



## *The Comprehensive Annual Financial Report*

*Chesterfield County, Virginia*  
*for the year ended June 30, 2018*



# COUNTY OF CHESTERFIELD, VIRGINIA



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018

Prepared by  
Accounting Department, Finance and Administration  
Patsy J. Brown, CPA, CPFO, Director



# Chesterfield County

## Strategic Plan FY2015–2019

### MISSION

Providing a FIRST CHOICE community through excellence in public service

### VISION

To be an extraordinary and innovative community in which to live, learn, work and play

### VALUES

Results  
Innovation  
Service  
Ethics

## Model for excellence in government

**Definition**—*Deliver exceptional service with an engaged workforce that effectively manages public assets*



#### Objectives

- 1.1 Promote financial integrity by effectively and efficiently managing public assets
- 1.2 Require the highest standards of professionalism, ethics and integrity
- 1.3 Understand and respond appropriately to customers' key needs with effective, collaborative solutions
- 1.4 Attract, develop and retain a diverse, high-performing workforce
- 1.5 Think and act regionally to maximize positive outcomes and leverage resources
- 1.6 Foster a safe work environment and minimize risks associated with security and integrity of assets and information

## Safety and security

**Definition**—*Partner with residents to provide a safe and secure community through prevention, readiness, and professional response*



#### Objectives

- 2.1 Enhance community preparedness through prevention
- 2.2 Increase safety and perception of safety
- 2.3 Reduce incidents that result in injury, death and property damage
- 2.4 Reduce the recurrence of incidents that negatively impact county resources

## Economic prosperity and educational excellence

**Definition**—*Promote a business-friendly community to retain and attract businesses, diversify the economic base and create job opportunities for an educated, ready workforce*



#### Objectives

- 3.1 Attract and retain businesses that provide diverse economic base
- 3.2 Increase private-sector job opportunities and earning potential
- 3.3 Streamline requirements for starting and operating a business
- 3.4 Match workforce skills with business needs

## Healthy living and well-being

**Definition**—*Promote healthy, active lifestyles and foster self-sufficiency that enhances quality of life through physical, mental, emotional and social well-being*



#### Objectives

- 4.1 Improve self-sufficiency and access to services and resources
- 4.2 Promote connectedness and increase opportunities for community involvement and education
- 4.3 Increase healthy lifestyles and reduce chronic disease

## Thriving communities and environmental stewardship

**Definition**—*Enrich quality of life, preserve natural resources and enhance community attractiveness through stewardship of the natural and built environment*



#### Objectives

- 5.1 Facilitate quality, well planned, well designed communities which respect the natural environment
- 5.2 Foster an environmentally responsible community and county government
- 5.3 Adopt a collaborative approach to community revitalization
- 5.4 Provide an innovative, safe and lasting public infrastructure based on best practices



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# Chesterfield County, Virginia

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## BOARD OF SUPERVISORS

**DOROTHY JAECKLE, CHAIRMAN**

Bermuda District

**LESLIE A. T. HALEY, VICE CHAIRMAN**

Midlothian District

**STEPHEN A. ELSWICK,**

Matoaca District

**CHRISTOPHER M. WINSLOW**

Clover Hill District

**JAMES M. “Jim” HOLLAND**

Dale District

October 31, 2018

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

Honorable Members of the Board of Supervisors:

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of Chesterfield County, Virginia (the County) for the fiscal year ended June 30, 2018. State law requires that local governments have all their accounts and records, including accounts and records of their constitutional officers, that comprise the financial statements be 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 County's 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, County management 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.

Cherry Bekaert LLP, a firm of licensed certified public accountants, audited the County's financial statements as of and for the fiscal year ended June 30, 2018. The independent auditors planned and performed the audit to obtain reasonable assurance that the financial statements of the County as of and for the fiscal year ended June 30, 2018, are free from material misstatement. The independent audit involved performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. The report of the independent auditor on the financial statements is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the County 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 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 Uniform Guidance. The independent auditors' report on the Uniform Guidance 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 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 financial statements.

