>
Increase in NOPEBO (asset)	-
NOPEBO (asset) beginning of year	<u>(1,327,473)</u>
NOPEBO (asset) end of year	<u><u>\$ (1,327,473)</u></u>

Three-year Trend Information

Fiscal Year Ended	Annual OPEB Cost	Percent Contributed	Net OPEB Obligation (Asset)
6/30/2012	\$9,255,196	100.00 %	\$ (1,327,473)
6/30/2011	8,538,209	100.00	(1,327,473)
6/30/2010	8,247,262	100.00	(1,327,473)

4. Funded Status and Funding Progress

As of June 30, 2012, the plan was 13.45% funded. The actuarial accrued liability for benefits was \$113,027,051 and the actuarial value of assets was \$15,207,379 leaving \$97,819,672 unfunded. The ratio of the unfunded actuarial liability to annual covered payroll of \$173,533,265 was 56.37%. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information since inception that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

5. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future and are subject to continued revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial assumptions at June 30, 2011, included (a) 7.0% discount rate (b) medical benefit cost trend increases of 8.0% in plan year 2011 reduced by decrements to a rate of 5.0% after 5 years (c) dental cost trend of 5.0% annually and (d) payroll growth rate of 2.5%. Plan liabilities were determined using the projected unit of credit actuarial cost method. The plans' unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis for a period of 30 years.

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2012

B. Postemployment Retiree Healthcare Benefits – Component Unit – School Board

1. Plan Description

The Other Postemployment Benefit (OPEB) Trust is a single employer defined benefit plan that provides health and dental insurance during retirement for certain qualified retirees and their dependents. Benefit provisions are established by the County Board and may be amended at any time. The Board of Trustees, appointed by the County Board, administers the plan. The OPEB Trust is considered part of the County of Chesterfield's reporting entity and is included in the County's financial statements as an OPEB Trust Fund. No separately audited financial statements are available. The County joined other Virginia localities by opting to participate in the Virginia Municipal League/Virginia Association of Counties (VML/VACO) Trust Fund for the purpose of investing OPEB contributions. VML/VACO issues audited financial statements which can be obtained by contacting the VML/VACO Finance Program, 919 E. Main Street Suite 1100, Richmond, Virginia 23219.

Employees with a combination of age and fulltime service greater than or equal to 60 years as of July 1, 2007, including at least 10 years of service, will be grandfathered. Non-grandfathered employees will receive health benefits at age 55 or older with at least 15 years of service. Employees retiring before age 55 will be allowed to purchase retiree healthcare at the School Board's group rate with no School Board contribution from the time of retirement until age 55. At age 55, they will begin to receive the School Board contribution based on years of service. School Board contributions for pre-65 health and dental benefits at July 1, 2010, are:

Years of Service	Grandfathered	Non-grandfathered
0 to 9	-	-
10 to 14	100%*	-
15 to 19	100%*	\$169 per month
20 to 24	100%*	\$254 per month
25+	100%*	\$338 per month

**as a percentage of the School Board's contribution, not the total premium*

Non-grandfathered School Board contributions will be increased by 3% per year based on inflation but will never exceed the contribution for an active employee.

All retired employees and active employees who are age 65 and over and with 30 or more years of service (all as of January 1, 2009), will receive a School Board contribution toward their post-Medicare coverage no greater than \$190 per month indexed at 3% per year plus \$40 reimbursement for prescription coverage. For all other employees, the School Board limits its contribution toward post-Medicare coverage based on years of service. The School Board will contribute \$4 per month for each year of service plus a static \$40 per month for a Medicare Part D plan cost reimbursement.

Employees hired after July 1, 2006, who retire at age 55 or older, with 15 or more years of full-time service, will be permitted to purchase retiree health benefits for themselves and their dependents at the School Board's group rate, but will receive no School Board contribution toward the cost.

2. Funding Policy

As of June 30, 2012, the School Board has \$5,423,624 in plan assets accumulated for payment of future benefits. The School Board made contributions and paid premiums to the trust in amounts approximately equal to the annual required contribution(ARC) for the fiscal year ended June 30, 2012, and intends to fund at least the ARC amount in future fiscal years. The School Board determines the actual contributions to the plan on an annual basis. Employees' contributions vary according to individual elections of coverage and the level of County contribution which is based on eligibility requirements.

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2012

3. Annual OPEB cost and Net OPEB Obligation

The School Board's annual OPEB cost (expense) is calculated based on the ARC, an amount actuarially determined in accordance GAAP. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the School Board's annual OPEB cost for the year, the amount contributed to the plan, and changes in the School Board's net OPEB asset.

Net Other Postemployment Benefits Obligation (NOPEBO) (ASSET)	
Annual required contribution (ARC)	\$ 17,236,101
Interest on NOPEBO	(12,331)
Adjustment to the ARC	<u>2,239,872</u>
Annual OPEB Cost	19,463,642
Contributions made	<u>(19,400,406)</u>
Decrease in NOPEBO (asset)	63,236
NOPEBO (asset) beginning of year	<u>(176,161)</u>
NOPEBO (asset) end of year	<u>\$ (112,925)</u>

Three-year Trend Information

Fiscal Year Ended	Annual OPEB Cost	Percent Contributed	Net OPEB Obligation (Asset)
6/30/2012	\$19,463,642	99.68 %	\$ (112,925)
6/30/2011	18,193,000	100.00	(176,161)
6/30/2010	17,650,955	100.00	(176,161)

4. Funded Status and Funding Progress

As of June 30, 2012, the plan was 2.34% funded. The actuarial accrued liability for benefits was \$231,569,855 and the actuarial value of assets was \$5,423,624 leaving \$226,146,231 unfunded. The ratio of the unfunded actuarial liability to annual covered payroll of \$277,171,421 was 81.59%. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information since inception that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

5. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future and are subject to continued revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial assumptions at June 30, 2011, included (a) 7.0% discount rate (b) medical benefit cost trend increases of 8.0% in plan year 2011 reduced by decrements to a rate of 5.0% after 5 years (c) dental cost trend of 5.0% annually and (d) payroll growth rate of 2.5%. Plan liabilities were determined using the projected unit of credit actuarial cost method. The plans' unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis for a period of 20 years.

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2012

C. Postemployment Line of Duty Benefits – Primary Government

1. Plan Description

The Other Postemployment Benefit (OPEB) – Line of Duty Trust, created during fiscal year 2012, is a single employer defined benefit plan that provides death and healthcare benefits to certain law enforcement and rescue personnel, and their beneficiaries, who were disabled or killed in the line of duty. Benefit provisions and eligibility requirements are established by title 9.1 Chapter 4 of the *Code of Virginia*. There were approximately 1,405 participants in the program in fiscal year 2012. A Board of Trustees, appointed by the County Board, administers the plan. The OPEB – Line of Duty Trust is considered part of the County's reporting entity and is included in the County's financial statements as an OPEB Trust Fund. No separately audited financial statements are available. The County joined other Virginia localities by opting to participate in the Virginia Municipal League/Virginia Association of Counties (VML/VACO) Trust Fund for the purpose of investing OPEB contributions. VML/VACO issues audited financial statements which can be obtained by contacting the VML/VACO Finance Program, 919 E. Main Street Suite 1100, Richmond, Virginia 23219.

2. Funding Policy

As of June 30, 2012, the County has \$2,979,062 in plan assets accumulated for payment of future benefits. The County made contributions and paid premiums to the trust in amounts greater than the annual required contribution (ARC) for the fiscal year ended June 30, 2012, and intends to fund at least the ARC amount in future fiscal years. The Board of Supervisors determines actual contributions to the plan on an annual basis.

3. Annual OPEB cost and Net OPEB Obligation

The County's annual OPEB cost (expense) is calculated based on the ARC, an amount actuarially determined in accordance with GAAP. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB asset.

Net Other Postemployment Benefits Obligation (NOPEBO) (ASSET)	
Annual required contribution (ARC)	\$ 928,513
Interest on NOPEBO	-
Adjustment to the ARC	-
Annual OPEB Cost	928,513
Contributions made	(3,092,601)
Increase in NOPEBO (asset)	(2,164,088)
NOPEBO (asset) beginning of year	-
NOPEBO (asset) end of year	\$ (2,164,088)

One-year Trend Information

Fiscal Year Ended	Annual OPEB Cost	Percent Contributed	Net OPEB Obligation (Asset)
6/30/2012	\$928,513	333.07 %	\$ (2,164,088)

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2012

4. Funded Status and Funding Progress

As of June 30, 2012, the plan was 32.31% funded. The actuarial accrued liability for benefits was \$9,221,148 and the actuarial value of assets was \$2,979,062 leaving \$6,242,086 unfunded. The ratio of the unfunded actuarial liability to annual covered payroll of \$59,044,641 was 10.57%. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information since inception that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

5. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future and are subject to continued revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial assumptions at July 1, 2011, included (a) 7.0% discount rate (b) medical benefit cost trend increases of 9.0% in plan year 2012 reduced by decrements to a rate of 5.0% after 4 years and (c) dental cost trend of 5.0% annually. Plan liabilities were determined using the projected unit of credit actuarial cost method with attribution to the event that caused the death or disability. The plans' unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis for a period of 30 years.

14. Joint Ventures

A. Appomattox River Water Authority

The County, in conjunction with the Counties of Dinwiddie and Prince George and the Cities of Petersburg and Colonial Heights, participated in the creation of the Appomattox River Water Authority (Water Authority). The Water Authority was established under the provisions of the Virginia Water and Sewer Authorities Act. The Water Authority, whose five-member board is comprised of one representative from each participating entity, is responsible for providing a supply of filtered water to be purchased by the members of the Water Authority.

The Water Authority is responsible for improvements and expansion to meet the current and future demands of the participating jurisdictions. On August 28, 2002, a Memorandum of Understanding between the Water Authority, SunTrust Bank and the County was signed to describe the procedure to be followed in connection with the County's election to finance its share of the treatment plant expansion costs from available funds up to \$31,300,000 and to deposit those funds in the escrow fund as required by the agreement. As of June 30, 2007, all those funds including interest earnings were used for the expansion project. The Water Authority issued additional bonds in December 2002 of \$12,375,000 to cover the remaining cost of the project to be allocated to the other participating jurisdictions.

The County retains an ongoing financial responsibility for the joint venture due to the requirement to purchase water and the capacity rights, (note 1.D.6), received in connection with the expansion of the treatment plant. The County's purchases of water for the year ended June 30, 2012, were \$5,214,077. Complete financial statements for the Water Authority can be obtained from the Water Authority's Office at 21300 Chesdin Road, Petersburg, Virginia 23803.

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2012

B. Capital Region Airport Commission

The County, together with the City of Richmond and the Counties of Henrico and Hanover, participates in an intergovernmental joint venture, the Capital Region Airport Commission (Commission). The Commission owns and operates the Richmond International Airport (Airport).

The Commission is comprised of a fourteen-member board of directors, with four members each being appointed by the City of Richmond, County of Henrico and County of Chesterfield governing bodies and two members being appointed by the County of Hanover governing body. The Commission generates revenues from service charges to users of the Airport facilities to recover the costs of maintaining, repairing and operating the Airport. Virginia law requires that the Commission submit an annual budget showing estimated revenues and estimated expenditures to the governing bodies of the localities for their approval. The Commission's budget submittal must identify any deficits and the proportion of the deficit to be borne by, or requested of each participating locality's governing body. Allocation of the Commission's deficit among the participating localities shall be proportionate to their respective populations. If a participating locality's governing body approves the Commission's operating and capital budgets with deficits, the locality shall appropriate to the Commission its share of the deficit. If during any fiscal year the Commission shall receive general fund revenues in excess of those estimated in its approved operating budget, the budgeted deficit shall be reduced and so shall the proportionate appropriation of the participating localities unless otherwise agreed upon by the parties. No contribution was made by the County in fiscal year 2012.

Complete financial statements for the Commission can be obtained from the Commission's Office at Richmond International Airport, 1 Richard E Byrd Terminal Dr., Suite C, Richmond, VA 23250.

C. Greater Richmond Convention Center Authority

The Greater Richmond Convention Center Authority (the Convention Authority) is a political subdivision of the Commonwealth of Virginia and was created by the City of Richmond and the Counties of Chesterfield, Hanover and Henrico for the purpose of expanding, owning and operating a regional convention center facility. The Convention Authority is governed by a five-member commission comprised of the chief administrative officer of each of the four incorporating political subdivisions and the President/CEO of the Retail Merchants Association of Greater Richmond.

Each participating jurisdiction is authorized to levy an 8% transient occupancy tax and has agreed in the Hotel Tax Payment Agreement to appropriate and to pay to the Convention Authority an amount equal to the total amount of transient occupancy tax collected. The County recorded an expenditure of \$4,081,220 for transient occupancy tax to the Convention Authority during the year ended June 30, 2012.

Each participating jurisdiction intends that its respective tax payment will be sufficient to fund its allocated share of operating costs as defined in the Interlocal Agreement. The County received \$2,122,053 from the Convention Authority for tax payments made in excess of its allocated share of operating costs during the year ended June 30, 2012.

On May 19, 1998, the Convention Authority entered into a fiscal services agreement with the County. The agreement specifies that the County provide services to the Convention Authority to (1) direct and monitor the investment and disbursement of funds from future revenue bonds held by the trustee; (2) receive and manage revenues transferred on behalf of the Convention Authority to the Treasurer of Chesterfield County; (3) maintain accounting records in accordance with generally accepted accounting principles and coordinate with outside independent auditors; (4) monitor and control the Convention Authority's budget; and (5) secure arbitrage reporting. In accordance with the terms of the fiscal agent agreement, the Convention Authority made payments of \$103,100 to the County during the year ended June 30, 2012. The agreement is effective until the Convention Authority or the County gives written notice to the other of its desire to terminate the agreement.

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2012

Complete financial statements for the Convention Authority can be obtained from Chesterfield County, Accounting Department, 9901 Lori Road, Chesterfield, VA 23832.

D. Greater Richmond Transit Company

The Greater Richmond Transit Company (GRTC) is a public service corporation organized to provide mass transportation services to the Richmond metropolitan area. GRTC is owned jointly by the County and the City of Richmond, each owning a 50% share of the corporation. The County does not have an explicit or measurable claim to the resources of GRTC.

A Board of Directors comprised of six members, with three members each being appointed by the respective governing bodies, manages GRTC. The majority of the capital, operating and liability costs are paid by fare revenue, state and federal grants, and when necessary, route subsidies. Each locality participates in GRTC's cost only to the extent that the locality chooses to have GRTC operate routes within its jurisdiction. The County's ongoing financial responsibility in GRTC is due to this commitment. At June 30, 2012, there were no fixed GRTC routes in the County; therefore, no contribution was made by the County in fiscal year 2012. Complete financial statements for GRTC can be obtained from GRTC at 301 East Belt Blvd., Richmond, VA, 23224.

E. Riverside Regional Jail Authority

The Riverside Regional Jail Authority (Jail Authority) was created by Chapter 726 of the 1990 Acts of the General Assembly and was formed on June 21, 1990. The Jail Authority is comprised of the Cities of Colonial Heights, Hopewell and Petersburg and the Counties of Charles City, Chesterfield, Prince George and Surry. A fourteen-member board comprised of one appointed member and the sheriff from each participating jurisdiction governs the Jail Authority. Each member must reside in and be appointed by the governing body of his political subdivision.

The regional jail is located in the County of Prince George adjacent to the Federal Correctional Institution and is used to hold prisoners primarily from each member jurisdiction. In accordance with the Jail Authority Service Agreement, each participating locality is required to commit a determined percentage of its inmates, paying per diem rates, to the jail. The County retains an ongoing financial responsibility for this joint venture due to this requirement of the agreement. The County's per diem payments for the year ended June 30, 2012, were \$9,631,960. Complete financial statements for the Jail Authority can be obtained from the Riverside Regional Jail Authority's office at P. O. Box 1041, Hopewell, VA 23860.

F. South Central Wastewater Authority

On July 2, 1996, the County, in conjunction with the Counties of Dinwiddie and Prince George and the Cities of Petersburg and Colonial Heights participated in the creation of the South Central Wastewater Authority (Wastewater Authority), by concurrent resolutions in accordance with the Virginia Water and Sewer Authorities Act. The purpose of the Wastewater Authority, whose five-member board is comprised of one representative from each participating jurisdiction, is to acquire, finance, construct, expand, improve, operate and maintain wastewater treatment and related facilities and for compliance with all requirements of applicable laws and regulations, except as otherwise provided in the service agreements.

The County paid \$4,786,709 on July 2, 1996, representing its share of acquired debt and an initial operations and maintenance deposit. The County will be responsible for its portion of operation and maintenance expenses on a monthly basis, based on the Service Agreement. The County's purchases of wastewater services for the year ended June 30, 2012 were \$399,724. Complete financial statements for the Wastewater Authority can be obtained from the South Central Wastewater Authority's Office at 900 Magazine Road, Petersburg, VA 23803.

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2012

15. Jointly Governed Organizations

A. Central Virginia Waste Management Authority

The Central Virginia Waste Management Authority (Waste Authority) was established under the provision of the Virginia Water and Sewer Authorities Act. The Waste Authority's board is comprised of representatives from the Counties of Charles City, Chesterfield, Goochland, Hanover, Henrico, New Kent, Powhatan and Prince George, the Cities of Colonial Heights, Petersburg, Hopewell and Richmond and the Town of Ashland. The twenty member board is comprised of no less than one and up to no more than three members from each of the participating jurisdictions, determined on a population basis. The County has three representatives serving. The Waste Authority is responsible for creating and implementing recycling and solid waste management programs for its local member jurisdictions in order to meet waste reduction mandates set by the Virginia General Assembly. Except for contribution requirements and direct payments for special projects, no participant has any ongoing financial interest or responsibility in the Waste Authority. The County's contribution and direct payments for special projects for the year ended June 30, 2012, were \$3,647,011.

B. Greater Richmond Partnership

The Greater Richmond Partnership is comprised of members from the City of Richmond and the Counties of Chesterfield, Hanover, and Henrico. Together in partnership with the business leadership of the area, the Greater Richmond Partnership's purpose is to further economic development of the metropolitan area. The County has one representative serving on the Greater Richmond Partnership's eight-member Board of Directors and contributed \$370,000 for the year ended June 30, 2012.

C. Petersburg Area Regional Tourism Corporation

The Petersburg Area Regional Tourism Corporation (PART) is comprised of seventeen members from the Counties of Chesterfield, Dinwiddie, Prince George, the Cities of Colonial Heights, Hopewell and Petersburg. The major function of the PART is to develop a regional tourism marketing initiative that will result in increased tourism visitation and spending. In addition, the PART will assist member localities in strategic product development planning. The County has two representatives serving on the PART and paid a contribution of \$100,000 for the year ended June 30, 2012.

D. Richmond Metropolitan Convention and Visitors Bureau

The Richmond Metropolitan Convention and Visitors Bureau (RMCVB) serves the City of Richmond and the Counties of Chesterfield, Hanover, Henrico and New Kent by promoting conventions, tourism and development in the Metropolitan Richmond area in order to increase revenues, provide increased employment and improve the economic health of all jurisdictions involved. The RMCVB has twenty-one members and the County has two representatives serving on RMCVB's Board of Directors and contributed \$793,696 for the year ended June 30, 2012.

E. Richmond Regional Planning District Commission

The Richmond Regional Planning District Commission (RRPDC) is comprised of thirty-three members from the Counties of Charles City, Chesterfield, Goochland, Hanover, Henrico, New Kent, Powhatan, the City of Richmond and the Town of Ashland. The major functions of the RRPDC are to promote regional cooperation; coordinate the activities and policies of member local governments; resolve service delivery problems involving more than one government within the region and provide planning assistance to local governments. In accordance with its Charter, the RRPDC promotes the orderly physical, social and economic development of the region through planning and encouraging local governments to plan for the future. The County has seven representatives serving on the RRPDC and paid total dues of \$191,784 for the year ended June 30, 2012.

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2012

F. Virginia's Gateway Region Board

Virginia's Gateway Region Board (VGRB), formerly named Appomattox Basin Industrial Development Corporation (ABIDCO), serves the Counties of Chesterfield, Dinwiddie, Prince George, Surry and Sussex, as well as the Cities of Colonial Heights, Hopewell and Petersburg in their efforts to provide balanced industrialization to commission members. The County has two representatives serving on VGRB's twenty-four member board and contributed \$63,574 to VGRB for the year ended June 30, 2012.

REQUIRED SUPPLEMENTARY INFORMATION

County of Chesterfield, Virginia
Required Supplementary Information (Unaudited)
Primary Government
(See Accompanying Independent Auditors' Report)

Virginia Retirement System
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2011	\$ 590,093,309	\$ 800,869,465	\$ 210,776,156	73.68 %	\$ 159,899,472	131.82 %
6/30/2010	572,618,903	763,386,006	190,767,103	75.01	165,222,981	115.46
6/30/2009	561,571,886	684,150,415	122,578,529	82.08	169,962,976	72.12

Supplemental Retirement Plan
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2012	\$ 21,407,766	\$ 33,958,934	\$ 12,551,168	63.04 %	\$ 174,725,013	7.18 %
7/1/2011	20,885,042	29,331,500	8,446,458	71.20	163,921,213	5.15
7/1/2010	19,628,711	27,541,514	7,912,803	71.27	164,267,683	4.82
7/1/2009	18,881,086	27,659,486	8,778,400	68.26	169,844,780	5.17
7/1/2008	18,153,315	28,396,755	10,243,440	63.90	169,840,640	6.03
7/1/2007	16,768,606	24,520,529	7,751,923	68.40	151,640,476	5.11

Schedule of Employer Contributions

Fiscal Year Ending	Annual Required Contribution	Percent Contributed
6/30/2012	\$ 1,475,851	100.00 %
6/30/2011	1,349,617	120.40
6/30/2010	1,446,369	100.00
6/30/2009	1,586,202	100.00
6/30/2008	1,246,453	100.00
6/30/2007	1,426,425	100.00

Other Postemployment Benefits Plan - Retiree Healthcare

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Unit Credit	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2012	\$ 15,207,379	\$ 113,027,051	\$ 97,819,672	13.45 %	\$ 173,533,265	56.37 %
7/1/2011	13,697,793	98,574,753	84,876,960	13.90	167,420,404	50.70
7/1/2010	10,084,694	95,540,251	85,455,557	10.56	167,420,404	51.04
7/1/2009	7,300,857	101,297,900	93,997,043	7.20	160,685,519	58.50
7/1/2008	4,920,703	95,035,001	90,114,298	5.18	160,685,519	56.08

Other Postemployment Benefits Plan - Line of Duty

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Unit Credit	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2012	\$ 2,979,062	\$ 9,221,148	\$ 6,242,086	32.31 %	\$ 59,044,641	10.57 %

County of Chesterfield, Virginia
Required Supplementary Information (Unaudited)
School Board Component Unit
(See Accompanying Independent Auditors' Report)

Virginia Retirement System - (Non-professional Employees)

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2011	\$ 77,047,799	\$ 102,816,121	\$ 25,768,322	74.94 %	\$ 26,009,469	99.07 %
6/30/2010	75,996,073	99,563,341	23,567,269	76.33	27,392,180	86.04
6/30/2009	75,077,104	90,373,610	15,296,506	83.07	28,696,490	53.30

Supplemental Retirement Program

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2012	\$ 23,555,828	\$ 96,040,383	\$ 72,484,555	24.53 %	\$ 265,364,139	27.32 %
7/1/2011	27,757,347	86,244,670	58,467,323	32.19	202,945,820	28.81
7/1/2010	20,458,650	80,178,616	59,719,966	25.52	200,805,579	29.74
7/1/2009	19,420,921	81,225,648	61,804,727	23.91	214,586,061	28.80
7/1/2008	15,817,016	85,348,673	69,531,657	20.73	198,102,265	35.10
7/1/2007	16,427,445	79,237,136	62,809,691	16.46	189,571,545	33.13
7/1/2006	12,258,737	74,490,727	62,231,990	17.13	170,769,586	36.44

Schedule of Employer Contributions

Fiscal Year Ending	Annual Required Contribution	Percent Contributed
6/30/2012	\$ 12,320,198	67.07 %
6/30/2011	7,752,435	190.51
6/30/2010	8,212,740	122.59
6/30/2009	8,764,314	164.89
6/30/2008	7,945,984	115.52
6/30/2007	7,632,514	157.35

Other Postemployment Benefits Plan - Retiree Healthcare

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Unit Credit	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2012	\$ 5,423,624	\$ 231,569,855	\$ 226,146,231	2.34 %	\$ 277,171,421	81.59 %
7/1/2011	5,494,060	204,508,430	199,014,370	2.69	301,795,172	65.94
7/1/2010	3,872,059	201,829,878	197,957,819	1.92	301,795,172	65.59
7/1/2009	2,039,951	191,377,548	189,337,597	1.07	298,721,192	63.38
7/1/2008	1,914,630	185,619,480	183,704,850	1.03	298,721,192	61.50



SUPPLEMENTARY INFORMATION

Non-major Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.

Grants Fund – This fund reflects revenues and expenditures related to various federal and state programs such as the federal government's Department of Housing and Urban Development grants, Community Corrections and Supervision grants and Virginia Juvenile Community Crime Control Act.

Comprehensive Services Fund – This fund reflects the revenues and expenditures of providing child-centered, family focused and locally based services for at-risk youth.

Permanent Fund

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

T. F. Jeffress Memorial Fund – This fund reflects activity related to trust assets designated to assist in the maintenance of Camp Baker, a camp for mentally disabled individuals.

County of Chesterfield, Virginia
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2012

	<u>Special Revenue Funds</u>		<u>Permanent Fund</u>	Total Non-major Governmental Funds
	<u>Grants</u>	<u>Comprehensive Services</u>	<u>T. F. Jeffress Memorial</u>	
ASSETS				
Cash and cash equivalents	\$ 4,574,782	\$ 2,499,032	\$ 14,496	\$ 7,088,310
Accounts receivable, net	1,728,562	97,713	-	1,826,275
Due from other governments	1,413,316	769,589	-	2,182,905
Total assets	<u>\$ 7,716,660</u>	<u>\$ 3,366,334</u>	<u>\$ 14,496</u>	<u>\$ 11,097,490</u>
LIABILITIES				
Accounts payable	\$ 674,161	\$ 1,125,208	\$ -	\$ 1,799,369
Accrued liabilities	230,584	17,827	-	248,411
Retainages payable	2,658	-	-	2,658
Deferred revenues	1,290,506	-	-	1,290,506
Total liabilities	<u>2,197,909</u>	<u>1,143,035</u>	<u>-</u>	<u>3,340,944</u>
FUND BALANCES				
Nonspendable	-	-	5,000	5,000
Restricted	1,752,670	-	9,496	1,762,166
Assigned	3,766,081	2,223,299	-	5,989,380
Total fund balances	<u>5,518,751</u>	<u>2,223,299</u>	<u>14,496</u>	<u>7,756,546</u>
Total liabilities and fund balances	<u>\$ 7,716,660</u>	<u>\$ 3,366,334</u>	<u>\$ 14,496</u>	<u>\$ 11,097,490</u>

See accompanying independent auditors' report.

County of Chesterfield, Virginia
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Governmental Funds
For the Year Ended June 30, 2012

	<u>Special Revenue Funds</u>		<u>Permanent Fund</u>	<u>Total Non-major Governmental Funds</u>
	<u>Grants</u>	<u>Comprehensive Services</u>	<u>T. F. Jeffress Memorial Fund</u>	
Revenues				
From local sources:				
Use of money and property	\$ 128	\$ -	\$ 5	\$ 133
Charges for services	5,806,706	54,875	-	5,861,581
Miscellaneous	191,210	-	-	191,210
Recovered costs	101,210	235,072	-	336,282
Donations and contributions	120,592	-	-	120,592
From component unit - School Board	181,657	921,100	-	1,102,757
From other governments	7,724,316	3,807,101	-	11,531,417
Total revenues	<u>14,125,819</u>	<u>5,018,148</u>	<u>5</u>	<u>19,143,972</u>
Expenditures				
Current:				
Administration of justice	624,443	-	-	624,443
Public safety	8,059,207	-	-	8,059,207
Public works	769,379	-	-	769,379
Health and welfare	1,542,243	7,395,957	-	8,938,200
Parks, recreation and cultural	145,296	-	-	145,296
Education - School Board	571,517	-	-	571,517
Community development	1,792,155	-	-	1,792,155
Total expenditures	<u>13,504,240</u>	<u>7,395,957</u>	<u>-</u>	<u>20,900,197</u>
Excess (deficiency) of revenues over (under) expenditures	<u>621,579</u>	<u>(2,377,809)</u>	<u>5</u>	<u>(1,756,225)</u>
Other financing sources (uses)				
Transfers in	1,052,524	1,657,900	-	2,710,424
Transfers out	(1,101,300)	(10,374)	-	(1,111,674)
Total other financing sources, net	<u>(48,776)</u>	<u>1,647,526</u>	<u>-</u>	<u>1,598,750</u>
Net change in fund balances	572,803	(730,283)	5	(157,475)
Fund balances, July 1, 2011	<u>4,945,948</u>	<u>2,953,582</u>	<u>14,491</u>	<u>7,914,021</u>
Fund balances, June 30, 2012	<u>\$ 5,518,751</u>	<u>\$ 2,223,299</u>	<u>\$ 14,496</u>	<u>\$ 7,756,546</u>

See accompanying independent auditors' report.

County of Chesterfield, Virginia
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
From local sources:				
General property taxes:				
Real property taxes	\$ 282,797,400	\$ 282,797,400	\$ 285,653,410	\$ 2,856,010
Real and personal public service corporation taxes	12,800,000	12,800,000	12,612,667	(187,333)
Personal property taxes	46,584,000	46,584,000	49,532,265	2,948,265
Machinery and tools taxes	4,500,000	4,500,000	4,725,416	225,416
Penalties and interest	2,950,000	2,950,000	3,413,331	463,331
Special assessments and service districts	1,050,000	1,050,000	2,632,222	1,582,222
Total general property taxes	<u>350,681,400</u>	<u>350,681,400</u>	<u>358,569,311</u>	<u>7,887,911</u>
Other local taxes:				
Bank stock tax	1,652,600	1,652,600	2,092,260	439,660
Business license taxes	15,765,200	15,765,200	17,332,709	1,567,509
Consumer utility taxes	7,870,500	7,870,500	7,513,492	(357,008)
Local sales and use taxes	40,268,700	40,268,700	40,411,325	142,625
Motor vehicle licenses	7,174,000	7,174,000	6,872,589	(301,411)
Recordation tax	3,620,300	3,620,300	4,048,619	428,319
Short-term rental tax	218,300	218,300	286,708	68,408
Telecommunications tax	16,011,900	16,011,900	14,599,221	(1,412,679)
Transient occupancy tax	3,770,300	4,005,400	4,081,220	75,820
Watkins Centre incremental sales tax	-	-	192,799	192,799
Total other local taxes	<u>96,351,800</u>	<u>96,586,900</u>	<u>97,430,942</u>	<u>844,042</u>
Permits, privilege fees and regulatory licenses:				
Animal licenses	80,000	81,100	77,838	(3,262)
Building permits	2,590,500	2,591,290	3,133,661	542,371
DMV stop fees	395,000	465,000	464,501	(499)
Erosion control fees	45,000	45,000	74,150	29,150
Permits and other licenses	170,900	170,900	262,745	91,845
Plan review fees	183,700	183,700	94,809	(88,891)
Planning fees	369,000	369,000	221,692	(147,308)
Total permits, privilege fees and regulatory licenses	<u>3,834,100</u>	<u>3,905,990</u>	<u>4,329,396</u>	<u>423,406</u>
Fines and forfeitures	<u>1,517,500</u>	<u>1,727,581</u>	<u>2,301,977</u>	<u>574,396</u>
Use of money and property:				
Use of money	1,295,800	1,296,062	429,616	(866,446)
Use of property	<u>480,900</u>	<u>480,900</u>	<u>575,458</u>	<u>94,558</u>
Total use of money and property	<u>1,776,700</u>	<u>1,776,962</u>	<u>1,005,074</u>	<u>(771,888)</u>
Charges for services:				
Annual recycling fees	2,030,800	2,030,800	1,975,641	(55,159)
Building inspection administrative fee	75,000	75,000	36,133	(38,867)
Building rental	161,000	161,000	158,680	(2,320)
Courthouse maintenance fees	87,700	87,700	92,346	4,646
Employee Health Center	457,000	752,280	927,767	175,487
False alarm charges	120,000	120,000	80,494	(39,506)
Juvenile Detention Home fees	152,900	152,900	290,656	137,756
Landfill fees	1,275,900	1,275,900	1,290,148	14,248
Law Library	110,300	110,300	116,575	6,275
Library fines and services	421,200	421,200	313,913	(107,287)
Med-flight services	174,100	174,100	195,431	21,331

(Continued)

County of Chesterfield, Virginia
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
Charges for services: (continued)				
Mental Health Support Services	\$ 18,851,900	\$ 18,851,900	\$ 17,767,249	\$ (1,084,651)
Parks and Recreation fees	329,000	330,743	448,311	117,568
Police miscellaneous fees	145,000	145,000	108,778	(36,222)
Police officers fees	1,000,000	1,000,000	764,735	(235,265)
Recycling proceeds	98,500	98,500	135,527	37,027
Sale of publications and maps	10,800	10,800	20,448	9,648
Sheriff fees	813,500	813,535	856,207	42,672
Traffic offenses	255,000	255,000	324,524	69,524
Treasurer's administrative fees	1,100,000	1,100,000	1,206,294	106,294
Other	3,216,000	3,319,388	3,320,458	1,070
Total charges for services	30,885,600	31,286,046	30,430,315	(855,731)
Miscellaneous:				
Public phone commission	75,000	75,000	74,250	(750)
Other miscellaneous	1,210,100	1,300,926	8,451,414	7,150,488
Total miscellaneous	1,285,100	1,375,926	8,525,664	7,149,738
Recovered costs:				
Interfund reimbursements	1,307,200	1,470,840	1,409,667	(61,173)
Reimbursed by other localities	598,700	601,130	558,311	(42,819)
Reimbursement from Schools	6,955,200	6,955,200	6,924,700	(30,500)
Other	1,700,000	1,700,000	2,142,307	442,307
Total recovered costs	10,561,100	10,727,170	11,034,985	307,815
Donations and contributions	108,000	139,356	140,674	1,318
Total revenues from local sources	497,001,300	498,207,331	513,768,338	15,561,007
From other governments:				
From the Commonwealth:				
Non-categorical aid:				
Clerk's excess fees	346,900	346,900	400,649	53,749
DMV Select program commission	62,500	62,500	47,351	(15,149)
Mobile home sales tax	70,000	70,000	29,338	(40,662)
Personal property tax relief	41,092,000	41,092,000	41,120,253	28,253
Rolling stock tax	96,400	96,400	78,607	(17,793)
State recordation tax	1,067,400	1,067,400	1,205,566	138,166
Vehicle rental tax	729,600	729,600	912,321	182,721
Total non-categorical aid	43,464,800	43,464,800	43,794,085	329,285
Shared expenditures:				
Clerk of Circuit Court	956,800	956,800	1,015,817	59,017
Commissioner of the Revenue	426,500	426,500	450,498	23,998
Commonwealth's Attorney	1,646,800	1,731,800	1,799,759	67,959
Sheriff	2,071,200	2,071,200	2,419,131	347,931
Treasurer	394,500	394,500	416,327	21,827
Other	75,000	75,000	178,365	103,365
Total shared expenditures	5,570,800	5,655,800	6,279,897	624,097
From other governments:				
From the Commonwealth:				
Categorical aid:				
Annexation House Bill 599	7,421,000	7,421,000	7,458,784	37,784
Chesterfield County Jail	592,000	592,000	545,847	(46,153)
Education-state sales tax	49,998,100	50,200,300	50,563,395	363,095
Emergency medical services	225,000	225,000	290,433	65,433

(Continued)

County of Chesterfield, Virginia
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
From other governments: (continued)				
From the Commonwealth:				
Categorical aid:				
Fire programs	\$ 500,000	\$ 820,000	\$ 845,367	\$ 25,367
Juvenile Detention Home	-	1,594,100	1,692,582	98,482
Library	191,800	191,800	174,470	(17,330)
Mental Health Support Services	4,758,400	4,758,400	4,568,620	(189,780)
Sheriff programs	1,605,800	1,605,800	2,229,439	623,639
Welfare	6,705,300	6,107,800	5,028,883	(1,078,917)
Other	3,727,800	3,181,462	3,197,599	16,137
Total categorical aid	75,725,200	76,697,662	76,595,419	(102,243)
Total from the Commonwealth	124,760,800	125,818,262	126,669,401	851,139
From the federal government:				
Categorical aid:				
Early Retiree Reinsurance Program	-	140,000	436,136	296,136
Mental Health Block Grant	969,500	1,050,920	1,029,582	(21,338)
Public safety	26,400	36,556	36,565	9
Welfare	8,960,400	7,657,900	8,423,438	765,538
Other	21,100	378,643	375,668	(2,975)
Total from the federal government	9,977,400	9,264,019	10,301,389	1,037,370
Total revenues from other governments	134,738,200	135,082,281	136,970,790	1,888,509
Total revenues	631,739,500	633,289,612	650,739,128	17,449,516
Expenditures				
General government:				
Accounting	3,354,336	3,354,336	3,307,827	46,509
Board of Supervisors	318,435	321,935	314,955	6,980
Budget and Management	1,006,400	1,013,400	995,226	18,174
Center for Organizational Excellence	1,224,709	1,224,709	1,119,821	104,888
Clerk to the Board	257,879	287,879	258,427	29,452
Commissioner of the Revenue	3,042,382	3,042,382	2,975,369	67,013
County Administrator	1,003,400	998,600	910,205	88,395
County Assessor	2,970,400	2,824,400	2,578,800	245,600
County Attorney	1,470,804	1,595,804	1,575,368	20,436
Employee benefits	7,384,400	7,129,332	6,030,291	1,099,041
General Services	925,265	943,265	927,618	15,647
Human Resource Management	2,700,062	3,275,125	3,049,552	225,573
Information Systems Technology	12,244,616	12,324,616	12,052,641	271,975
Interest paid on tax refunds	61,000	509,000	506,809	2,191
Intergovernmental Relations	173,000	173,000	166,131	6,869
Internal Audit	743,400	743,400	692,296	51,104
License Inspector	491,600	495,100	480,937	14,163
Management Services	297,500	305,000	298,419	6,581
Non-departmental	107,000	213,107	24,086	189,021
Print Center	1,121,500	1,118,100	1,041,119	76,981
Public Affairs	734,702	789,702	771,884	17,818
Purchasing	1,481,800	1,494,300	1,481,613	12,687
Registrar	916,200	1,616,200	1,376,412	239,788
Treasurer	3,551,100	3,621,100	3,379,489	241,611
Total general government	47,581,890	49,413,792	46,315,295	3,098,497

(Continued)