### **Profile of the Government**

The County is in the mid-Atlantic region of the United States in east-central Virginia and is part of the Richmond/Petersburg metropolitan statistical area (MSA). Residents enjoy a location that is within a two-hour drive of the Virginia beaches, the Blue Ridge Parkway, and Washington D.C. With 50% of the nation's population and 65% of the nation's manufacturing operations within a one-day commute, the Boyd Company ranked Chesterfield County as the top location on the East Coast, and one of the best locations in the nation for logistics-related businesses in 2015. The County's major transportation routes include the I-95 and I-295 corridors with Route 288, Route 76 (Powhite Parkway), and Route 150 (Chippendale Parkway) as connecting routes providing quick access to I-64 to the north and I-85 to the south. This strategic location has been a catalyst for residential, commercial and industrial growth. The land area of the County totals 446 square miles. A large portion of the land in the County, especially in the southwestern area, remains rural. The County's population is estimated to be 344,000.

The County's early history includes the second successful English settlement in the New World, the City of Henricus, founded in 1611. The development of the first hospital, the chartering of the first college, and the introduction of a commercially successful tobacco strain were some of the important events that occurred at Henricus which influenced the course of American history. The County was founded in 1749 and emerged as an important industrial hub as the first place in the nation where coal was commercially mined. The commercialization of the Midlothian mines resulted in Midlothian Turnpike, known as the Manchester or Buckingham Road, which became the first paved road in Virginia. The first railroad in the area was built in 1831 from the mines to the James River so coal could be loaded on ships and sent to New York, Philadelphia, and other northern cities. Coal mining operations continued through the Civil War.

The County operates pursuant to a County Charter approved by the citizens of the County in a referendum election and subsequently enacted by the Virginia General Assembly in 1988 with the most recent charter amendments occurring in fiscal year 2017. The governing body of the County is the Board of Supervisors (Board) which is composed of five members, one member elected from each of five magisterial districts. Members must reside in the district that he or she serves and are elected for four-year terms. The term of the current Board began January 2016 and will continue through December 2019. The Board establishes policies governing the administration of the County and appoints a County Administrator who serves at the pleasure of the Board to execute the policies.

The County provides a full range of municipal services and continues to be the lowest cost, full service locality in the Commonwealth of Virginia (Commonwealth) among localities of similar size. Major programs include police, fire and emergency medical services, court services, libraries, parks and recreation, community development, social services, and mental health services. Additionally, the County operates a general aviation airport and water and wastewater utility systems (Utilities). The citizens elect a separate School Board to oversee education. The County is empowered to levy a property tax on both real and personal properties located within its boundaries. The County's Utilities Department is one of the few public utilities in the nation with a triple AAA rating for its revenue bonds and the County is one of less than one percent of the counties in the U. S. with a triple AAA rating for its general obligation bonds.

The financial reporting entity includes all funds of the County, the primary government, and its component units. Three discretely presented component units (i.e., School Board, Watkins Centre Community Development Authority, and Chippendale Place Community Development Authority) and one blended component unit (Economic Development Authority) are included in the reporting entity because of the County's financial accountability for these organizations. The discretely presented component units are reported separately within the County's basic financial statements while the blended component unit is included as though it were a fund of the County. Additional information concerning these legally separate organizations can be found in Note 1 to the financial statements.