County of Chesterfield, Virginia
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
Administration of justice:				
Circuit Court Judges	\$ 557,522	\$ 574,522	\$ 560,967	\$ 13,555
Clerk of Circuit Court	3,637,966	3,666,966	3,626,937	40,029
Commonwealth's Attorney	3,898,900	4,012,796	3,936,779	76,017
General District Court	162,600	300,600	291,786	8,814
Juvenile and Domestic Relations Court	101,600	103,600	92,288	11,312
Law Library	111,168	111,968	99,406	12,562
Magistrate	6,400	8,400	7,005	1,395
Total administration of justice	<u>8,476,156</u>	<u>8,778,852</u>	<u>8,615,168</u>	<u>163,684</u>
Public safety:				
Building Inspections	4,984,850	4,984,850	4,754,486	230,364
Communications Center	6,928,100	6,930,530	6,660,008	270,522
Fire and EMS	45,709,339	47,558,675	46,383,841	1,174,834
Juvenile Detention Home	4,452,717	4,462,717	4,393,360	69,357
Police	55,054,370	56,003,144	54,451,232	1,551,912
Probation	103,500	104,000	91,539	12,461
Regional Jail	8,614,400	9,744,400	9,631,960	112,440
Sheriff and Jail	19,462,546	19,704,289	18,997,901	706,388
Total public safety	<u>145,309,822</u>	<u>149,492,605</u>	<u>145,364,327</u>	<u>4,128,278</u>
Public works:				
Buildings and Grounds	6,106,215	6,205,215	6,115,475	89,740
Environmental Engineering	4,098,503	4,191,503	4,098,561	92,942
Hydrant rental and right of way	644,600	644,600	616,337	28,263
Street lights and road improvements	764,154	784,102	760,219	23,883
Waste and Resource Recovery	5,355,510	6,205,510	5,969,290	236,220
Total public works	<u>16,968,982</u>	<u>18,030,930</u>	<u>17,559,882</u>	<u>471,048</u>
Health and welfare:				
Community Corrections	2,836,400	2,826,455	2,739,675	86,780
Health	4,834,992	4,844,992	4,781,975	63,017
Human Services Administration	545,130	494,800	421,231	73,569
Mental Health Support Services	37,147,025	37,320,336	35,265,252	2,055,084
Social Services	20,938,389	19,038,389	17,444,290	1,594,099
Tax relief for the elderly	4,600,000	5,267,600	5,217,599	50,001
Youth Planning and Development	306,200	306,200	273,567	32,633
Total health and welfare	<u>71,208,136</u>	<u>70,098,772</u>	<u>66,143,589</u>	<u>3,955,183</u>
Parks, recreation and cultural:				
Community Contracts	635,200	683,700	673,000	10,700
District Improvements Fund	167,500	167,500	-	167,500
Library	7,014,841	7,015,860	6,915,886	99,974
Parks and Recreation	10,021,645	10,300,232	10,278,803	21,429
Total parks, recreation and cultural	<u>17,839,186</u>	<u>18,167,292</u>	<u>17,867,689</u>	<u>299,603</u>

(Continued)

County of Chesterfield, Virginia
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive Negative
Community development:				
Community Development Administration	\$ 836,300	\$ 731,300	\$ 719,186	\$ 12,114
Convention Center	3,770,300	5,085,452	5,081,221	4,231
Economic Development	2,895,800	9,775,283	9,712,788	62,495
Economic incentives	110,000	10,000	-	10,000
Extension Service	338,200	351,035	348,326	2,709
Planning	4,004,100	4,109,100	4,079,306	29,794
Tax increment financing payments	2,461,600	2,508,370	2,508,370	-
Transportation	1,156,087	1,103,587	1,075,057	28,530
Total community development	15,572,387	23,674,127	23,524,254	149,873
Non-departmental	700,000	700,000	-	700,000
Debt service:				
Retirement of principal	15,539,700	15,539,700	14,024,717	1,514,983
Interest	9,993,000	7,193,230	6,707,999	485,231
Other	729,500	991,978	879,756	112,222
Total debt service	26,262,200	23,724,908	21,612,472	2,112,436
Total expenditures	349,918,759	362,081,278	347,002,676	15,078,602
Excess of revenues over expenditures	281,820,741	271,208,334	303,736,452	32,528,118
Other financing sources (uses)				
Transfers in:				
County Capital Projects Fund	250,000	1,323,956	1,073,956	(250,000)
Grant Funds	1,101,300	1,101,300	1,101,300	-
Water Fund	592,800	592,800	592,800	-
Wastewater Fund	2,200	2,200	2,200	-
Vehicle and Communications Maintenance Fund	12,300	303,360	303,360	-
Total transfers in	1,958,600	3,323,616	3,073,616	(250,000)
Transfers out:				
County Capital Projects Fund	(13,352,500)	(64,145,565)	(12,030,203)	52,115,362
School Capital Projects Fund	-	(6,134,565)	(487,145)	5,647,420
Grants Fund	(855,900)	(2,335,471)	(905,436)	1,430,035
Comprehensive Services Fund	(1,710,700)	(1,212,700)	(1,212,700)	-
Airport Fund	-	(149,289)	(4,977)	144,312
School Operating Fund	(288,998,100)	(289,232,495)	(282,812,993)	6,419,502
Total transfers out	(304,917,200)	(363,210,085)	(297,453,454)	65,756,631
Proceeds from refunding bonds issued	-	5,662,440	5,662,440	-
Premium on refunding bonds issued	-	4,684,547	4,684,547	-
Premium on bonds issued	-	182,824	182,824	-
Payment to refunded bonds escrow agent	-	(29,334,802)	(28,981,766)	353,036
Refunding certificates of participation issued	-	19,011,904	19,011,904	-
Total other financing uses, net	(302,958,600)	(359,679,556)	(293,819,889)	65,859,667
Net change in fund balance	(21,137,859)	(88,471,222)	9,916,563	98,387,785
Fund balance, July 1, 2011	248,045,929	248,045,929	248,045,929	-
Fund balance, June 30, 2012	\$ 226,908,070	\$ 159,574,707	\$ 257,962,492	\$ 98,387,785

See accompanying independent auditors' report.

County of Chesterfield, Virginia
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Comprehensive Services Fund
For the Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Charges for services	\$ -	\$ -	\$ 54,875	\$ 54,875
Recovered costs	124,200	260,527	235,072	(25,455)
From the Commonwealth	<u>3,465,600</u>	<u>3,532,953</u>	<u>3,807,101</u>	<u>274,148</u>
Total revenues	3,589,800	3,793,480	4,097,048	303,568
Expenditures				
Health and welfare	<u>7,713,304</u>	<u>7,400,714</u>	<u>7,395,957</u>	<u>4,757</u>
Deficiency of revenues under expenditures	<u>(4,123,504)</u>	<u>(3,607,234)</u>	<u>(3,298,909)</u>	<u>298,811</u>
Other financing sources				
Transfers in	2,155,900	1,657,900	1,657,900	-
Transfers from component unit - School Board	921,100	921,100	921,100	-
Transfers out	<u>-</u>	<u>(18,270)</u>	<u>(10,374)</u>	<u>7,896</u>
Total other financing sources	<u>3,077,000</u>	<u>2,560,730</u>	<u>2,568,626</u>	<u>7,896</u>
Net change in fund balance	(1,046,504)	(1,046,504)	(730,283)	316,221
Fund balance, July 1, 2011	<u>2,953,582</u>	<u>2,953,582</u>	<u>2,953,582</u>	-
Fund balance, June 30, 2012	<u>\$ 1,907,078</u>	<u>\$ 1,907,078</u>	<u>\$ 2,223,299</u>	<u>\$ 316,221</u>

Explanation of differences between actual amounts on the budgetary basis and GAAP basis:

Revenues

Total revenues on the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual.	\$ 4,097,048
Transfers from the School Board component unit are revenues for financial reporting purposes.	<u>921,100</u>
Total revenues on the Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-major Governmental Funds.	<u>\$ 5,018,148</u>

Other financing sources

Total other financing sources on the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual.	\$ 2,568,626
Transfers from the School Board component unit are revenues for financial reporting purposes.	<u>(921,100)</u>
Total other financing sources on the Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-major Governmental Funds.	<u>\$ 1,647,526</u>

See accompanying independent auditors' report.

Internal Service Funds

Internal service funds are used to account for the financing of goods and services provided by one County department to other County departments and to other governmental units, on a cost-reimbursement basis.

Vehicle and Communications Maintenance Fund – This fund reflects operations of the County's garage and radio shop, which maintains County vehicles and communication equipment. Revenues are derived from interfund charges and charges to the School Board on a cost-reimbursement basis. Major expenses consist primarily of salaries and wages and materials and supplies.

Risk Management Fund – This fund reflects operations of the County's risk management function, which provides services to the County and School Board. The fund's major sources of revenue are charges for services for providing risk financing and recoveries. Major expenses consist of reinsurance costs and claims.

Capital Projects Management Fund – This fund reflects the operations of the County's capital projects management function. This fund's major source of revenue is charges for services provided in coordinating and supervising all County building construction projects. Major expenses consist primarily of salaries and wages.

County of Chesterfield, Virginia
Combining Statement of Net Assets
Internal Service Funds
June 30, 2012

	Vehicle and Communications Maintenance	Risk Management	Capital Projects Management	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 7,603,166	\$ 15,261,661	\$ 194,194	\$ 23,059,021
Receivables	133,412	-	-	133,412
Due from other governments	-	224,206	-	224,206
Inventories	621,031	-	-	621,031
Total current assets	<u>8,357,609</u>	<u>15,485,867</u>	<u>194,194</u>	<u>24,037,670</u>
Non-current assets:				
Capital assets:				
Land	-	193,685	-	193,685
Buildings	2,058,683	123,832	14,992	2,197,507
Improvements other than buildings	311,805	-	-	311,805
Machinery and equipment	12,991,376	82,424	15,447	13,089,247
Construction in progress	29,530	-	-	29,530
Total capital assets	15,391,394	399,941	30,439	15,821,774
Less accumulated depreciation	(8,887,070)	(132,038)	(16,432)	(9,035,540)
Net capital assets	6,504,324	267,903	14,007	6,786,234
Total assets	<u>14,861,933</u>	<u>15,753,770</u>	<u>208,201</u>	<u>30,823,904</u>
LIABILITIES				
Current liabilities:				
Accounts payable	953,908	68,673	644	1,023,225
Accrued liabilities	278,775	45,673	35,396	359,844
Compensated absences	196,442	37,239	53,946	287,627
Judgments and claims	19,332	3,722,573	-	3,741,905
Total current liabilities	<u>1,448,457</u>	<u>3,874,158</u>	<u>89,986</u>	<u>5,412,601</u>
Non-current liabilities:				
Unearned revenue	521,773	-	-	521,773
Compensated absences	139,219	22,981	35,200	197,400
Judgments and claims	41,461	2,405,299	-	2,446,760
Retirement plan obligations	60,661	8,879	8,008	77,548
Total non-current liabilities	763,114	2,437,159	43,208	3,243,481
Total liabilities	<u>2,211,571</u>	<u>6,311,317</u>	<u>133,194</u>	<u>8,656,082</u>
NET ASSETS				
Invested in capital assets	6,504,324	267,903	14,007	6,786,234
Unrestricted	6,146,038	9,174,550	61,000	15,381,588
Total net assets	<u>\$ 12,650,362</u>	<u>\$ 9,442,453</u>	<u>\$ 75,007</u>	<u>\$ 22,167,822</u>

See accompanying independent auditors' report.

County of Chesterfield, Virginia
Combining Statement of Revenues, Expenses and Changes in Net Assets
Internal Service Funds
For the Year Ended June 30, 2012

	Vehicle and Communications <u>Maintenance</u>	Risk Management	Capital Projects Management	<u>Total</u>
Operating revenues				
Charges for services	\$ 21,448,069	\$ 6,976,700	\$ 813,002	\$ 29,237,771
Other	173,193	1,421,436	1,064	1,595,693
Total operating revenues	<u>21,621,262</u>	<u>8,398,136</u>	<u>814,066</u>	<u>30,833,464</u>
Operating expenses				
Salaries and wages	5,953,557	969,040	756,739	7,679,336
Contractual services	617,672	321,074	35,602	974,348
Materials and supplies	11,300,484	72,762	34,874	11,408,120
Heat, light and power	69,777	4,506	3,135	77,418
Rent	-	-	10,643	10,643
Depreciation	1,503,997	2,477	3,195	1,509,669
Repairs and maintenance	1,323,511	86,508	19,100	1,429,119
Insurance	-	2,450,812	-	2,450,812
Claims	-	5,090,195	-	5,090,195
Other	22,521	4,125	2,677	29,323
Total operating expenses	<u>20,791,519</u>	<u>9,001,499</u>	<u>865,965</u>	<u>30,658,983</u>
Operating income (loss)	<u>829,743</u>	<u>(603,363)</u>	<u>(51,899)</u>	<u>174,481</u>
Non-operating revenues (expenses)				
Interest and dividend income	-	5,291	-	5,291
Loss on disposal of capital assets	(1,630,211)	-	-	(1,630,211)
Other	(500,150)	-	-	(500,150)
Total non-operating revenues (expenses)	<u>(2,130,361)</u>	<u>5,291</u>	<u>-</u>	<u>(2,125,070)</u>
Loss before capital contributions and transfers	<u>(1,300,618)</u>	<u>(598,072)</u>	<u>(51,899)</u>	<u>(1,950,589)</u>
Capital contributions	281,739	-	-	281,739
Transfers out	(378,972)	-	-	(378,972)
Change in net assets	(1,397,851)	(598,072)	(51,899)	(2,047,822)
Total net assets - July 1, 2011	14,048,213	10,040,525	126,906	24,215,644
Total net assets - June 30, 2012	<u>\$ 12,650,362</u>	<u>\$ 9,442,453</u>	<u>\$ 75,007</u>	<u>\$ 22,167,822</u>

See accompanying independent auditors' report.

County of Chesterfield, Virginia
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2012

	Vehicle and Communications <u>Maintenance</u>	Risk Management	Capital Projects Management	Total
Cash flows from operating activities				
Receipts from customers	\$ 21,442,754	\$ 6,978,267	\$ 814,066	\$ 29,235,087
Payments to suppliers	(13,489,851)	(2,919,824)	(106,177)	(16,515,852)
Payments to employees	(6,068,814)	(975,518)	(749,962)	(7,794,294)
Claims recovered	-	1,419,869	-	1,419,869
Claims paid	-	(3,446,517)	-	(3,446,517)
Other receipts	103,619	-	-	103,619
Net cash provided by (used in) operating activities	<u>1,987,708</u>	<u>1,056,277</u>	<u>(42,073)</u>	<u>3,001,912</u>
Cash flows from non-capital financing activities				
Transfers out	(378,972)	-	-	(378,972)
Net cash used in non-capital financing activities	<u>(378,972)</u>	<u>-</u>	<u>-</u>	<u>(378,972)</u>
Cash flows from capital and related financing activities				
Purchase of capital assets	(1,398,359)	-	(7,734)	(1,406,093)
Proceeds from sale of capital assets	178,670	-	-	178,670
Net cash used in capital and related financing activities	<u>(1,219,689)</u>	<u>-</u>	<u>(7,734)</u>	<u>(1,227,423)</u>
Cash flows from investing activities				
Interest received	-	5,291	-	5,291
Net increase (decrease) in cash and cash equivalents	389,047	1,061,568	(49,807)	1,400,808
Cash and cash equivalents, July 1, 2011	7,214,119	14,200,093	244,001	21,658,213
Cash and cash equivalents, June 30, 2012	<u>\$ 7,603,166</u>	<u>\$ 15,261,661</u>	<u>\$ 194,194</u>	<u>\$ 23,059,021</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 829,743	\$ (603,363)	\$ (51,899)	\$ 174,481
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	1,503,997	2,477	3,195	1,509,669
Changes in assets and liabilities:				
Receivables, net	(78,036)	(208,674)	-	(286,710)
Inventories	(25,993)	-	-	(25,993)
Accounts and other payables	(245,150)	1,865,837	6,631	1,627,318
Unearned revenue	3,147	-	-	3,147
Net cash provided by (used in) operating activities	<u>\$ 1,987,708</u>	<u>\$ 1,056,277</u>	<u>\$ (42,073)</u>	<u>\$ 3,001,912</u>
Noncash transactions related to financing, capital and investing activities are as follows:				
Contributions of capital assets	\$ 281,739	\$ -	\$ -	\$ 281,739

See accompanying independent auditors' report.

Fiduciary Funds

Agency Funds

Greater Richmond Convention Center Authority - This fund reflects the funds held by the County as fiscal agent for the Greater Richmond Convention Center Authority.

Special Welfare Fund – This fund reflects the receipt and disbursement of monies maintained in individual agency accounts for certain County welfare recipients.

Mental Health Support Services Social Security Administration Fund (MHSS SSA) – This fund reflects the receipt and disbursement of monies maintained for mental health clients receiving Social Security benefits.

Police Safekeeping Fund - The fund reflects the receipt and disbursements of monies held temporarily by the County upon police department seizure.

Inmate Trust Fund – This fund reflects prisoner monies held for inmates while held in County Jail.

Jail Canteen Fund – This fund reflects monies held from sales of snacks and supplies to inmates for purchases of equipment on behalf of inmates.

Appomattox Regional Governor's School for the Arts and Technology - This fund reflects the funds held by the County as fiscal agent for the Appomattox Regional Governor's School for the Arts and Technology.

County of Chesterfield, Virginia
Combining Balance Sheet
Agency Funds
June 30, 2012

	Greater Richmond Convention Center Authority	Special Welfare	MHSS SSA	Police Safekeeping	Inmate Trust	Jail Canteen	Appomattox Regional Governor's School	Total
ASSETS								
Cash and cash equivalents	\$ 6,449,943	\$ 54,455	\$ 32,559	\$ 146,331	\$ 38,124	\$ 228,277	\$ 2,190,889	\$ 9,140,578
Accounts receivable	350,740	-	-	-	-	17,142	4,658	372,540
Due from other governments	1,573,963	-	-	-	-	-	20,333	1,594,296
Restricted assets:								
Cash and cash equivalents	6,388,968	-	-	-	-	-	-	6,388,968
Investments	4,002,100	-	-	-	-	-	-	4,002,100
Cash, cash equivalents and investments with trustee	13,125,873	-	-	-	-	-	-	13,125,873
Due from other governments	1,964,458	-	-	-	-	-	-	1,964,458
Interest receivable	40	-	-	-	-	-	-	40
Total restricted assets	<u>25,481,439</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,481,439</u>
Total assets	<u>\$ 33,856,085</u>	<u>\$ 54,455</u>	<u>\$ 32,559</u>	<u>\$ 146,331</u>	<u>\$ 38,124</u>	<u>\$ 245,419</u>	<u>\$ 2,215,880</u>	<u>\$ 36,588,853</u>
LIABILITIES								
Amounts held for others	<u>\$ 33,856,085</u>	<u>\$ 54,455</u>	<u>\$ 32,559</u>	<u>\$ 146,331</u>	<u>\$ 38,124</u>	<u>\$ 245,419</u>	<u>\$ 2,215,880</u>	<u>\$ 36,588,853</u>

See accompanying independent auditors' report.