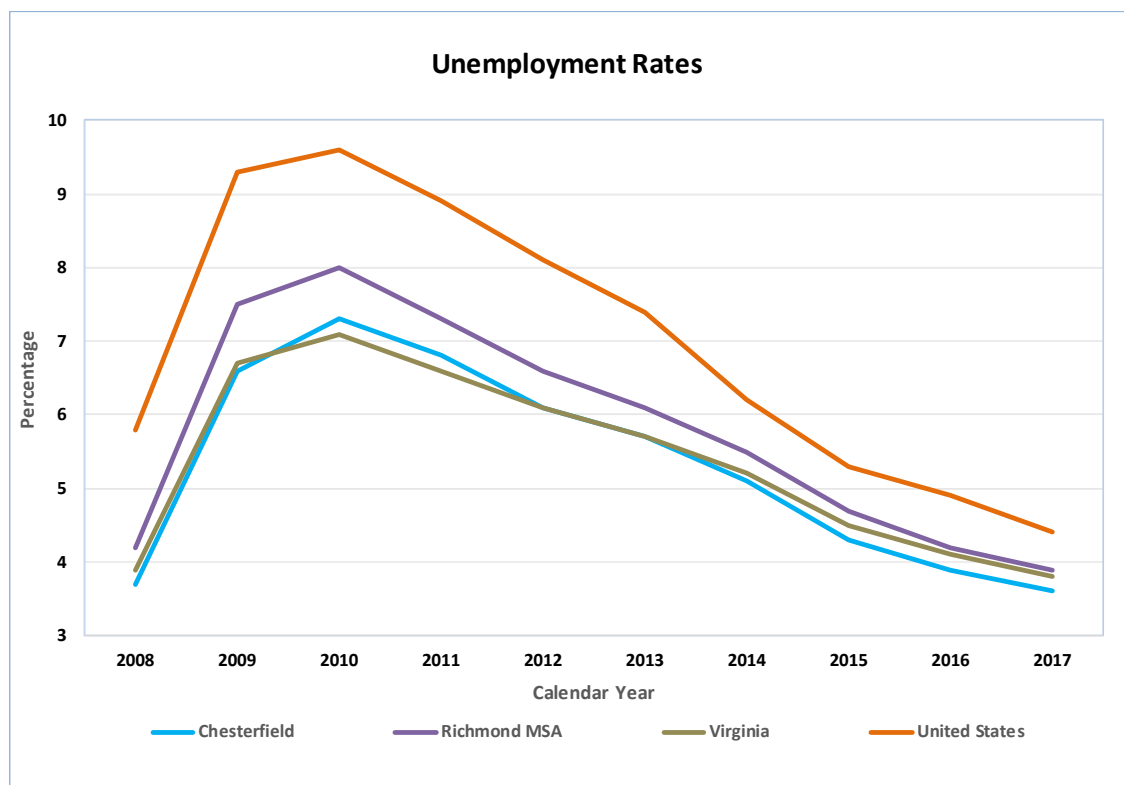
The annual General Fund budget serves as the foundation for the County's financial planning and control. The Board is required to hold a public hearing on the proposed budget and to adopt a final budget by May 1st of each year. The appropriated budget is at the function level for the General Fund and at the fund level for the Children's 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.

## Local economy

The economy in the Richmond MSA is diverse. Recent employment growth has been broadly distributed among the region's industry sectors, with construction, information, and trade, transportation, and utilities showing the most strength. Positive economic trends continue in the areas of economic development, retail sales, and tourism. Comparisons of the County's trends to the Richmond MSA and the Commonwealth continue to be favorable.

The County is positioned to prosper during healthy economic times and to weather downturns with the ability to attract a highly skilled labor force to quality jobs in the region. The County's annual unemployment rate of 3.6% in calendar year 2017 reflected steady improvement year-over-year since 2009. The County's unemployment rate is more favorable than both the Richmond MSA and the Commonwealth's rate of 3.9% and 3.8%, respectively. Unemployment data for July 2018 reflects a continued decreasing trend in unemployment rates, reporting the County's unemployment rate at 2.9% compared to the Richmond MSA's rate of 3.1% and the Commonwealth's rate of 3.1% with the U. S. unemployment rate at 4.6%.



The County is committed to fostering a vibrant economy that enhances economic opportunities by attracting new business capital investment, reinvestment by established businesses, and new jobs. The County's Department of Economic Development helps attract significant new business and assists County companies in expanding their existing businesses. During fiscal year 2018 new and expanding industrial and commercial businesses announced investments of \$142.1 million and the creation of 643 jobs.

From the first quarter of 2014 through the first quarter of 2018 the number of jobs in the County increased by 14,615 (12.0%). The County led the region in job creation during this span of time and expanded its proportionate share of jobs in the region by 1.0%.

Among the fifteen projects announced by the Economic Development department is the fourth expansion of Sabra Dipping Company LLC of the Sabra Chesterfield campus. Sabra is investing \$10.8 million to expand the world's largest hummus-making factory by 40,000 square feet to further expedite product delivery to retail, which means getting freshly-made hummus to the consumer sooner. The new addition more than doubles Sabra's finished goods storage capacity, lays the groundwork for future packaging customization capabilities and will improve the carbon footprint. Sabra expects

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to add 12 full-time positions upon completion of the expansion, which Sabra believes will maintain its Gold certification under the U. S. Green Building Council's LEED certification program.

The FedEx Corporation announced and constructed a \$32 million, 160,000 square foot cross-dock facility that employs 200 workers. Other noteworthy project announcements include Pepsi (\$23 million), Bissell (\$26.4 million) and Devon James River Logistics (\$13 million). These investments continue to validate the strong position Chesterfield enjoys for attracting supply chain and logistics operations.

Meadowville Park, one of Chesterfield's premier employment centers, has created jobs and investments in the County with the assessed property value increasing from below \$10 million initially to more than \$280 million. The most recent addition to Meadowville Park, Niagara Bottling LLC, opened a \$95 million manufacturing and bottling operation to produce its Niagara brand and private label bottled water using a state-of-the-art filtration system. Other facilities operational at this site include Amazon's one million square foot, \$85 million distribution center which employs 3,000 full-time and over 4,000 seasonal employees; Capital One's \$15 million data center; and Medline Industries' \$20 million, 400,000 square foot facility. In June 2017 Moody's noted "The County continues to benefit from Meadowville park." Nearby, Altria invested \$50 million to build a tobacco leaf storage warehouse complex totaling one million square feet.

Trends in taxable retail sales in the County continue to compare favorably to the Richmond MSA and the Commonwealth. Retail sales show a positive year-over-year change in taxable retail sales the past seven years for the County, the MSA, and the Commonwealth. The average annual percentage increase in the County's taxable retail sales was 3.0% for 2008 to 2017 compared to increases of 1.9% for the Richmond/Petersburg MSA and 1.7% for the Commonwealth.

**Taxable Retail Sales  
(\$ in 000's)**

<b>Calendar Year</b>	<b>Chesterfield County</b>	<b>% Change</b>	<b>Richmond MSA</b>	<b>% Change</b>	<b>Commonwealth of Virginia</b>	<b>% Change</b>
2008	\$ 3,563,713	(0.8) %	14,736,244	(1.9) %	90,106,122	(2.1) %
2009	3,345,048	(6.1)	13,936,772	(5.4)	85,869,132	(4.7)
2010	3,363,333	0.5	13,710,151	(1.6)	86,420,964	0.6
2011	3,502,240	4.1	14,210,036	3.6	89,070,341	3.1
2012	3,712,873	6.0	14,937,724	5.1	93,335,660	4.8
2013	3,750,484	1.0	15,129,668	1.3	94,597,894	1.4
2014	3,943,519	5.1	15,698,529	3.8	96,243,827	1.7
2015	4,073,926	8.6	16,440,786	4.7	100,219,957	4.1
2016	4,179,659	6.0	16,641,946	6.0	101,678,812	5.6
2017	4,394,824	5.1	17,266,789	3.8	103,741,107	2.0

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

The County continues to expand its revenue base by attracting a diversified pool of taxpayers and employers. In the current fiscal year, the top ten taxpayers accounted for 4.6% of the County's total assessed value tax base. The County's taxpayer and employment bases contain a broad range of industries including healthcare, retail sales, financial services and manufacturing. Detailed information regarding the top ten taxpayer statistics and employer diversity can be found on pages 251 and 257, respectively.

The County's real estate market continues to remain strong with the value of all real property in the County, which includes changes in the values of existing properties and gains from new construction, increasing 5.2% during calendar year 2017 exceeding the gains experienced during 2016 (4.4%). The aggregate value of existing homes rose 3.8% during 2017 compared to 3.1% in the prior year. The growth in real property valuations resulted in the Board reducing the tax rate by one penny. The future forecast for the revaluation of existing residential property is a conservative 3.0% growth annually which is in line with the historical average.

Home prices and sales in the County continue to rise. Through August 2018 year-to-date sales increased 3% over the comparable 2017 period after a 4% increase in sales in calendar year 2017. Active inventory and average days on market to sale are trending lower than last year while sales prices are up another 2% through August 2018 year-to-date following an 8% increase in 2017. Several of the County's communities are among the region's most sought-after destinations. Developers of the Hallsley community, located in Midlothian, were presented with the National Association of Home Builders' 2017 Best in American Living "Platinum" award, the top national award, for the Best Master Planned Community

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of the Year (over 100 homes). Midlothian was named in the October 2017 *MONEY* magazine as one of the Top 50 “Best Places to Live”.

The new Richmond Volleyball Club (RVC) debuted in fiscal 2018, built in partnership with the County’s Economic Development Authority. This \$8 million, 50,000 square foot indoor sports facility leased to RVC opened in April 2018 at Stonebridge. The RVC helps residents in the Richmond region maintain an active lifestyle by offering year-round programs that bring people of all ages and abilities from across Central Virginia to play volleyball. The Stonebridge location in the Midlothian Turnpike corridor, provides easy access to RVC and convenient retail for its users. The County’s Parks and Recreation Department leases 5,000 square feet of the facility for community programs and services to citizens in the northern area of the County.