County of Chesterfield, Virginia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>
GREATER RICHMOND CONVENTION				
CENTER AUTHORITY				
Assets				
Cash and cash equivalents	\$ 4,832,443	\$ 7,933,661	\$ 6,316,161	\$ 6,449,943
Investments with fiscal agent	1,298,665	-	1,298,665	-
Accounts receivable	594,718	338,740	582,718	350,740
Due from other governments	1,408,986	1,573,963	1,408,986	1,573,963
Restricted assets:				
Cash and cash equivalents	7,687,870	3,983,607	5,282,509	6,388,968
Investments	2,000,140	4,002,100	2,000,140	4,002,100
Cash, cash equivalents and				
Investments with trustee	13,392,675	17,791,345	18,058,147	13,125,873
Due from other governments	1,718,550	1,964,458	1,718,550	1,964,458
Interest receivable	3,248	40	3,248	40
Total restricted assets	<u>24,802,483</u>	<u>27,741,550</u>	<u>27,062,594</u>	<u>25,481,439</u>
 Total assets	 <u>\$ 32,937,295</u>	 <u>\$ 37,587,914</u>	 <u>\$ 36,669,124</u>	 <u>\$ 33,856,085</u>
Liabilities				
Amounts held for others	<u>\$ 32,937,295</u>	<u>\$ 37,587,914</u>	<u>\$ 36,669,124</u>	<u>\$ 33,856,085</u>
SPECIAL WELFARE				
Assets				
Cash and cash equivalents	<u>\$ 81,128</u>	<u>\$ 99,836</u>	<u>\$ 126,509</u>	<u>\$ 54,455</u>
Liabilities				
Amounts held for others	<u>\$ 81,128</u>	<u>\$ 99,836</u>	<u>\$ 126,509</u>	<u>\$ 54,455</u>
MENTAL HEALTH SUPPORT SERVICES				
SOCIAL SECURITY ADMINISTRATION				
Assets				
Cash and cash equivalents	<u>\$ 33,700</u>	<u>\$ 588,696</u>	<u>\$ 589,837</u>	<u>\$ 32,559</u>
Liabilities				
Amounts held for others	<u>\$ 33,700</u>	<u>\$ 588,696</u>	<u>\$ 589,837</u>	<u>\$ 32,559</u>
POLICE SAFEKEEPING				
Assets				
Cash and cash equivalents	<u>\$ 111,830</u>	<u>\$ 235,285</u>	<u>\$ 200,784</u>	<u>\$ 146,331</u>
Liabilities				
Amounts held for others	<u>\$ 111,830</u>	<u>\$ 235,285</u>	<u>\$ 200,784</u>	<u>\$ 146,331</u>

(Continued)

County of Chesterfield, Virginia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>
INMATE TRUST FUND				
Assets				
Cash and cash equivalents	\$ 33,070	\$ 58,510	\$ 53,456	\$ 38,124
Liabilities				
Amounts held for inmates	\$ 33,070	\$ 58,510	\$ 53,456	\$ 38,124
JAIL CANTEEN FUND				
Assets				
Cash and cash equivalents	\$ 200,274	\$ 123,983	\$ 95,980	\$ 228,277
Accounts receivable	13,819	17,142	13,819	17,142
Total assets	<u>\$ 214,093</u>	<u>\$ 141,125</u>	<u>\$ 109,799</u>	<u>\$ 245,419</u>
Liabilities				
Amounts held for others	<u>\$ 214,093</u>	<u>\$ 141,125</u>	<u>\$ 109,799</u>	<u>\$ 245,419</u>
APPOMATTOX REGIONAL GOVERNOR'S SCHOOL				
Assets				
Cash and cash equivalents	\$ 2,342,390	\$ 3,434,133	\$ 3,585,634	\$ 2,190,889
Accounts receivable	13,640	4,658	13,640	4,658
Due from other governments	25,772	20,333	25,772	20,333
Total assets	<u>\$ 2,381,802</u>	<u>\$ 3,459,124</u>	<u>\$ 3,625,046</u>	<u>\$ 2,215,880</u>
Liabilities				
Amounts held for others	<u>\$ 2,381,802</u>	<u>\$ 3,459,124</u>	<u>\$ 3,625,046</u>	<u>\$ 2,215,880</u>
TOTAL AGENCY FUNDS				
Assets				
Cash and cash equivalents	\$ 7,634,835	\$ 12,474,104	\$ 10,968,361	\$ 9,140,578
Investments with fiscal agent	1,298,665	-	1,298,665	-
Accounts receivable	622,177	360,540	610,177	372,540
Due from other governments	1,434,758	1,594,296	1,434,758	1,594,296
Restricted assets:				
Cash and cash equivalents	7,687,870	3,983,607	5,282,509	6,388,968
Investments	2,000,140	4,002,100	2,000,140	4,002,100
Cash, cash equivalents and investments with trustees	13,392,675	17,791,345	18,058,147	13,125,873
Due from other governments	1,718,550	1,964,458	1,718,550	1,964,458
Interest receivable	3,248	40	3,248	40
Total restricted assets	<u>24,802,483</u>	<u>27,741,550</u>	<u>27,062,594</u>	<u>25,481,439</u>
Total assets	<u>\$ 35,792,918</u>	<u>\$ 42,170,490</u>	<u>\$ 41,374,555</u>	<u>\$ 36,588,853</u>
Liabilities				
Amounts held for others	<u>\$ 35,792,918</u>	<u>\$ 42,170,490</u>	<u>\$ 41,374,555</u>	<u>\$ 36,588,853</u>

See accompanying independent auditors' report.

**CAPITAL ASSETS
USED IN THE OPERATION
OF GOVERNMENTAL FUNDS**

County of Chesterfield, Virginia
Schedule of Capital Assets Used in the Operation of Governmental Funds
by Function and Activity
June 30, 2012

	<u>Total</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements other than Buildings</u>	<u>Machinery and Equipment</u>	<u>Infrastructure</u>
General government:						
Accounting	\$ 41,301	\$ -	\$ -	\$ -	\$ 41,301	\$ -
Board of Supervisors	7,933	-	-	-	7,933	-
Budget and Management	14,709	-	-	-	14,709	-
Center for Organizational Excellence	5,446	-	-	-	5,446	-
Commissioner of the Revenue	17,163	-	-	-	17,163	-
County Administrator	411,365	-	-	-	411,365	-
County Assessor	561,654	85,500	442,144	-	34,010	-
General Services	9,163,324	584,668	8,107,741	-	470,915	-
Human Resource Management	54,585	-	-	-	54,585	-
Information Systems Technology	29,206,053	129,800	5,412,958	162,719	23,500,576	-
Internal Audit	301,006	150,000	151,006	-	-	-
Registrar	12,400	-	-	-	12,400	-
Treasurer	1,733,487	-	-	-	1,733,487	-
Total general government	<u>41,530,426</u>	<u>949,968</u>	<u>14,113,849</u>	<u>162,719</u>	<u>26,303,890</u>	<u>-</u>
Administration of justice:						
Circuit Court Judges	13,715	-	-	-	13,715	-
Clerk of Circuit Court	104,830	-	-	-	104,830	-
Commonwealth's Attorney	20,536	-	-	-	20,536	-
Community Corrections Services	23,932	-	-	-	23,932	-
General District Court	32,754,331	22,441	31,763,510	-	968,380	-
Juvenile and Domestic Relations Court	17,400,928	53,173	17,250,223	-	97,532	-
Total administration of justice	<u>50,318,272</u>	<u>75,614</u>	<u>49,013,733</u>	<u>-</u>	<u>1,228,925</u>	<u>-</u>
Public safety:						
Animal Control	2,346,564	181,324	1,849,791	33,304	282,145	-
Building Inspections	2,276,100	105,932	110,100	-	2,060,068	-
Communications Center	28,520,760	71,740	63,857	-	28,385,163	-
Fire and EMS	77,513,933	1,776,355	35,955,105	735,780	39,046,693	-
Jail	31,377,564	19,950	31,097,193	-	260,421	-
Juvenile Detention Home	17,034,797	14,000	16,942,509	-	78,288	-
Police	52,714,108	1,607,606	31,518,706	136,625	19,451,171	-
Probation	41,884	-	-	-	41,884	-
Sheriff	4,540,753	-	-	-	4,540,753	-
Youth Group Home	870,121	-	799,600	-	70,521	-
Total public safety	<u>217,236,584</u>	<u>3,776,907</u>	<u>118,336,861</u>	<u>905,709</u>	<u>94,217,107</u>	<u>-</u>
Public works:						
Buildings and Grounds	19,421,361	5,398,495	9,138,472	2,589,788	2,294,606	-
Environmental Engineering	37,129,994	3,500	355,951	-	1,447,438	35,323,105
Waste and Resource Recovery	10,182,912	800,254	688,185	7,471,404	1,223,069	-
Total public works	<u>66,734,267</u>	<u>6,202,249</u>	<u>10,182,608</u>	<u>10,061,192</u>	<u>4,965,113</u>	<u>35,323,105</u>
Health and welfare:						
Health	28,199	-	-	-	28,199	-
Mental Health Support Services	9,545,672	28,000	8,168,318	-	1,349,354	-
Social Services	7,354,229	297,200	7,001,955	-	55,074	-
Total health and welfare	<u>16,928,100</u>	<u>325,200</u>	<u>15,170,273</u>	<u>-</u>	<u>1,432,627</u>	<u>-</u>

(Continued)

County of Chesterfield, Virginia
Schedule of Capital Assets Used in the Operation of Governmental Funds
by Function and Activity
June 30, 2012

	<u>Total</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements other than Buildings</u>	<u>Machinery and Equipment</u>	<u>Infrastructure</u>
Parks, recreation and cultural:						
Library	\$ 32,911,416	\$ 3,034,357	\$ 27,120,009	\$ 12,356	\$ 2,744,694	\$ -
Parks and Recreation	<u>63,983,526</u>	<u>13,297,849</u>	<u>7,944,543</u>	<u>38,401,068</u>	<u>4,340,066</u>	<u>-</u>
Total parks, recreation and cultural	<u>96,894,942</u>	<u>16,332,206</u>	<u>35,064,552</u>	<u>38,413,424</u>	<u>7,084,760</u>	<u>-</u>
Education:						
School Board	<u>899,606,494</u>	<u>28,564,531</u>	<u>856,792,421</u>	<u>14,249,542</u>	<u>-</u>	<u>-</u>
Community development:						
Community Development	21,317,451	-	18,712,365	-	2,605,086	-
Economic Development	<u>20,406</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,406</u>	<u>-</u>
Total community development	<u>21,337,857</u>	<u>-</u>	<u>18,712,365</u>	<u>-</u>	<u>2,625,492</u>	<u>-</u>
Total governmental funds capital assets allocated by function	1,410,586,942	<u>\$ 56,226,675</u>	<u>\$ 1,117,386,662</u>	<u>\$ 63,792,586</u>	<u>\$ 137,857,914</u>	<u>\$ 35,323,105</u>
Redevelopment asset	11,367,188					
Construction in progress	<u>25,805,543</u>					
Total governmental funds capital assets	<u>\$ 1,447,759,673</u>					

This schedule presents only the gross capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the Statement of Net Assets.

See accompanying independent auditors' report.

County of Chesterfield, Virginia
Schedule of Changes in Capital Assets Used in the Operation of Governmental Funds
by Function and Activity
For the Year Ended June 30, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>
General government:				
Accounting	\$ 41,301	\$ -	\$ -	\$ 41,301
Board of Supervisors	7,933	-	-	7,933
Budget and Management	14,709	-	-	14,709
Center for Organizational Excellence	5,446	-	-	5,446
Commissioner of the Revenue	17,163	-	-	17,163
County Administrator	423,921	-	12,556	411,365
County Assessor	496,544	65,110	-	561,654
General Services	10,557,905	143,430	1,538,011	9,163,324
Human Resource Management	93,606	17,033	56,054	54,585
Information Systems Technology	31,805,133	1,475,663	4,074,743	29,206,053
Internal Audit	301,006	-	-	301,006
Registrar	17,452	-	5,052	12,400
Treasurer	1,869,800	-	136,313	1,733,487
Total general government	<u>45,651,919</u>	<u>1,701,236</u>	<u>5,822,729</u>	<u>41,530,426</u>
Administration of justice:				
Circuit Court Judges	13,715	-	-	13,715
Clerk of Circuit Court	181,193	-	76,363	104,830
Commonwealth's Attorney	20,536	-	-	20,536
Community Corrections Services	48,092	-	24,160	23,932
General District Court	30,981,758	1,772,573	-	32,754,331
Juvenile and Domestic Relations Court	17,400,928	-	-	17,400,928
Total administration of justice	<u>48,646,222</u>	<u>1,772,573</u>	<u>100,523</u>	<u>50,318,272</u>
Public safety:				
Animal Control	1,837,064	517,670	8,170	2,346,564
Building Inspections	2,268,898	12,500	5,298	2,276,100
Communications Center	28,181,383	344,430	5,053	28,520,760
Fire and EMS	70,427,971	7,545,272	459,310	77,513,933
Jail	31,312,914	73,320	8,670	31,377,564
Juvenile Detention Home	17,904,918	-	870,121	17,034,797
Police	50,724,254	3,638,438	1,648,584	52,714,108
Probation	41,884	-	-	41,884
Sheriff	4,591,278	70,048	120,573	4,540,753
Youth Group Home	-	870,121	-	870,121
Total public safety	<u>207,290,564</u>	<u>13,071,799</u>	<u>3,125,779</u>	<u>217,236,584</u>
Public works:				
Buildings and Grounds	18,800,891	1,243,481	623,011	19,421,361
Environmental Engineering	36,413,725	911,973	195,704	37,129,994
Waste and Resource Recovery	10,355,146	128,297	300,531	10,182,912
Total public works	<u>65,569,762</u>	<u>2,283,751</u>	<u>1,119,246</u>	<u>66,734,267</u>

(Continued)

County of Chesterfield, Virginia
Schedule of Changes in Capital Assets Used in the Operation of Governmental Funds
by Function and Activity
For the Year Ended June 30, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>
Health and welfare:				
Health	\$ 28,199	\$ -	\$ -	\$ 28,199
Mental Health Support Services	9,852,855	108,877	416,060	9,545,672
Social Services	7,445,000	-	90,771	7,354,229
Total health and welfare	<u>17,326,054</u>	<u>108,877</u>	<u>506,831</u>	<u>16,928,100</u>
Parks, recreation and cultural:				
Library	32,882,366	35,181	6,131	32,911,416
Parks and Recreation	64,475,999	851,131	1,343,604	63,983,526
Total parks, recreation and cultural	<u>97,358,365</u>	<u>886,312</u>	<u>1,349,735</u>	<u>96,894,942</u>
Education:				
School Board	<u>877,499,774</u>	<u>22,610,471</u>	<u>503,751</u>	<u>899,606,494</u>
Community development:				
Community Development	21,317,451	-	-	21,317,451
Economic Development	20,406	-	-	20,406
Total community development	<u>21,337,857</u>	<u>-</u>	<u>-</u>	<u>21,337,857</u>
Redevelopment asset	16,266,795	691,827	5,591,434	11,367,188
Construction in progress	<u>25,126,687</u>	<u>31,817,283</u>	<u>31,138,427</u>	<u>25,805,543</u>
Total governmental funds' capital assets	<u>\$ 1,422,073,999</u>	<u>\$ 74,944,129</u>	<u>\$ 49,258,455</u>	<u>\$ 1,447,759,673</u>

This schedule presents only the gross capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the Statement of Net Assets.

See accompanying independent auditors' report.

County of Chesterfield, Virginia
Schedule of Capital Assets Used in the Operation of Governmental Funds
by Source
June 30, 2012

Governmental funds' capital assets:

Land	\$ 56,226,675
Buildings	1,117,386,662
Improvements other than buildings	63,792,586
Machinery and equipment	137,857,914
Infrastructure	35,323,105
Redevelopment asset	11,367,188
Construction in progress	25,805,543
Total governmental funds' capital assets	<u>\$ 1,447,759,673</u>

Investment in governmental funds' capital assets by source:

General obligation bonds	\$ 980,278,073
General government revenues	324,732,495
Federal and State grants	24,467,139
Capital lease purchases	54,290,988
Special Revenue Fund revenues	6,514,919
Contributions from public	57,476,059
Total investment in governmental funds' capital assets	<u>\$ 1,447,759,673</u>

This schedule presents only the gross capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the Statement of Net Assets.

See accompanying independent auditors' report.

School Board Discretely Presented Component Unit

Governmental Fund

Special Revenue Fund

School Operating Fund – This fund reflects the activity related to the operations of the County’s public school system.

Fiduciary Funds

Pension Trust Fund

Supplemental Retirement Program Fund – This fund reflects activity related to pension trust assets to provide certain qualified School Board employees with additional retirement benefits.

Agency Fund

School Activity Fund – This fund reflects monies held for students to use for educational, recreational, or cultural purposes.

County of Chesterfield, Virginia
Discretely Presented Component Unit - School Board
Balance Sheet - Governmental Fund
June 30, 2012

	<u>Special Revenue Fund</u>	
		<u>School Operating</u>
ASSETS		
Cash and cash equivalents	\$	39,797,437
Accounts receivable		974,625
Due from other governments		7,427,444
Due from primary government		60,617,545
Inventories		1,344,244
Total assets	\$	<u>110,161,295</u>
LIABILITIES		
Accounts payable	\$	4,353,456
Accrued liabilities		34,823,748
Deferred revenues		399,126
Total liabilities		<u>39,576,330</u>
FUND BALANCE		
Nonspendable		1,344,244
Restricted		5,114,152
Assigned		64,126,569
Total fund balance		<u>70,584,965</u>
Total liabilities and fund balance	\$	<u>110,161,295</u>
Total fund balance for School Operating Fund		\$ 70,584,965
Amounts reported for the School Board's governmental activities in the Statement of Net Assets are different because:		
Capital assets, net of accumulated depreciation, (10,072,944) and prepaid capital assets (147,594) used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
		10,220,538
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. This adjustment combines the net changes of the following balances:		
Compensated absences	\$	(20,380,655)
Judgments and claims		(9,935,580)
Retirement plan obligations, net		16,247,921
Other post employment benefits obligation - asset		112,925
		<u>(13,955,389)</u>
Net assets of the School Board's governmental activities		<u>\$ 66,850,114</u>

See accompanying independent auditors' report.

County of Chesterfield, Virginia
Discretely Presented Component Unit - School Board
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund
For the Year Ended June 30, 2012

Special Revenue Fund

	<u>School Operating</u>	
Revenues		
From local sources:		
Use of money and property	\$ 910,472	
Charges for services	14,656,002	
Donations	426,849	
Miscellaneous	3,521,281	
Payment from primary government	237,240,888	
From other governments	<u>257,767,311</u>	
Total revenues	<u>514,522,803</u>	
Expenditures		
Current:		
Education	500,878,937	
Payment to primary government	<u>10,243,723</u>	
Total expenditures	<u>511,122,660</u>	
Excess of revenues over expenditures	3,400,143	
Fund balance, July 1, 2011	<u>67,184,822</u>	
Fund balance, June 30, 2012	<u>\$ 70,584,965</u>	
Net change in fund balance		\$ 3,400,143
Amounts reported for governmental activities in the Statement of Activities are different because:		
The governmental fund reports capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$2,432,175) were less than depreciation (\$4,321,041) in the current period.		
		(1,888,866)
The net effect of miscellaneous transactions involving capital assets (prepayments, trade-ins, donations, and disposals) increased net assets.		
		1,353,949
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 the governmental fund, such as:		
Compensated absences	\$ (450,706)	
Judgments and claims	(581,237)	
Other post employment benefits obligation	(63,236)	
Retirement plan obligations	<u>(6,556,106)</u>	<u>(7,651,285)</u>
Change in net assets of governmental activities		<u>\$ (4,786,059)</u>

See accompanying independent auditors' report.

County of Chesterfield, Virginia
Discretely Presented Component Unit - School Board
School Operating Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
From local sources:				
Use of money and property	\$ 1,820,000	\$ 1,665,671	\$ 1,708,014	\$ 42,343
Charges for services	15,697,508	15,486,326	15,138,080	(348,246)
Donations	505,500	434,421	426,849	(7,572)
Miscellaneous	1,265,850	3,300,481	3,521,281	220,800
Recovered costs	2,950,242	2,768,591	2,633,143	(135,448)
From the Commonwealth	215,709,300	217,693,357	214,846,896	(2,846,461)
From the federal government	38,310,400	45,391,654	42,920,415	(2,471,239)
Total revenues	<u>276,258,800</u>	<u>286,740,501</u>	<u>281,194,678</u>	<u>(5,545,823)</u>
Expenditures				
Current:				
Education:				
Instruction	365,311,207	385,242,075	373,839,137	11,402,938
Administration, attendance and health	19,181,910	20,482,403	18,288,017	2,194,386
Pupil transportation	27,770,998	29,214,413	29,107,070	107,343
Operations and maintenance	58,112,679	58,173,408	52,799,002	5,374,406
Technology	10,449,978	15,431,265	10,990,313	4,440,952
Food service	20,329,615	20,300,000	19,768,161	531,839
Debt service	47,760,000	48,038,329	45,850,433	2,187,896
Total expenditures	<u>548,916,387</u>	<u>576,881,893</u>	<u>550,642,133</u>	<u>26,239,760</u>
Deficiency of revenues under expenditures	<u>(272,657,587)</u>	<u>(290,141,392)</u>	<u>(269,447,455)</u>	<u>20,693,937</u>
Other financing sources (uses)				
Transfers in:				
General Fund	<u>279,998,100</u>	<u>289,232,495</u>	<u>282,812,993</u>	<u>(6,419,502)</u>
Transfers out:				
County Grants Fund	-	(182,000)	(181,657)	343
School Capital Projects Fund	(8,335,500)	(47,750,966)	(9,140,966)	38,610,000
Comprehensive Services Fund	(921,100)	(921,100)	(921,100)	-
Total transfers out	<u>(9,256,600)</u>	<u>(48,854,066)</u>	<u>(10,243,723)</u>	<u>38,610,343</u>
Bonds issued	-	88,112	88,112	-
Refunding bonds issued	-	43,897,560	43,897,560	-
Premium on refunding bonds issued	-	9,397,784	9,397,784	-
Payment to refunded bonds escrow agent	-	(53,105,128)	(53,105,128)	-
Total other financing sources, net	<u>270,741,500</u>	<u>240,656,757</u>	<u>272,847,598</u>	<u>32,190,841</u>
Net change in fund balance	<u>(1,916,087)</u>	<u>(49,484,635)</u>	<u>3,400,143</u>	<u>52,884,778</u>
Fund balance, July 1, 2011	<u>67,184,822</u>	<u>67,184,822</u>	<u>67,184,822</u>	<u>-</u>
Fund balance, June 30, 2012	<u>\$ 65,268,735</u>	<u>\$ 17,700,187</u>	<u>\$ 70,584,965</u>	<u>\$ 52,884,778</u>

(Continued)

County of Chesterfield, Virginia
Discretely Presented Component Unit - School Board
School Operating Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2012

Explanation of differences between actual amounts on the budgetary basis and GAAP basis:

Revenues

Total revenues on the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual.	\$ 281,194,678
For budgetary purposes, interfund reimbursements and recovered costs are accounted for as revenues and expenditures but are eliminated for financial reporting purposes.	(3,912,763)
Budgetary transfers from the primary government, excluding transfers for payment of debt "on behalf" of the School Board, are revenues for financial reporting purposes.	<u>237,240,888</u>
Total revenues on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Fund.	<u><u>\$ 514,522,803</u></u>

Expenditures

Total expenditures on the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual.	\$ 550,642,133
For budgetary purposes, interfund reimbursements and recovered costs are accounted for as revenues and expenditures but are eliminated for financial reporting purposes.	(3,912,763)
Budgetary transfers to the primary government are expenditures for financial reporting purposes.	10,243,723
Payments of debt "on behalf" of the School Board are eliminated for financial reporting purposes.	<u>(45,850,433)</u>
Total expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Fund.	<u><u>\$ 511,122,660</u></u>

Other financing sources (uses)

Total other financing sources on the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual.	\$ 272,847,598
Budgetary transfers from the primary government are revenues for financial reporting purposes.	(282,812,993)
Proceeds from debt issued by the primary government "on behalf" of the School Board are eliminated for financial reporting purposes.	(278,328)
Budgetary transfers to the primary government are expenditures for financial reporting purposes.	<u>10,243,723</u>
Total other financing sources on the Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Fund.	<u><u>\$ -</u></u>

See accompanying independent auditors' report.

County of Chesterfield, Virginia
Discretely Presented Component Unit - School Board
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	<u>Pension Trust</u>	<u>Agency Funds</u>
	Supplemental Retirement Program Fund	School Activities Fund
ASSETS		
Cash and cash equivalents	\$ -	\$ 5,642,334
Cash, cash equivalents and investments with trustees	23,518,324	-
Interest receivable	37,504	-
Total assets	<u>23,555,828</u>	<u>\$ 5,642,334</u>
LIABILITIES		
Amounts held for others	<u>-</u>	<u>\$ 5,642,334</u>
NET ASSETS		
Held in trust for pension benefits	<u>\$ 23,555,828</u>	

See accompanying independent auditors' report.

County of Chesterfield, Virginia
Discretely Presented Component Unit - School Board
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2012

	<u>Pension Trust</u>
	<u>Supplemental Retirement Program</u>
Additions	
Contributions	\$ 8,263,270
Investment earnings:	
Interest and dividends	646,178
Net decrease in the fair value of investments	<u>(97,270)</u>
Net investment earnings	<u>548,908</u>
Total additions	<u>8,812,178</u>
Deductions	
Benefit payments	12,899,367
Administrative expenses	<u>114,330</u>
Total deductions	<u>13,013,697</u>
Change in net assets	(4,201,519)
Net assets - July 1, 2011	<u>27,757,347</u>
Net assets - June 30, 2012	<u><u>\$ 23,555,828</u></u>

See accompanying independent auditors' report.



SINGLE AUDIT SCHEDULE AND NOTES

County of Chesterfield, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Schedule D-1

Federal Granting Agency/Recipient State Agency/Grant Program	Federal catalog number	Federal expenditures
DEPARTMENT OF AGRICULTURE:		
Pass through payments:		
Department of Education:		
School Breakfast Program	10.553	\$ 1,454,028
Fresh Fruit and Vegetable Program	10.582	87,970
Department of Health:		
Child and Adult Care Food Program	10.558	29,364
Department of Agriculture:		
Food Donations/Non-cash	10.555	\$ 912,661
Department of Education:		
National School Lunch Program	10.555	5,741,614
Department of Juvenile Justice:		
National School Lunch Program	10.555	<u>78,751</u>
Total for federal catalog number 10.555		6,733,026
Department of Social Services:		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	<u>1,385,478</u>
Total Department of Agriculture		<u>9,689,866</u>
DEPARTMENT OF DEFENSE:		
Direct payments:		
JROTC	12.XXX	311,644
Competitive Grants: Promoting K-12 Student Achievement at Military-Connected Schools	12.556	<u>15,467</u>
Total Department of Defense		<u>327,111</u>
DEPARTMENT OF EDUCATION:		
Direct payments:		
Safe and Drug-free Schools and Communities - National Programs	84.184	69,156
Fund for the Improvement of Education	84.215	623,808
Pass through payments:		
Department of Education:		
Adult Education - Basic Grants to States	84.002	231,130
Title I Grants to Local Educational Agencies	84.010	5,901,456
Title I State Agency Program for Neglected and Delinquent Children	84.013	21,778
Special Education - Grants to States	84.027	10,372,690
Career and Technical Education - Basic Grants to States	84.048	609,436
Special Education - Preschool Grants	84.173	202,151
Safe and Drug-free Schools and Communities - State Grants	84.186	496
Education for Homeless Children and Youth	84.196	4,845
Twenty-first Century Community Learning Centers	84.287	202,395
Education Technology State Grants	84.318	51,497
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	22,942
Teacher Quality Partnership Grants	84.336	78,240
English Language Acquisition Grants	84.365	312,835
Improving Teacher Quality State Grants	84.367	1,527,915
School Improvement Grants	84.377	500
ARRA - Education Technology State Grants	84.386	29,289
ARRA - Title I Grants to Local Educational Agencies	84.389	48,965
ARRA - Special Education Grants to States	84.391	2,251,929
ARRA - Special Education - Preschool Grants	84.392	98,999
ARRA - Special Education - Grants for Infants and Families	84.393	79,385
Education Jobs Fund	84.410	10,164,009
Department of Behavioral Health and Developmental Services:		
Special Education - Grants for Infants and Families	84.181	<u>297,192</u>
Total Department of Education		<u>33,203,038</u>

(Continued)

County of Chesterfield, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Schedule D-1

Federal Granting Agency/Recipient State Agency/Grant Program	Federal catalog number	Federal expenditures
DEPARTMENT OF ENERGY:		
Direct payments:		
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	\$ 1,320,153
Total Department of Energy		<u>1,320,153</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
Direct payments:		
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	89,574
Head Start	93.600	1,321,298
Pass through payments:		
Department of Behavioral Health and Developmental Services:		
Block Grants for Community Mental Health Services	93.958	93,493
Block Grants for Prevention and Treatment of Substance Abuse	93.959	915,952
Department of Social Services:		
Promoting Safe and Stable Families	93.556	118,595
Temporary Assistance for Needy Families	93.558	1,558,909
Refugee and Entrant Assistance - State Administered Programs	93.566	3,801
Low-income Home Energy Assistance	93.568	72,329
Child Care and Development Block Grant	93.575	726,494
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	828,060
Chafee Education and Training Vouchers Program (ETV)	93.599	6,790
Stephanie Tubbs Jones Child Welfare Services Program	93.645	3,533
Foster Care - Title IV-E	93.658	759,852
Adoption Assistance	93.659	713,324
Social Services Block Grant	93.667	868,268
Chafee Foster Care Independence Program	93.674	21,494
Children's Health Insurance Program	93.767	36,899
Medical Assistance Program	93.778	837,835
Virginia Board for People with Disabilities:		
Developmental Disabilities Basic Support and Advocacy Grants	93.630	6,949
Total Department of Health and Human Services		<u>8,983,449</u>
DEPARTMENT OF HOMELAND SECURITY:		
Direct payments:		
Assistance to Firefighters Grant	97.044	607,832
Pass through payments:		
Department of Criminal Justice:		
Homeland Security Grant	97.067	43
Department of Emergency Management:		
2009 Emergency Operations Grant	97.001	260
Non-Profit Security Program	97.008	143,488
Flood Mitigation Assistance	97.029	16,179
Public Assistance Grants	97.036	892,766
Citizen Corps	97.053	9,247
Emergency Management Performance Grants	97.042	26,409
State Homeland Security Program (SHSP)	97.073	60,158
Total Department of Homeland Security		<u>1,756,382</u>

(Continued)

County of Chesterfield, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Schedule D-1

Federal Granting Agency/Recipient State Agency/Grant Program	Federal catalog number	Federal expenditures
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:		
Direct payments:		
Community Development Block Grants/Entitlement Grants	14.218	\$ 1,126,423
Home Investment Partnerships Program	14.239	381,309
ARRA - Community Development Block Grants/Entitlement Grants	14.253	89,339
ARRA - Homelessness Prevention and Rapid Re-housing Program	14.257	27,824
Pass through payments:		
Housing Development Authority:		
Section 8 Housing Choice Vouchers	14.871	230,135
Total Department of Housing and Urban Development		<u>1,855,030</u>
DEPARTMENT OF THE INTERIOR:		
Direct payments:		
Fish and Wildlife Service		
National Wildlife Refuge Fund	15.659	5,280
National Park Service	15.929	14,731
Total Department of the Interior		<u>20,011</u>
DEPARTMENT OF JUSTICE:		
Direct payments:		
State Criminal Alien Assistance Program	16.606	171,256
Public Safety Partnership and Community Policing Grants	16.710	277,847
Edward Byrne Memorial Justice Assistance Grant Program	16.738	61,486
Edward Byrne Memorial Competitive Grant Program	16.751	193,975
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG)		
Program/Grants to Units of Local Government	16.804	133,637
Equitable Sharing Program	16.922	125,475
Pass through payments:		
Department of Criminal Justice Services:		
Juvenile Accountability Block Grants	16.523	33,899
Crime Victim Assistance	16.575	234,082
Violence Against Women Formula Grants	16.588	138,902
ARRA - State Victim Assistance Formula Grant Program	16.801	1,482
Total Department of Justice		<u>1,372,041</u>
DEPARTMENT OF LABOR:		
Direct payments:		
Employment Training Administration:		
WIA Youth Activities	17.259	106,224
Pass through payments:		
Office of Career and Technical Education		
WIA Adult Program	17.258	27,931
Total Department of Labor		<u>134,155</u>
DEPARTMENT OF TRANSPORTATION:		
Direct payments:		
Department of Aviation:		
Airport Improvement Program	20.106	12,508
Federal Highway Administration:		
Highway Planning and Construction	20.205	444,600
Pass through payments:		
Federal Highway Administration:		
Highway Planning and Construction	20.205	13,520
ARRA - Highway Planning and Construction	20.205	3,835,867
Department of Motor Vehicles:		
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	101,583
Total Department of Transportation		<u>4,408,078</u>
Total expenditures of federal awards		<u>\$ 63,069,314</u>

See notes to Schedule of Expenditure of Federal Awards and accompanying independent auditors report.

County of Chesterfield, Virginia
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

1. General

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all Federal assistance programs of the primary government and the School Board.

2. Basis of Accounting

The accompanying Schedule is presented using the modified accrual basis of accounting for governmental funds and the accrual basis of accounting for proprietary funds, which are described in Note 1 to the reporting entity basic financial statements. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

3. Relationship to Financial Statements

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

<u>Fund</u>	<u>Federal Expenditures</u>
<u>Primary Government</u>	
Governmental Activities	
General Fund	\$ 9,760,297
County Capital Projects Fund	4,280,467
Non-major - Grants Fund	5,755,215
Internal Service Funds - Risk Management	<u>184,785</u>
Total Governmental Activities	19,980,764
Business-type Activities	
Water Fund	126,981
Wastewater Fund	104,507
Non-major - Airport Fund	<u>12,508</u>
Total Business-type Activities	<u>243,996</u>
Total Primary Government	20,224,760
<u>Component Unit</u>	
Governmental Activities	
School Operating Fund	<u>42,844,554</u>
Total	<u><u>\$ 63,069,314</u></u>

4. Sub-recipient Payments

The total amount of \$1,296,635 received by pass-through entities from the County during the fiscal year included \$569,796 from the Community Development Block Grants (CFDA Number 14.218), \$444,600 from Highway Planning and Construction Program (CFDA Number 20.205), \$259,915 from the Home Investment Partnerships Program (CFDA Number 14.239), and \$22,324 from ARRA Homelessness Prevention and Rapid Re-Housing Program (CFDA Number 14.257).

County of Chesterfield, Virginia
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

5. Expenditures for Clusters of Federal Programs

<u>Name of Cluster</u>	<u>CFDA Number</u>		<u>Cluster Total</u>
CDBG Entitlements	14.218	\$ 1,126,423	
	14.253	<u>89,339</u>	\$ 1,215,762
Child Care Development Fund	93.575	726,494	
	93.596	<u>828,060</u>	1,554,554
Child Nutrition	10.553	1,454,028	
	10.555	<u>6,733,026</u>	8,187,054
Early Intervention Services	84.181	297,192	
	84.393	<u>79,385</u>	376,577
Educational Technology State Grants	84.318	51,497	
	84.386	<u>29,289</u>	80,786
JAG Program	16.738	61,486	
	16.804	<u>133,637</u>	195,123
Special Education	84.027	10,372,690	
	84.173	202,151	
	84.391	2,251,929	
	84.392	<u>98,999</u>	12,925,769
Title I, Part A	84.010	5,901,456	
	84.389	<u>48,965</u>	5,950,421
Workforce Investment Act (WIA)	17.258	27,931	
	17.259	<u>106,224</u>	134,155

STATISTICAL SECTION

STATISTICAL SECTION

(Unaudited)

This part of Chesterfield County's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the government's overall financial position.

Pages

Financial Trends..... 147-151

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

Revenue Capacity 152-156

These schedules contain information to help the reader assess Chesterfield's most significant local revenue source, property tax.

Debt Capacity 157-159

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

Demographic and Economic Information 160-161

These schedules offer demographic and economic indicators to help the reader understand the environment within which Chesterfield operates.

Operating Information 162-164

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

Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.*

County of Chesterfield, Virginia
Net Assets By Component
Last Ten Fiscal Years
(accrual basis of accounting)
(unaudited)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Governmental activities ⁽¹⁾										
Invested in capital assets, net of related debt	\$ 341,091,865	\$ 360,274,011	\$ 394,677,734	\$ 415,009,147	\$ 458,603,478	\$ 487,741,373	\$ 530,702,086	\$ 552,032,799	\$ 574,885,562	\$ 599,754,295
Restricted	12,565,206	21,886,605	21,171,516	28,938,619	23,244,451	50,295,285	42,099,392	52,160,770	58,812,683	61,519,784
Unrestricted	<u>75,857,637</u>	<u>86,997,476</u>	<u>93,680,842</u>	<u>139,045,238</u>	<u>147,996,016</u>	<u>143,352,794</u>	<u>149,288,745</u>	<u>160,465,007</u>	<u>187,964,641</u>	<u>188,996,281</u>
Total governmental activities net assets	<u>\$ 429,514,708</u>	<u>\$ 469,158,092</u>	<u>\$ 509,530,092</u>	<u>\$ 582,993,004</u>	<u>\$ 629,843,945</u>	<u>\$ 681,389,452</u>	<u>\$ 722,090,223</u>	<u>\$ 764,658,576</u>	<u>\$ 821,662,886</u>	<u>\$ 850,270,360</u>
Business-type activities										
Invested in capital assets, net of related debt ⁽³⁾	\$ 483,464,084	\$ 522,052,614	\$ 559,917,886	\$ 597,187,773	\$ 643,325,018	\$ 682,591,012	\$ 714,330,054	\$ 741,730,464	\$ 765,410,845	\$ 770,297,665
Restricted ⁽²⁾	32,974,700	18,071,837	14,745,218	14,308,324	19,148,367	17,242,966	25,002,197	25,417,498	15,637,228	15,815,265
Unrestricted ⁽³⁾	<u>88,369,652</u>	<u>93,636,540</u>	<u>96,023,650</u>	<u>105,207,647</u>	<u>111,033,540</u>	<u>117,696,445</u>	<u>114,292,930</u>	<u>117,421,774</u>	<u>130,992,671</u>	<u>140,426,616</u>
Total business-type activities net assets	<u>\$ 604,808,436</u>	<u>\$ 633,760,990</u>	<u>\$ 670,686,754</u>	<u>\$ 716,703,744</u>	<u>\$ 773,506,925</u>	<u>\$ 817,530,423</u>	<u>\$ 853,625,181</u>	<u>\$ 884,569,736</u>	<u>\$ 912,040,744</u>	<u>\$ 926,539,546</u>
Primary government										
Invested in capital assets, net of related debt	\$ 824,555,949	\$ 882,326,625	\$ 954,595,620	\$ 1,012,196,920	\$ 1,101,928,496	\$ 1,170,332,385	\$ 1,245,032,140	\$ 1,293,763,263	\$ 1,340,296,407	\$ 1,370,051,960
Restricted	45,539,906	39,958,442	35,916,734	43,246,943	42,392,818	67,538,251	67,101,589	77,578,268	74,449,911	77,335,049
Unrestricted	<u>164,227,289</u>	<u>180,634,016</u>	<u>189,704,492</u>	<u>313,851,970</u>	<u>330,226,946</u>	<u>261,049,239</u>	<u>263,581,675</u>	<u>277,886,781</u>	<u>318,957,312</u>	<u>329,422,897</u>
Total primary government net assets	<u>\$ 1,034,323,144</u>	<u>\$ 1,102,919,082</u>	<u>\$ 1,180,216,846</u>	<u>\$ 1,369,295,833</u>	<u>\$ 1,474,548,260</u>	<u>\$ 1,498,919,875</u>	<u>\$ 1,575,715,404</u>	<u>\$ 1,649,228,312</u>	<u>\$ 1,733,703,630</u>	<u>\$ 1,776,809,906</u>

(1) 2008 net assets were restated to reflect the County's adoption of GASB Statement 49.

(2) The increase in restricted net assets for business-type activities in 2003 is due to funds restricted for the Appomattox River Water Authority plant expansion.

(3) Invested in capital assets, net of related debt and unrestricted net assets have been restated to reclass intangible assets as capital assets.

County of Chesterfield, Virginia
Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)
(unaudited)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Expenses										
Governmental activities:										
General government	\$ 37,999,304	\$ 38,236,017	\$ 45,695,112	\$ 46,460,964	\$ 53,941,385	\$ 62,125,394	\$ 64,753,892	\$ 59,652,475	\$ 58,141,077	\$ 63,848,744
Administration of justice	7,993,285	8,402,004	9,333,004	9,984,083	9,578,091	9,433,583	10,165,647	9,689,658	9,838,076	10,074,871
Public safety	103,201,382	111,347,750	121,761,928	131,672,438	145,470,820	152,400,203	158,317,621	154,703,866	159,738,182	164,335,666
Public works	20,917,172	20,240,164	24,776,442	21,642,615	39,031,478	37,044,887	32,749,415	31,583,528	28,851,217	38,710,140
Health and welfare	47,259,986	52,030,499	56,999,992	60,543,646	67,477,015	72,490,313	73,645,385	70,707,991	72,416,110	72,359,200
Parks, recreation and cultural	18,431,310	20,359,198	20,155,901	21,328,956	22,528,120	25,048,041	26,279,170	23,871,068	21,531,768	24,969,646
Education - School Board	264,255,339	301,516,892	275,058,438	287,052,952	336,542,438	337,236,438	337,123,894	308,669,193	310,962,247	262,561,566
Community development	12,508,312	12,876,300	13,978,515	14,179,400	14,444,469	16,697,501	19,839,416	17,316,286	18,143,396	26,219,996
Interest on long-term debt	16,850,391	17,177,171	19,752,479	19,433,153	21,477,059	23,272,102	20,554,873	24,463,742	21,600,283	19,825,526
Total governmental activities expenses	<u>529,416,481</u>	<u>582,185,995</u>	<u>587,511,811</u>	<u>612,298,207</u>	<u>710,490,875</u>	<u>735,748,462</u>	<u>743,429,313</u>	<u>700,657,807</u>	<u>701,222,356</u>	<u>682,905,355</u>
Business-type activities:										
Water	22,146,750	21,986,759	24,413,374	27,674,062	30,001,661	33,897,447	34,499,851	36,788,760	36,717,857	37,959,144
Wastewater	22,973,022	23,731,419	28,322,391	26,480,048	26,829,256	28,359,324	28,938,778	28,892,927	30,679,018	36,165,218
Airport	1,222,035	1,166,102	1,544,038	1,419,586	1,363,653	1,830,406	2,033,079	1,894,870	1,892,830	2,083,379
Total business-type activities expenses	<u>46,341,807</u>	<u>46,884,280</u>	<u>54,279,803</u>	<u>55,573,696</u>	<u>58,194,570</u>	<u>64,087,177</u>	<u>65,471,708</u>	<u>67,576,557</u>	<u>69,289,705</u>	<u>76,207,741</u>
Total primary government expenses	<u>\$ 575,758,288</u>	<u>\$ 629,070,275</u>	<u>\$ 641,791,614</u>	<u>\$ 667,871,903</u>	<u>\$ 768,685,445</u>	<u>\$ 799,835,639</u>	<u>\$ 808,901,021</u>	<u>\$ 768,234,364</u>	<u>\$ 770,512,061</u>	<u>\$ 759,113,096</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 9,410,251	\$ 11,750,722	\$ 14,740,613	\$ 17,617,418	\$ 18,494,228	\$ 22,610,238	\$ 24,291,925	\$ 24,296,030	\$ 25,073,965	\$ 25,626,551
Public safety	10,734,271	11,190,249	12,515,330	12,700,056	12,854,109	15,189,151	15,444,515	13,374,815	14,615,801	14,839,567
Health and welfare	12,429,986	13,935,877	15,000,118	16,606,647	18,831,152	19,579,694	20,718,939	21,580,964	22,551,628	21,210,460
Other activities	11,638,695	11,963,781	13,397,249	11,808,179	13,475,548	14,099,296	11,831,679	11,385,840	13,727,131	14,101,549
Operating grants and contributions	73,666,254	79,620,341	89,610,129	95,949,288	101,631,282	103,539,529	96,146,925	90,963,621	94,216,649	96,081,067
Capital grants and contributions	<u>8,145,176</u>	<u>13,157,445</u>	<u>14,010,139</u>	<u>13,628,258</u>	<u>23,599,820</u>	<u>22,402,657</u>	<u>8,057,210</u>	<u>7,117,695</u>	<u>19,507,591</u>	<u>19,066,565</u>
Total governmental activities program revenues	<u>126,024,633</u>	<u>141,618,415</u>	<u>159,273,578</u>	<u>168,309,846</u>	<u>188,886,139</u>	<u>197,420,565</u>	<u>176,491,193</u>	<u>168,718,965</u>	<u>189,692,765</u>	<u>190,925,759</u>
Business-type activities:										
Charges for services:										
Water	22,848,077	22,933,096	24,061,227	28,162,945	31,263,930	33,171,182	33,557,269	35,294,123	34,918,515	35,354,772
Wastewater	22,413,097	22,385,369	24,917,744	25,683,159	28,040,156	28,844,584	31,135,811	32,991,772	34,197,043	35,363,104
Airport	505,016	571,349	734,227	793,318	713,269	815,883	626,602	614,093	651,579	612,878
Capital grants and contributions	<u>28,329,805</u>	<u>29,975,046</u>	<u>40,249,985</u>	<u>43,624,718</u>	<u>49,668,211</u>	<u>40,063,647</u>	<u>33,860,040</u>	<u>31,029,526</u>	<u>26,705,648</u>	<u>19,399,060</u>
Total business-type activities program revenues	<u>74,095,995</u>	<u>75,864,860</u>	<u>89,963,183</u>	<u>98,264,140</u>	<u>109,685,566</u>	<u>102,895,296</u>	<u>99,179,722</u>	<u>99,929,514</u>	<u>96,472,785</u>	<u>90,729,814</u>
Total primary government program revenues	<u>\$ 200,120,628</u>	<u>\$ 217,483,275</u>	<u>\$ 249,236,761</u>	<u>\$ 266,573,986</u>	<u>\$ 298,571,705</u>	<u>\$ 300,315,861</u>	<u>\$ 275,670,915</u>	<u>\$ 268,648,479</u>	<u>\$ 286,165,550</u>	<u>\$ 281,655,573</u>

(Continued)

County of Chesterfield, Virginia
Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)
(unaudited)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net (Expense)/Revenue										
Governmental activities	\$ (403,391,848)	\$ (440,567,580)	\$ (428,238,233)	\$ (443,988,361)	\$ (521,604,736)	\$ (538,327,897)	\$ (566,938,120)	\$ (531,938,842)	\$ (511,529,591)	\$ (491,979,596)
Business-type activities	27,754,188	28,980,580	35,683,380	42,690,444	51,490,996	38,808,119	33,708,014	32,352,957	27,183,080	14,522,073
Total primary government net expense	<u>\$ (375,637,660)</u>	<u>\$ (411,587,000)</u>	<u>\$ (392,554,853)</u>	<u>\$ (401,297,917)</u>	<u>\$ (470,113,740)</u>	<u>\$ (499,519,778)</u>	<u>\$ (533,230,106)</u>	<u>\$ (499,585,885)</u>	<u>\$ (484,346,511)</u>	<u>\$ (477,457,523)</u>
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes: ⁽¹⁾										
Property taxes, levied for general purposes	\$ 237,104,053	\$ 252,733,579	\$ 280,625,081	\$ 311,387,656	\$ 336,151,532	\$ 368,792,917	\$ 375,949,615	\$ 370,085,003	\$ 366,013,114	\$ 353,637,912
Property taxes, levied for special purposes	-	-	-	52,565	158,435	318,644	953,614	940,457	1,025,519	1,083,691
Utility taxes	14,202,177	14,804,378	15,510,660	15,847,696	17,092,203	19,539,935	19,760,114	7,510,925	7,676,851	7,513,492
Sales taxes	30,356,010	32,770,997	34,673,367	37,678,256	39,708,387	40,736,677	38,465,858	37,775,437	39,951,936	40,411,325
Motor vehicle licenses	5,709,976	6,049,304	6,187,924	6,458,496	6,626,608	6,204,690	7,386,980	6,698,408	6,813,084	6,872,589
Business license taxes	15,153,669	16,717,257	16,392,877	17,510,915	16,612,402	17,499,296	16,949,861	15,163,683	16,139,259	17,332,709
Other	14,267,199	15,689,956	17,974,278	20,994,261	18,678,250	15,014,721	13,019,147	9,259,788	9,240,961	10,508,806
Payment from School Board	83,420,794	93,378,084	56,724,170	42,426,235	64,127,744	52,059,151	74,630,044	55,662,221	61,378,052	10,243,723
Unrestricted grants and contributions ⁽²⁾	46,925,585	46,423,907	51,785,443	54,124,100	53,281,156	52,754,645	51,746,112	66,053,783	66,236,099	65,404,091
Investment earnings	1,855,119	2,174,800	4,638,160	9,046,080	13,396,400	14,571,536	5,823,371	1,517,603	1,096,015	730,507
Miscellaneous	451,082	66,580	66,645	322,305	506,935	298,620	1,425,727	713,621	607,932	6,239,952
Extraordinary loss - Hurricane Isabel	-	(1,757,615)	-	-	-	-	-	-	-	-
Special item -										
Meadowville Support Agreement	-	-	(18,120,000)	-	-	-	-	-	(8,345,000)	-
Transfers	669,730	1,159,737	2,151,628	1,602,708	2,115,625	2,082,572	1,528,448	3,126,266	700,079	608,273
Total governmental activities	<u>450,115,394</u>	<u>480,210,964</u>	<u>468,610,233</u>	<u>517,451,273</u>	<u>568,455,677</u>	<u>589,873,404</u>	<u>607,638,891</u>	<u>574,507,195</u>	<u>568,533,901</u>	<u>520,587,070</u>
Business-type activities:										
Investment earnings	2,734,142	1,131,711	3,394,012	4,929,254	7,427,810	7,297,951	3,915,192	1,717,864	988,007	585,002
Transfers	(669,730)	(1,159,737)	(2,151,628)	(1,602,708)	(2,115,625)	(2,082,572)	(1,528,448)	(3,126,266)	(700,079)	(608,273)
Total business-type activities	<u>2,064,412</u>	<u>(28,026)</u>	<u>1,242,384</u>	<u>3,326,546</u>	<u>5,312,185</u>	<u>5,215,379</u>	<u>2,386,744</u>	<u>(1,408,402)</u>	<u>287,928</u>	<u>(23,271)</u>
Total primary government	<u>\$ 452,179,806</u>	<u>\$ 480,182,938</u>	<u>\$ 469,852,617</u>	<u>\$ 520,777,819</u>	<u>\$ 573,767,862</u>	<u>\$ 595,088,783</u>	<u>\$ 610,025,635</u>	<u>\$ 573,098,793</u>	<u>\$ 568,821,829</u>	<u>\$ 520,563,799</u>
Change in Net Assets										
Governmental activities	\$ 46,723,546	\$ 39,643,384	\$ 40,372,000	\$ 73,462,912	\$ 46,850,941	\$ 51,545,507	\$ 40,700,771	\$ 42,568,353	\$ 57,004,310	\$ 28,607,474
Business-type activities	29,818,600	28,952,554	36,925,764	46,016,990	56,803,181	44,023,498	36,094,758	30,944,555	27,471,008	14,498,802
Total primary government	<u>\$ 76,542,146</u>	<u>\$ 68,595,938</u>	<u>\$ 77,297,764</u>	<u>\$ 119,479,902</u>	<u>\$ 103,654,122</u>	<u>\$ 95,569,005</u>	<u>\$ 76,795,529</u>	<u>\$ 73,512,908</u>	<u>\$ 84,475,318</u>	<u>\$ 43,106,276</u>

(1) Some years' tax categories have been restated for comparability between years.

(2) Beginning in fiscal year 2010, telecommunication taxes are reported as unrestricted grants and contributions due to changes in State Code.

Table III

County of Chesterfield, Virginia
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(unaudited)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011⁽²⁾</u>	<u>2012⁽²⁾</u>
General Fund										
Reserved	\$ 46,844,230	\$ 56,289,287	\$ 60,217,325	\$ 57,567,067	\$ 56,654,285	\$ 60,076,202	\$ 67,004,317	\$ 68,057,843	\$ -	\$ -
Unreserved:										
Designated	14,724,307	9,063,976	24,644,489	44,509,640	74,513,087	76,568,430	94,647,808	108,860,017	-	-
Undesignated	<u>42,264,186</u>	<u>49,403,726</u>	<u>56,277,457</u>	<u>71,444,558</u>	<u>65,204,348</u>	<u>70,704,544</u>	<u>53,495,000</u>	<u>53,495,000</u>	<u>-</u>	<u>-</u>
Total unreserved	<u>56,988,493</u>	<u>58,467,702</u>	<u>80,921,946</u>	<u>115,954,198</u>	<u>139,717,435</u>	<u>147,272,974</u>	<u>148,142,808</u>	<u>162,355,017</u>	<u>-</u>	<u>-</u>
Restricted	-	-	-	-	-	-	-	-	11,486,173	13,461,857
Committed	-	-	-	-	-	-	-	-	690,074	736,367
Assigned	-	-	-	-	-	-	-	-	182,374,682	190,269,268
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,495,000</u>	<u>53,495,000</u>
Total General Fund	<u>\$ 103,832,723</u>	<u>\$ 114,756,989</u>	<u>\$ 141,139,271</u>	<u>\$ 173,521,265</u>	<u>\$ 196,371,720</u>	<u>\$ 207,349,176</u>	<u>\$ 215,147,125</u>	<u>\$ 230,412,860</u>	<u>\$ 248,045,929</u>	<u>\$ 257,962,492</u>
All Other Governmental Funds										
Reserved	\$ 42,625,091	\$ 98,108,247	\$ 79,831,868	\$ 110,878,641	\$ 116,622,619	\$ 154,588,206	\$ 161,454,879	\$ 128,379,230	\$ -	\$ -
Unreserved, reported in:										
School Capital Projects Fund ⁽¹⁾	-	-	-	-	-	(10,590,936)	-	-	-	-
Special Revenue Funds	97,206	(138,825)	(206,838)	-	1,132,514	2,281,047	2,782,267	3,118,649	-	-
Nonspendable	-	-	-	-	-	-	-	-	5,000	5,000
Restricted	-	-	-	-	-	-	-	-	120,021,503	137,170,899
Assigned, reported in:										
School Capital Projects Fund	-	-	-	-	-	-	-	-	215,000	215,000
Special Revenue Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,086,966</u>	<u>5,989,380</u>
Total all other governmental funds	<u>\$ 42,722,297</u>	<u>\$ 97,969,422</u>	<u>\$ 79,625,030</u>	<u>\$ 110,878,641</u>	<u>\$ 117,755,133</u>	<u>\$ 146,278,317</u>	<u>\$ 164,237,146</u>	<u>\$ 131,497,879</u>	<u>\$ 126,328,469</u>	<u>\$ 143,380,279</u>

(1) In fiscal years 2002 and 2008, encumbrances exceeded actual funding received at year end.

(2) The County prospectively implemented GASB 54 for the fiscal year ended June 30, 2011. Historical data was not restated.

County of Chesterfield, Virginia
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(unaudited)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Revenues										
General property taxes	\$ 236,710,581	\$ 253,448,743	\$ 279,900,006	\$ 310,422,872	\$ 335,039,531	\$ 367,784,907	\$ 375,887,861	\$ 370,358,546	\$ 370,513,296	\$ 358,569,311
Other local taxes ⁽¹⁾	79,689,031	86,031,892	90,739,106	98,347,138	98,717,849	98,995,319	95,581,960	76,551,062	80,008,276	82,831,721
Permits, fees and licenses	5,816,000	6,806,680	7,928,524	7,522,107	7,279,086	6,411,648	4,542,125	3,984,902	3,586,770	3,864,896
Fines and forfeitures	1,303,907	1,876,556	2,180,571	1,682,991	1,584,802	2,555,991	2,097,014	2,119,362	2,296,228	2,301,977
Use of money and property	2,339,287	1,764,281	4,631,122	9,093,797	15,135,424	14,866,249	6,344,978	2,055,073	1,652,694	1,351,053
Charges for services	22,314,638	23,846,306	25,811,910	28,033,471	30,297,026	32,596,470	34,623,544	34,833,624	38,623,262	36,850,784
Donations and miscellaneous	8,187,151	11,965,401	11,303,788	11,087,191	10,490,692	11,576,794	7,782,805	6,499,504	8,559,883	16,211,413
Recovered costs	6,871,170	8,164,667	8,722,741	8,738,443	10,881,339	12,445,614	15,339,867	13,760,783	13,140,128	11,371,267
From component unit - School Board	65,914,353	93,368,159	56,715,270	42,568,721	64,105,686	51,289,900	74,630,044	55,662,221	61,378,052	10,243,723
From component unit - Economic Development Authority	-	-	-	-	-	-	-	-	-	2,769,593
From other governments ⁽¹⁾	120,642,033	125,467,792	145,595,474	148,832,439	168,430,765	168,241,737	149,519,290	157,456,277	168,557,560	169,439,273
Total revenues	<u>549,788,151</u>	<u>612,740,477</u>	<u>633,528,512</u>	<u>666,329,170</u>	<u>741,962,200</u>	<u>766,764,629</u>	<u>766,349,488</u>	<u>723,281,354</u>	<u>748,316,149</u>	<u>695,805,011</u>
Expenditures										
General government	29,066,814	30,668,010	34,046,235	35,801,627	38,878,557	46,365,935	45,833,201	43,215,375	42,636,365	46,315,295
Administration of justice	7,286,110	7,621,051	8,457,969	9,863,338	8,265,185	9,039,329	8,966,363	8,756,089	9,152,233	9,195,838
Public safety	100,207,259	108,340,259	118,326,162	127,463,261	139,138,082	145,924,583	150,999,210	151,122,446	156,223,287	156,149,460
Public works	14,714,025	15,417,078	17,793,956	16,792,195	18,601,326	19,996,286	19,849,499	18,365,860	17,330,421	18,329,261
Health and welfare	46,669,182	51,369,561	56,877,271	60,689,166	66,941,306	72,087,641	72,934,960	69,919,248	72,668,435	71,807,826
Parks, recreation and cultural	15,147,360	16,467,805	17,563,791	18,168,394	19,054,909	21,326,681	21,505,518	19,681,201	22,374,211	18,012,985
Education - School Board	247,989,442	279,750,931	252,976,793	261,521,532	311,151,647	314,603,869	316,956,577	286,137,953	286,952,462	237,812,405
Community development	12,254,885	12,908,998	12,975,808	12,833,578	13,775,065	14,966,770	18,177,218	15,893,983	16,956,080	25,316,409
Debt service:										
Principal	34,357,772	34,429,508	33,843,492	36,738,215	39,106,776	41,352,282	43,910,171	44,075,601	45,453,298	43,650,523
Interest	16,815,327	16,950,600	17,941,758	18,823,764	20,248,273	22,184,734	23,992,255	23,841,263	23,687,589	22,493,861
Other	1,435,123	1,797,522	911,410	421,006	964,441	550,556	565,906	85,997	667,429	1,318,521
Capital outlay	<u>58,547,715</u>	<u>52,883,085</u>	<u>99,491,245</u>	<u>82,099,100</u>	<u>113,531,642</u>	<u>120,756,601</u>	<u>99,877,943</u>	<u>62,797,936</u>	<u>59,272,863</u>	<u>66,143,705</u>
Total expenditures	<u>584,491,014</u>	<u>628,604,408</u>	<u>671,205,890</u>	<u>681,215,176</u>	<u>789,657,209</u>	<u>829,155,267</u>	<u>823,568,821</u>	<u>743,892,952</u>	<u>753,374,673</u>	<u>716,546,089</u>
Excess of expenditures over revenues	<u>(34,702,863)</u>	<u>(15,863,931)</u>	<u>(37,677,378)</u>	<u>(14,886,006)</u>	<u>(47,695,009)</u>	<u>(62,390,638)</u>	<u>(57,219,333)</u>	<u>(20,611,598)</u>	<u>(5,058,524)</u>	<u>(20,741,078)</u>
Other Financing Sources (Uses)										
Transfers in	31,046,563	21,551,169	24,869,121	26,252,697	26,656,114	30,526,922	32,521,513	26,765,458	21,388,162	22,438,998
Transfers out	(30,400,379)	(20,163,432)	(22,750,163)	(26,476,088)	(24,544,948)	(28,506,784)	(30,981,265)	(23,627,392)	(20,625,300)	(21,433,578)
Certificates of participation issued	6,147,772	21,162,581	25,432,065	12,059,526	-	22,885,927	7,371,199	-	-	-
Bonds issued	24,993,598	60,178,944	17,643,695	66,685,476	75,256,772	76,985,213	74,043,219	-	16,822,749	40,385,607
Refunding bonds and certificates of participation issued	33,076,575	66,940,137	21,563,926	-	25,680,236	-	22,425,825	-	7,399,075	82,654,235
Payments to escrow agent	(32,882,120)	(65,936,527)	(21,043,376)	-	(25,626,218)	-	(22,404,380)	-	(7,462,503)	(82,086,894)
Sale of land for redevelopment	-	-	-	-	-	-	-	-	-	5,751,083
Extraordinary loss - Hurricane Isabel	-	(1,697,550)	-	-	-	-	-	-	-	-
Total other financing sources, net	<u>31,982,009</u>	<u>82,035,322</u>	<u>45,715,268</u>	<u>78,521,611</u>	<u>77,421,956</u>	<u>101,891,278</u>	<u>82,976,111</u>	<u>3,138,066</u>	<u>17,522,183</u>	<u>47,709,451</u>
Net change in fund balances	<u>\$ (2,720,854)</u>	<u>\$ 66,171,391</u>	<u>\$ 8,037,890</u>	<u>\$ 63,635,605</u>	<u>\$ 29,726,947</u>	<u>\$ 39,500,640</u>	<u>\$ 25,756,778</u>	<u>\$ (17,473,532)</u>	<u>\$ 12,463,659</u>	<u>\$ 26,968,373</u>
Debt service as a percentage of noncapital expenditures	9.57%	8.73%	8.82%	8.97%	8.40%	8.68%	9.12%	9.71%	9.70%	9.74%

Notes:

(1) Beginning in 2010, telecommunications taxes were reported as revenues from other governments due to changes in State Code.

County of Chesterfield, Virginia
General Governmental Tax Revenue by Source
Last Ten Fiscal Years
(modified accrual basis of accounting)
(unaudited)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Real property taxes	\$ 181,105,449	\$ 197,247,004	\$ 218,288,289	\$ 243,289,086	\$ 267,879,286	\$ 295,937,075	\$ 310,906,883	\$ 303,352,142	\$ 295,381,760	\$ 285,653,410
Property taxes for special purposes	-	-	-	52,565	158,435	318,644	953,614	1,357,751	2,196,240	2,632,222
Personal property taxes ⁽¹⁾	74,030,236	74,944,122	84,205,053	89,700,137	90,857,452	94,275,917	87,280,037	86,882,112	93,145,764	90,652,518
Real and personal public service corporation taxes	12,628,617	11,745,691	11,381,857	10,366,883	9,357,842	10,772,082	11,462,397	12,475,064	12,646,051	12,612,667
Machinery and tools taxes	3,971,207	4,155,915	4,399,948	4,506,163	5,629,855	4,369,496	4,333,848	4,339,276	4,281,381	4,725,416
Local sales and use tax ⁽²⁾	30,356,010	32,770,997	34,673,367	37,678,256	39,708,387	40,736,677	38,465,858	37,918,258	40,138,121	40,604,124
Business license taxes	15,153,669	16,717,257	16,392,877	17,510,915	16,612,402	17,499,296	16,949,861	15,163,683	16,139,258	17,332,709
Consumer utility tax ⁽⁴⁾	14,202,177	14,804,378	15,510,660	15,847,696	17,092,203	19,539,935	7,499,495	7,510,925	7,676,851	7,513,492
Emergency 911 tax ⁽³⁾	3,717,959	3,813,252	3,708,252	3,616,838	1,748,921	-	-	-	-	-
Motor vehicle licenses	5,709,976	6,049,304	6,187,924	6,458,496	6,626,608	6,204,690	7,386,980	6,698,408	6,813,084	6,872,589
Recordation tax	3,549,252	4,143,559	6,292,804	8,384,766	7,626,619	6,096,549	4,306,611	3,905,500	3,479,084	4,048,619
Transient occupancy tax	3,278,071	3,681,635	3,637,137	4,026,848	4,183,839	4,468,629	3,960,301	3,503,222	3,727,095	4,081,220
Cable franchise fees ⁽⁴⁾	2,817,728	2,962,381	3,134,764	3,426,398	3,773,163	3,227,272	3,332,022	-	-	-
Other taxes ^{(4) (5)}	3,676,326	3,652,803	4,271,805	4,076,856	4,256,532	4,418,519	16,677,576	4,895,315	5,960,726	5,792,299
Total	<u>\$ 354,196,677</u>	<u>\$ 376,688,298</u>	<u>\$ 412,084,737</u>	<u>\$ 448,941,903</u>	<u>\$ 475,511,544</u>	<u>\$ 507,864,781</u>	<u>\$ 513,515,483</u>	<u>\$ 488,001,656</u>	<u>\$ 491,585,415</u>	<u>\$ 482,521,285</u>

(1) Includes reimbursement to the County by the Commonwealth for personal property as defined in the Personal Property Tax Relief Act of 1998. Amount is reported under non-categorical aid from the Commonwealth in the financial statements.

(2) Includes Watkins incremental sales tax

(3) Beginning in fiscal year 2008, the emergency 911 tax was reported with consumer utility taxes due to legislation enacted by the General Assembly.

(4) In fiscal year 2009, the telecommunications tax was reported as an other tax rather than as a consumer utility tax. Beginning in fiscal year 2010, the telecommunications tax and cable franchise fees were reported as revenue from other governments due to changes in State Code.

(5) Includes penalties and interest on property taxes.

County of Chesterfield, Virginia
Assessed and Estimated Market Values of Taxable Property⁽¹⁾
Last Ten Fiscal Years
(unaudited)

Fiscal Year	Assessed Values						Total direct tax rate ⁽³⁾
	Real Estate ⁽²⁾		Personal property	Machinery and tools	Public service	Total	
	Residential	Commercial/ industrial					
2003	\$ 13,688,518,943	\$ 3,736,944,720	\$ 2,698,910,633	\$ 400,004,490	\$ 1,170,557,988	\$ 21,694,936,774	\$ 1.38
2004	15,193,604,463	3,986,717,185	2,807,314,224	420,079,114	1,087,202,383	23,494,917,369	1.37
2005	16,889,432,228	4,503,087,387	3,137,616,107	404,752,040	1,060,282,022	25,995,169,784	1.37
2006	19,509,239,881	4,965,460,886	3,834,060,417	457,959,170	977,692,155	29,744,412,509	1.38
2007	23,439,147,536	5,458,439,780	3,330,659,179	543,314,870	926,030,901	33,697,592,266	1.26
2008	26,476,217,323	6,286,058,061	3,436,200,412	435,488,170	1,114,518,126	37,748,482,092	1.20
2009	26,444,495,499	6,538,019,297	3,072,809,133	438,809,420	1,198,254,238	37,692,387,587	1.17
2010	25,404,972,139	6,199,204,274	3,047,498,874	435,428,490	1,294,938,309	36,382,042,086	1.17
2011	24,371,644,507	6,209,724,943	3,167,813,011	436,491,890	1,323,381,861	35,509,056,212	1.19
2012	23,297,692,124	6,377,907,210	3,291,845,888	471,584,010	1,314,798,015	34,753,827,247	1.20

Source:

County Assessor's Office

(1) Property in the County is assessed each year. Assessed values of all classes of property approximate market value except for public service property, which is determined by the State Corporation Commission.

(2) Real estate assessed values include both halves of the year's assessments.

(3) The total direct tax rate for each fiscal year is per \$100 of assessed valuation and is calculated on a weighted average basis with no adjustment for prorated personal property tax valuations.

County of Chesterfield, Virginia
Property Tax Rates (Per \$100 of assessed value)
Last Ten Fiscal Years
(unaudited)

Personal Property

Fiscal			Motor vehicles clean	Motor vehicles of voluntary	Wild or exotic	Special equipped motor vehicles	Vehicle trailer and	All	Machinery
Year	Real estate	Airplanes	special fuels	personnel ⁽¹⁾	animals	physically handicap	semi-trailer ⁽²⁾	others ⁽³⁾	and tools
2003	\$ 1.07	\$ 0.50	\$ 3.24	\$ 0.96	\$ 0.01	N/A	\$ 0.96	\$ 3.60	\$ 1.00
2004	1.07	0.50	3.24	0.96	0.01	N/A	0.96	3.60	1.00
2005	1.07	0.50	3.24	0.96	0.01	\$ 0.01	0.96	3.60	1.00
2006	1.07/1.04 ^{(4) (5)}	0.50	3.24	0.96	0.01	0.01	0.96	3.60	1.00
2007	1.04/0.97 ^{(4) (5)}	0.50	3.24	0.96	0.01	0.01	0.96	3.60	1.00
2008	0.97/0.95 ^{(4) (5)}	0.50	3.24	0.96	0.01	0.01	0.96	3.60	1.00
2009	0.95 ⁽⁵⁾	0.50	3.24	0.96	0.01	0.01	0.96	3.60	1.00
2010	0.95 ⁽⁵⁾	0.50	3.24	0.96	0.01	0.01	0.96	3.60	1.00
2011	0.95 ⁽⁵⁾	0.50	3.24	0.96	0.01	0.01	0.96	3.60	1.00
2012	0.95 ⁽⁵⁾	0.50	3.24	0.96	0.01	0.01	0.96	3.60	1.00

Source:

Chesterfield County Accounting Department

(1) Includes motor vehicles owned by members of volunteer rescue squads, volunteer fire departments, volunteer police chaplains, and auxiliary police officers.

(2) Includes motor vehicles, trailers, and semi-trailers with a gross vehicle weight of 10,000 pounds or more to transport property for hire by a motor carrier engaged in interstate commerce.

(3) Includes automobiles (except those mentioned above), boats, boat trailers, other motor vehicles and all tangible personal property used or held with any mining, manufacturing or other business, trade, occupation or profession, including furnishings, furniture, and appliances in rental units.

(4) The real estate tax rate was different for each half of the fiscal year.

(5) In 2006, the County initiated a supplemental property tax in the Powhite-Charter Colony Parkway Interchange Service District. Real property in the district is charged this supplemental tax rate of \$0.15 per \$100 in addition to the real estate rate.

N/A = not applicable

**County of Chesterfield, Virginia
Principal Property Taxpayers
Current Year and Nine Years Ago
(unaudited)**

<u>Taxpayer</u>	<u>2012</u>			<u>2003</u>		
	<u>Assessed value⁽¹⁾</u>	<u>Percentage of total assessed valuation</u>	<u>Rank</u>	<u>Assessed value⁽¹⁾</u>	<u>Percentage of total assessed valuation</u>	<u>Rank</u>
Dominion Virginia Power	\$ 817,603,457	2.35 %	1	\$ 726,239,918	3.35%	1
Verizon Communications	277,668,967	0.80	2	225,036,513	1.04	3
E. I. duPont De Nemours and Company	242,070,490	0.70	3	279,725,567	1.29	2
Macerich Partnership	113,790,700	0.33	4			
Philip Morris, USA	112,322,610	0.32	5	88,993,536	0.41	5
Bon Secours St. Francis Medical Center	100,572,300	0.29	6			
Brandywine Operating Partnership	98,559,700	0.28	7	42,031,700	0.19	9
Zaremba Metropolitan Mid LLC	79,468,600	0.23	8			
Columbia Gas of Virginia, Inc.	63,912,871	0.18	9			
Wal-Mart Stores, Inc.	<u>63,458,100</u>	0.18	10	42,537,784	0.20	8
C. J. W. Medical Center				59,277,161	0.28	6
Chesterfield Towne Center				100,780,479	0.46	4
Liberty Property Development Corporation				44,433,100	0.20	7
Parkway Properties, LP				<u>33,024,500</u>	<u>0.15</u>	10
	<u>\$ 1,969,427,795</u>	<u>5.67%</u>		<u>\$ 1,642,080,258</u>	<u>7.57%</u>	

Source: Assessor and Commissioner of Revenue, Chesterfield County

(1) Includes real estate, personal property, machinery and tools and public service assessed value.

Table IX

**County of Chesterfield, Virginia
Property Tax Levies and Collections
Last Ten Fiscal Years
(unaudited)**

Fiscal year	Taxes levied for the fiscal year (original levy)		Total adjusted levy	Collected within the fiscal year of the levy		Collections in subsequent years	Total collections to date	
	Adjustments	Amount		Percentage of original levy	Amount		Percentage of adjusted levy	
2003	\$ 275,142,161	\$ (1,674,777)	\$ 273,467,384	\$ 266,884,823	97.00 %	\$ 5,982,897	\$ 272,867,720	99.78 %
2004	293,173,116	(1,596,949)	291,576,167	284,677,174	97.10	6,320,814	290,997,988	99.80
2005	322,950,302	(1,755,970)	321,194,332	313,803,911	97.17	6,623,480	320,427,391	99.76
2006	353,487,419	(2,649,638)	350,837,781	343,153,993	97.08	6,411,924	349,565,917	99.64
2007	379,450,995	(2,403,128)	377,047,867	364,202,059	95.98	11,559,511	375,761,570	99.66
2008	411,660,361	(2,526,435)	409,133,925	393,666,244	95.63	13,237,249	406,903,493	99.45
2009	418,267,041	(2,326,544)	415,940,497	400,440,812	95.74	13,316,100	413,756,911	99.48
2010	413,886,463	(2,399,412)	411,487,051	395,328,026	95.52	13,033,110	408,361,136	99.24
2011	405,337,481	(2,055,600)	403,281,881	386,437,915	95.34	10,185,856	396,623,771	98.35
2012	399,214,675	-	399,214,675	380,070,635	95.20	-	380,070,635	95.20

Source: Chesterfield County Treasurer's Office

Includes taxes levied on real estate, personal property and machinery and tools. Includes the supplemental property taxes in the Powhite-Charter Colony Parkway Interchange Service District and the reimbursement to the County by the Commonwealth for personal property tax relief.

County of Chesterfield, Virginia
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(unaudited)

	Governmental Activities					Business-Type Activities					
	Fiscal year	General obligation bonds	State literary loans	Public facility lease revenue bonds	Certificates of participation ⁽¹⁾	Capital leases	Revenue bonds	Certificates of participation	Total primary government	Percentage of personal income	Debt per capita
157	2003	\$ 335,635,000	\$ 4,852,068	\$ 13,685,000	\$ 18,510,750	\$ 541,799	\$ 34,463,967	\$ 394,250	\$ 408,082,834	4.28 %	\$ 1,468
	2004	361,895,000	3,404,218	12,880,000	38,574,295	279,391	28,090,521	1,380,705	446,504,130	4.29	1,572
	2005	348,130,000	2,079,718	12,075,000	60,625,045	2,010,789	23,888,891	1,809,955	450,619,398	4.12	1,549
	2006	380,510,000	1,334,218	11,270,000	70,276,228	1,863,261	19,851,888	1,738,773	486,844,368	4.16	1,628
	2007	419,520,000	726,218	10,465,000	66,152,409	1,690,270	63,248,312	1,647,591	563,449,800	4.50	1,841
	2008	458,620,000	118,218	9,660,000	84,253,592	1,509,805	59,437,914	1,556,408	615,155,937	4.66	1,978
	2009	492,015,000	55,218	8,855,000	86,340,973	1,321,452	102,076,093	1,465,225	692,128,961	5.44	2,204
	2010	454,770,000	-	8,050,000	81,407,156	1,124,886	96,819,642	1,374,043	643,545,727	4.84	2,037
	2011	432,115,000	-	7,185,000	76,478,338	965,406	88,660,000	1,282,861	606,686,605	N/A	1,908
	2012	427,010,000	-	6,475,000	70,125,625	843,702	85,120,000	1,115,574	590,689,901	N/A	1,852

(1) Includes a taxable redevelopment facility note.

Note:

The County has no legal debt margin and there are no jurisdictions with overlapping general obligation debt incurring powers.

Population and personal income data can be found on Table XIII.

N/A = not available

County of Chesterfield, Virginia
Ratios of General Obligation Bonded Debt Outstanding
Last Ten Fiscal Years
(unaudited)

Fiscal year	General obligation bonds outstanding	Estimated population⁽¹⁾	Per capita	Assessed value of taxable property⁽²⁾	Ratio to assessed value
2003	\$ 335,635,000	278,000	\$ 1,207	\$ 21,694,936,774	1.55 %
2004	361,895,000	284,000	1,274	23,494,917,369	1.54
2005	348,130,000	291,000	1,196	25,995,169,784	1.34
2006	380,510,000	299,000	1,273	29,744,412,509	1.28
2007	419,520,000	306,000	1,371	33,697,592,266	1.24
2008	458,620,000	311,000	1,475	37,748,482,092	1.21
2009	492,015,000	314,000	1,567	37,692,387,587	1.31
2010	454,770,000	316,000	1,439	36,382,042,086	1.25
2011	432,115,000	318,000	1,359	35,509,056,212	1.22
2012	427,010,000	319,000	1,339	34,753,827,247	1.23

Source:

(1) Population - Chesterfield County Planning Department estimates.

(2) Assessed value of taxable property - Chesterfield County Assessor's office

County of Chesterfield, Virginia
Pledged Revenue Coverage
Last Ten Fiscal Years
(unaudited)

Water and Sewer Revenue Bonds

Fiscal Year	Gross revenues	Less operating expenses⁽¹⁾⁽²⁾	Net revenues available for debt service	Debt Service		Coverage
				Principal	Interest	
2003	\$ 61,726,879	\$ 27,497,911	\$ 34,228,968	\$ 7,080,000	\$ 659,691	442%
2004	64,211,933	29,059,734	35,152,199	4,373,446	3,474,393	448
2005	71,023,369	35,124,746	35,898,623	4,201,629	3,650,296	457
2006	76,974,847	36,278,861	40,695,986	4,037,005	3,808,326	519
2007	80,439,452	37,556,107	42,883,345	3,918,576	3,939,005	546
2008	81,314,558	40,712,319	40,602,239	3,810,398	5,888,418	419
2009	81,850,504	41,245,910	40,604,594	5,261,821	6,079,815	358
2010	78,143,427	40,437,936	37,705,491	5,256,452	7,776,051	289
2011	78,585,637	40,861,691	37,723,946	8,159,642	10,479,723	202
2012	80,633,543	43,998,256	36,635,287	3,540,000	3,372,880	530

(1) Net of depreciation and amortization.

(2) Operating expenses for prior years were restated to eliminate capacity rights amortization.

Note:

Beginning September 1985, the Chesterfield County Utilities Department operated under the terms and conditions of bond resolutions requiring the County to fix, establish, and maintain rates and charges (including interest) sufficient to produce revenue of not less than the total of budgeted operating expenses and 115% of the debt service to become due during such fiscal year. The above revenue, expenses, and debt service relationships existed for the last ten fiscal years.

**County of Chesterfield, Virginia
Demographic Statistics
Last Ten Years
(unaudited)**

<u>Year</u>	<u>Population</u> ⁽¹⁾	<u>Personal income</u> ⁽²⁾ <u>(\$000)</u>	<u>Per capita income</u> ⁽²⁾	<u>Unemployment rate</u> ⁽³⁾	<u>Median age</u> ⁽¹⁾
2003	278,000	\$ 9,523,638	\$ 34,428	3.1 %	36.9
2004	284,000	10,417,294	36,879	3.2	37.3
2005	291,000	10,934,444	37,911	2.9	37.5
2006	299,000	11,704,457	39,834	2.8	37.7
2007	306,000	12,525,294	41,888	2.7	37.9
2008	311,000	13,194,842	43,425	4.3	36.0
2009	314,000	12,713,000	41,454	7.1	36.0
2010	316,000	13,283,489	41,883	7.2	35.9
2011	318,000	N/A	N/A	6.3	37.6
2012	319,000	N/A	N/A	5.9	37.6

Sources:

(1) Chesterfield County Planning Department estimates.

(2) U.S. Bureau of Economic Analysis (BEA) (prior years' estimates are updated periodically).

(3) Virginia Employment Commission (prior year rates are updated periodically).

N/A = not available

**County of Chesterfield, Virginia
Principal Private Employers
Current Year and Nine Years Ago
(unaudited)**

<u>Employer</u>	<u>2012⁽¹⁾</u>			<u>2003⁽¹⁾</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of total civilian labor force</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of total civilian labor force</u>
E. I. duPont De Nemours and Company	2,478	1	1.38 %	2,833	1	1.91 %
United Parcel Service	1,967	2	1.09	1,500	4	1.01
Wal-Mart Stores, Incorporated	1,555	3	0.86	1,177	6	0.79
C. J. W. Medical Center	1,267	4	0.70	1,184	5	0.80
Bon Secours St. Francis Medical Center	1,180	5	0.66			
Hill PHOENIX	1,100	6	0.61	750	10	0.51
Capital One Financial Corporation	1,069	7	0.59	900	8	0.61
Ukrop's/Martin's Super Markets, Incorporated	1,034	8	0.57	2,036	2	1.37
Vangent	897	9	0.50			
Food Lion, Incorporated	869	10	0.48	980	7	0.66
Honeywell, Incorporated				1,550	3	1.04
Alstom Power, Incorporated				853	9	0.57
Total	<u>13,416</u>		7.46 %	<u>13,763</u>		9.27 %
Total civilian labor force	179,924			148,411		

Source: Chesterfield County Economic Development Department

(1) Reported as of January 2012 and January 2003

County of Chesterfield, Virginia
Full-time County Employees by Function
Last Ten Fiscal Years
(unaudited)

<u>Function</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Governmental activities										
General government	445	452	468	468	475	501	519	490	476	479
Administration of justice	143	148	149	155	161	161	160	156	154	157
Public safety:										
Fire	401	424	447	450	454	460	463	462	461	474
Police	510	536	526	545	551	568	567	593	575	573
Sheriff	186	194	219	236	242	245	244	235	222	246
Other	194	194	195	202	203	200	201	198	190	187
Total public safety	<u>1,291</u>	<u>1,348</u>	<u>1,387</u>	<u>1,433</u>	<u>1,450</u>	<u>1,473</u>	<u>1,475</u>	<u>1,488</u>	<u>1,448</u>	<u>1,480</u>
Public works	156	164	169	170	172	169	159	152	147	147
Health and welfare	462	482	490	515	530	566	580	547	554	553
Parks, recreation and cultural	165	170	174	167	174	184	187	179	161	165
Community development	78	79	75	80	84	90	91	84	74	74
Total governmental activities	<u>2,740</u>	<u>2,843</u>	<u>2,912</u>	<u>2,988</u>	<u>3,046</u>	<u>3,144</u>	<u>3,171</u>	<u>3,096</u>	<u>3,014</u>	<u>3,055</u>
Business-type activities										
Water	136	139	144	145	146	151	153	148	151	152
Wastewater	121	122	123	122	125	129	129	130	128	128
Airport	5	4	5	4	4	4	5	5	4	5
Total business-type activities	<u>262</u>	<u>265</u>	<u>272</u>	<u>271</u>	<u>275</u>	<u>284</u>	<u>287</u>	<u>283</u>	<u>283</u>	<u>285</u>
 Grand total	 <u>3,002</u>	 <u>3,108</u>	 <u>3,184</u>	 <u>3,259</u>	 <u>3,321</u>	 <u>3,428</u>	 <u>3,458</u>	 <u>3,379</u>	 <u>3,297</u>	 <u>3,340</u>
 Number of County employees per 1,000 population	 10.8	 10.9	 10.9	 10.9	 10.9	 11.0	 11.0	 10.7	 10.4	 10.5

Source: Chesterfield County Accounting Department

County of Chesterfield, Virginia
Operating Indicators by Function
Last Ten Fiscal Years
(unaudited)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Police ⁽¹⁾										
Police Initiated Activities ⁽²⁾	212,095	223,870	218,247	225,824	380,982	415,521	485,401	516,651	701,280	763,194
IBR Group A Incidents/Part 1 Offenses	16,400	16,929	16,903	16,980	17,385	17,414	17,224	17,145	17,079	17,173
IBR Group A Clearance Rate/Uniform Clearance Rate	45%	47%	48%	44%	46%	44%	46%	48%	50%	51%
Average Response Time for Priority 1 (life threatening calls)	3.25 min.	3.51 min.	3.55 min.	3.55 min.	3.54 min.	3.62 min.	3.55 min.	3.23 min.	3.48 min.	3.41 min.
Fire Protection										
Emergency operations dispatches	26,335	28,099	28,337	29,241	31,389	32,737	32,946	32,924	34,314	36,856
Emergency medical ambulance dispatches	20,434	21,578	21,432	21,754	23,492	24,835	25,354	25,784	26,143	27,846
Fire engine medical support calls	7,818	8,385	9,719	11,915	14,511	13,871	13,459	12,792	11,351	11,901
Firefighter staffed ambulance calls	12,416	14,106	15,965	16,559	17,853	19,777	20,220	20,804	22,967	22,776
Building inspections conducted	2,380	3,089	4,735	3,889	4,672	4,793	4,575	3,459	3,438	3,083
Construction plans reviewed	2,237	2,623	2,947	2,150	1,656	1,663	2,065	1,408	943	974
Library ⁽⁴⁾										
Total circulation ⁽⁵⁾	4,129,159	4,188,855	4,234,893	4,229,030	3,855,455	3,932,984	3,474,052	3,292,105	2,825,447	3,936,793
Number of visitors	1,759,325	1,821,188	1,758,505	1,810,614	1,779,176	1,736,740	1,877,105	1,858,961	1,465,236	1,345,052
Number of reference and general assistance questions	854,663	869,070	851,931	729,285	732,148	591,203	625,521	603,058	416,031	404,500
Number of public access computer sessions ⁽³⁾⁽⁶⁾	N/A	N/A	N/A	N/A	N/A	N/A	548,332	557,588	444,636	376,970
Elections										
Registered voters	167,621	174,674	179,286	184,384	186,181	202,640	209,078	207,273	210,946	216,135
Utilities										
Water customers serviced	88,370	90,921	93,525	96,523	98,521	99,921	100,054	100,668	101,147	102,000
Wastewater customers serviced	73,625	75,844	78,204	80,891	82,681	83,948	84,067	84,566	85,010	85,843
Parks and Recreation										
Number of park visitors	3,936,516	4,297,497	3,781,035	3,826,968	3,817,965	3,919,823	4,061,315	4,670,192	4,710,680	4,212,834
Cost per visitor	\$ 0.29	\$ 0.23	\$ 0.35	\$ 0.20	\$ 0.24	\$ 0.22	\$ 0.27	\$ 0.20	\$ 0.18	\$ 0.25

Source: County Departments providing the service

(1) Information is compiled based on a calendar year prior to fiscal year 2010.

(2) Prior to 2008 this category was labeled calls and assignments but now is all inclusive of the officer activities. Beginning in FY12 this category was renamed from Police Initiated Activities to Police Activities to include assists.

(3) Automated counts for all of the public computer work stations became available after implementation of the Internet Management System in the fall of 2008.

(4) Beginning on July 1, 2011 libraries were open one less day per week

(5) Beginning in 2012, includes traditional and electronic total circulation

(6) Beginning in 2012, is also included in total media

N/A = Not available

**County of Chesterfield, Virginia
Capital Asset Statistics by Function
Last Ten Fiscal Years
(unaudited)**

164

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Airport										
Number of airplane hangars	90	90	110	110	110	110	110	110	110	110
Police										
Number of stations	3	3	3	3	4	4	4	4	4	4
Fire Protection										
Number of fire companies	18	19	21	21	21	21	21	21	21	21
Library ⁽¹⁾										
Number of facilities	10	10	10	10	10	10	9	9	9	9
Utilities										
Water line in system (miles)	1,561	1,598	1,656	1,693	1,750	1,780	1,823	1,839	1,857	1,871
Wastewater line in system (miles)	1,658	1,689	1,751	1,790	1,850	1,898	1,926	1,945	1,962	1,970
Parks and Recreation ⁽²⁾										
Number of parks	41	43	43	43	43	45	44	45	45	46
Park acreage	3,991	3,995	3,778	3,783	3,903	4,009	4,009	4,387	4,412	4,494
Number of athletic complexes maintained	11	16	10	10	10	11	11	11	11	11

Source: County Departments providing the service

1) The Law Library relocated from the Courts Building to the Central Library in 2009.

2) Information includes sites and acreage available to the public as a result of partnership agreements.

COMPLIANCE SECTION



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

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

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

We have audited the 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 Chesterfield, Virginia (the County) as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 15, 2012. Our report was modified to include a reference to other auditors. 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. Other auditors audited the financial statements of the Economic Development Authority of the County of Chesterfield, Virginia, the Chippenham Place Community Development Authority, and the Health Center Commission for the County of Chesterfield, discretely presented component units of the County. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

Management of the County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.



Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 15, 2012



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

**Independent Auditors' Report on Compliance With
Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control Over
Compliance in Accordance with OMB Circular A-133**

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

Compliance

We have audited the County of Chesterfield, Virginia's (the County) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (*OMB Circular A-133 Compliance Supplement*) that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2012. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 12-01.



Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 12-01. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 15, 2012



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

**Independent Auditors' Report on Compliance with Commonwealth
of Virginia Laws, Regulations, Contracts, and Grants**

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

We have audited the 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 Chesterfield, Virginia (the County) as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 15, 2012. Our report was modified to include a reference to other auditors.

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 *Specifications for Audits of Counties, Cities, and Towns* (Specifications), issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and Specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Other auditors audited the financial statements of the Economic Development Authority of the County of Chesterfield, Virginia, the Chippenham Place Community Development Authority, and the Health Center Commission for the County of Chesterfield, discretely presented component units of the County. This report does not include the results of the other auditors' testing of compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts, and grants that are reported on separately by those auditors.

Compliance with Commonwealth of Virginia's laws, regulations, contracts, and grants applicable to the County is the responsibility of the management of the County. As part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we performed tests of the County's compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with such provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The following is a summary of the Commonwealth of Virginia laws, regulations, contracts, and grants (as specified in the Specifications, Chapters Two and Three) for which we performed tests of compliance:



Code of Virginia

- Property Taxes and Property Taxes Receivable
- Intergovernmental Revenues
- Intergovernmental Agreements
- Budget and Appropriations Laws
- Cash and Investments
- Conflicts of Interest
- Debt Provisions
- Retirement Systems
- Procurement
- Unclaimed Property

State Agency Requirements

- Education
- Comprehensive Youth Services Act
- Social Services

The results of our tests disclosed instances of noncompliance with those requirements which are required to be reported in accordance with the Specifications, and which are described in the accompanying Schedule of Findings and Questioned Costs as items 12-2 and 12-3.

The County's responses to the findings identified in our tests of compliance are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, the Auditor of Public Accounts of the Commonwealth of Virginia, and the applicable state agencies and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 15, 2012

COUNTY OF CHESTERFIELD, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

(1) Summary of Auditors' Results

- (a) The type of report issued on the financial statements: **unqualified opinions**
- (b) Significant deficiencies in internal control over financial reporting disclosed by the audit of the financial statements: **none reported**
- (c) Material weaknesses in internal control over financial reporting disclosed by the audit of the financial statements: **none**
- (d) Noncompliance which is material to the financial statements: **none**
- (e) Significant deficiencies in internal control over major programs: **yes, item 12-01**
- (f) Material weaknesses in internal control over major programs: **none**
- (g) The type of report issued on compliance for major programs: **unqualified opinion**
- (h) Any audit findings which are required to be reported under section 510(a) of OMB Circular A-133: **yes, item 12-01**
- (i) Major programs:
 - **Child Nutrition Cluster (CFDA Numbers 10.553 and 10.555)**
 - **JAG Program Cluster (CFDA Numbers 16.738 and ARRA 16.804)**
 - **Highway Planning and Construction (CFDA Number ARRA and non-ARRA 20.205)**
 - **Energy Efficiency and Conservation Block Grant Program (CFDA Number ARRA 81.128)**
 - **Education Jobs Fund (CFDA Number 84.410)**
- (j) Dollar threshold used to distinguish between Type A and Type B programs: **\$1,892,079**
- (k) Auditee qualified as low-risk auditee under section 530 of OMB Circular A-133: **yes**

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None

(3) Findings and Questioned Costs Relating to Federal Awards

12-01 JAG Section 1512 ARRA Report

Program – JAG Program Cluster (CFDA Numbers 16.738 and 16.804) – U.S. Department of Justice

Criteria – OMB Circular A-133, Subpart C.300.b requires that an auditee “maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and provisions of contract or grant agreements that could have a material effect on each of its federal programs”. Additionally, reports are required by the U.S. Department of Justice (DOJ) to be prepared accurately.

COUNTY OF CHESTERFIELD, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Condition – The County prepares and submits the JAG Section 1512 ARRA report on a quarterly basis to the DOJ. The JAG Section 1512 ARRA reports for fiscal year 2012 were not reviewed for completeness and accuracy by a responsible official other than the preparer prior to submission.

The amount of federal funds received through the grant life-to-date is required to be reported on the quarterly JAG Section 1512 report. For all four quarters of fiscal year 2012, we noted that the County reported the amount of federal funds *expended* under the grant life-to-date instead of the amount of federal funds *received*.

Cause – The County has a process in place that requires all Section 1512 ARRA reports to be submitted to the Accounting Department's Financial Grants Analyst for review and approval before submission. The quarterly JAG Section 1512 ARRA reports were not submitted for review and approval by the Financial Grants Analyst until after submission.

We understand that the preparer of the reports misread the requirement to report cash *received* as opposed to *expenditures* on the quarterly JAG Section 1512 ARRA report.

Effect – Inaccurate reporting of ARRA funds could have occurred as a result of there being no review of the reports prior to submission, and inaccurate reporting could have resulted in reduced funding for the cluster.

Questioned Cost – None – the amounts incorrectly reported on the quarterly JAG Section 1512 ARRA reports did not impact the amount of ARRA funds received or expended by the County.

Recommendation – Grant managers should ensure that program managers understand and comply with all County policies and procedures regarding management review of reports and that such reports are accurately prepared and in fact reviewed by a responsible official, other the preparer of the report, prior to the submission to the DOJ.

Views of Management:

- **Contact Person:** Theresa L Simonson, Chief of Administrative Services and Captain R.M. Louth, Homeland Security/Special Projects
- **Corrective Action:** The JAG Section 1512 ARRA report was not completed correctly in the following category "Total Federal Amount ARRA Funds Received/Invoiced". This field should reflect actual funds received. The automated report pre-populated this field with the expenditure amount and it was not corrected by the preparer. The corrective action will be for the preparer to write over this field with the actual amount received. The County process requires that Section 1512 ARRA reports be submitted to the Accounting Department Financials Grants Analyst for review before submission. The reports were not submitted to Accounting until after submission. The corrective action will be for the preparer to draft the report and send an electronic draft copy to the Accounting Department for review before submitting. This email will include a copy to the preparer's supervisor.

COUNTY OF CHESTERFIELD, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

- **Anticipated Completion Date:** The reporting of federal funds received began with the 3rd quarter of calendar year 2012 report which was submitted on October 8, 2012. Review by Accounting Department staff of all JAG ARRA 1512 reports before submission to the DOJ will take place beginning with the 4th quarter of calendar year 2012.

(4) Findings and Questioned Costs Relating to Compliance with Commonwealth of Virginia Laws, Regulations, Contracts, and Grants

12-02 Social Services System Access

Criteria – As described in Section 15.2-2511 of the Code of Virginia, when an employee separates from the local social services department, his or her access privileges must be immediately removed from all systems that they were authorized to use.

Condition – For a sample of twenty five employees separated during the year with social services system access privileges, there were four employees whose access privileges to all Virginia Department of Social Services systems were not removed within three days of their separation date.

Cause – Termination dates were not reported to the individual responsible for removing system access privileges in a timely manner.

Effect – Non-compliance may result in unauthorized individuals having system access.

Recommendation – The County should implement corrective action aimed at enhancing internal controls related to the communication of the separation of social services employees to ensure that system access privileges of separated employees are removed immediately.

Views of Management:

- **Contact Person:** Marsha Sharpe
- **Corrective Action:** A Computer Access Policy for Volunteers was developed and approved by management on October 24, 2012. Supervisors will be trained on December 5, 2012. The policy makes supervisors accountable for notifying the Security Officer in a timely manner when a volunteer leaves the program or changes assignments. In addition, Supervisors will be retrained on the timeframe for ensuring that the completed separation form for emergency hires is submitted to the Security Officer in a timely manner.
- **Anticipated Completion Date:** Training on December 5, 2012 and monitoring thereafter.

12-03 Social Services Business Continuity Plan

Criteria – As described in Section 44-146.18 of the Code of Virginia, the annual process of updating a business continuity plan for a locality's social services department should be completed by April 1 each year.

Condition – The County did not review or update its Social Services Business Continuity Plan (the Plan) within the previous twelve months.

COUNTY OF CHESTERFIELD, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Cause – The County does not have a consistent process in place to ensure the Plan is updated annually.

Effect – Non-compliance may result in the Plan's procedures being out-dated or inappropriate under changed circumstances.

Recommendation – The County should develop policies and procedures to ensure that the Plan is reviewed and updated annually by April 1.

Views of Management

- **Contact Person:** Marsha Sharpe
- **Corrective Action:** The Social Services Business Continuity Plan will be updated by January 31, 2013 and then annually by January 31st of each year.
- **Anticipated Completion Date:** January 31, 2013

OUR STRATEGIC GOALS

To be exemplary stewards of the public trust and a model for excellence in government

To provide consistently excellent customer service

To be known for extraordinary quality of life

To be the safest and most secure community of its size

To be the employer of choice

To be the **FIRST CHOICE** business community

To be responsible protectors of the environment



This report was prepared by the Accounting Department
Chesterfield County, Chesterfield, Virginia, 23832

ACCOUNTING DEPARTMENT EMPLOYEES

06/30/2012

June Albrecht	Kimberly Collette	Kathy Jones	Diane Shiflett
Donna Arrington	Michael Dance	Carol Kelley	Drecilla Smith
Steve Arritt	Dana Davis	Lorraine Kosobucki	Kristie Smith
Debbie Baicy	Courtney Farrell	Diane Lanier	Kristie Szafranski
Ronda Bailey	Art Franks	Dawana Lowry	Kathy Taylor
Karen Brittain	Elizabeth Fritts	Nicole Nicolosi	Lindsey Thornton
Mattie Brown	Christine Garner	Kevin Payne	Donna Tucker
Patsy Brown	April Green	Shelly Pigona	Catie Wilson
Virginia Brown	Mary Gromovsky	Tammi Piguett	Consuela Wilson
Kristina Buchanan	Mandy Haasch	Bridget Pillow	Jackie Winston
Stephanie Burton	Wanda Jenkins	Pam Schley	

Cover: The Greater Richmond Aquatics Partnership (GRAP) aquatic center is located in Chesterfield County near the interchange of Chippenham Parkway and Iron Bridge Road. The competition pool featured on our cover is the pool used in the 2008 Olympic Trials held in Omaha, Nebraska. With this facility, GRAP will elevate aquatics by promoting sports tourism and national competitive swimming in our region and by making water safety and aquatic fitness more accessible to all.

Photo credit: Baskervill, architects

Please visit us at: www.chesterfield.gov