The County’s focus on sports tourism continued to flourish during fiscal year 2018 as fourteen new sports events brought the total sports events to sixty-two. Athletes, families and coaches from across the nation and other countries pushed the local economic impact of sports tourism to \$41 million in fiscal year 2018, an increase of nearly \$2.4 million over the previous year. Visitor spending from sports tourism generated an additional \$1.5 million in local tax revenue collected for the year. New events held in the County include the Club Championships League II Fall and Spring festivals for boys’ and girls’ soccer, increasing the total number of Club Champion League events held in the County to five. U.S. Lacrosse, the national governing body for the sport, also brought its U15 National girls lacrosse tournament to the County. The new Richmond Volleyball Club facility hosted the Amateur Athletic Union Bid Tournament and Championship for girls’ volleyball as well as other events. The County hosted events at 13 facilities, including county-owned and private venues, highlighting fourteen sports. Some examples of other events include the USA Swimming’s Futures Championship at SwimRVA and the Professional Putters Association Eastern Open at Putt-Putt Fun Center. SwimRVA recently announced that it will host one of the nation’s top swimming events in April 2019, the 2019 TYR Pro Swim series that will include 400-600 of the world’s top swimmers. The County’s partnerships with Richmond Sports Backers, Richmond Regional Tourism and the Chesterfield Chamber of Commerce help attract these diverse events.

River City Sportsplex, a 115-acre complex comprised of twelve synthetic turf fields, was purchased by the County in December 2016 from a large creditor who had taken ownership through bankruptcy proceedings in 2012. Parks and Recreation staff altered position responsibilities to operate this new asset and began its transformation by removing thousands of pounds of debris, addressing maintenance issues, and developing a plan to complete and upgrade the facility. River City Sportsplex hosted twenty-six of the sixty-two sports tourism events mentioned above, accounting for \$32.3 million of the \$41 million of economic impact. Transformation of this once-fledgling venue into a premiere sports destination resulted in its recognition in SportsEvents Magazine as an “Ultimate Soccer and Lacrosse Destination and Venue” and a National Association of Counties Achievement Award. The facility hosted 549,000 visitors, including event participants and County citizen use, during the past year. Several multi-year event contracts have been signed by groups bringing multiple tournaments to the County through 2022 with an event signed for 2023. A turn lane to improve access has been completed. Other upgrades planned and underway include additional paved parking spaces, a new restroom and concessions building and additional lighting for fields.

### **Long-term financial planning**

The County provides a high quality of life to citizens with a wide range of services and a school system nationally recognized for its quality of education while exercising great fiscal discipline. The County’s strategic plan, Blueprint Chesterfield, demonstrates the County’s commitment to deliver services that make it the best community in which to live, work, and play. The current strategic goals are:

- Model for excellence in government
- Safety and security
- Economic prosperity and educational excellence
- Healthy living and well-being
- Thriving communities and environmental stewardship

Blueprint Chesterfield is a roadmap that guides decision making during times of prosperity or challenge and provides a means to link both departmental and individual performance to the County’s strategic goals using a measurement system to indicate progress toward goals.

The annual financial plan links to Blueprint Chesterfield and includes a detailed budget for the upcoming year along and projections for the next four years (five-year plan) which capture commitments aligned with priorities identified by community and the Board. The multi-year projections serve as a roadmap to allocate funding to priorities for future years against preliminary revenue projections. Over the course of each budget cycle, staff meets with the community multiple times and in multiple settings through public meetings and other citizen engagement sessions to determine the

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community's priorities. Input from those sessions and other feedback received throughout the year through the Blueprint Chesterfield initiatives are used to align resources during the annual budget process.

Fiscal integrity is a top priority for the County. The County's financial policies establish the framework for financial planning and management, facilitate evaluating future funding and spending proposals, and provide guidelines to measure budgetary performance. The financial policies further ensure that the County continues to be a model for excellence in government by providing direction in the areas of revenues, operating expenditures, capital expenditures, and debt management. The Board reviews the County's financial policies at least every five years with the most recent updates occurring in fiscal year 2018.

The County prepares a Capital Improvement Program (CIP) each year, which serves as a planning tool for the efficient, effective and equitable distribution of public improvements throughout the County. The development of the CIP is guided by the County's Public Facilities Plan, which 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. County departments are asked to submit requests for Capital Improvement Programs (CIP) for a five-year horizon which are reviewed by Budget staff, the Citizen's Budget and Advisory Committee, and executive leadership prior to being presented to the Board. The adopted CIP is a component of the annual financial plan.

National, State, and local economic indicators are monitored and communicated as part of the revenue projection work session held with the Board. Turnover savings, efficiencies gained, changes in programs and contract savings are identified each year during the budget process, along with the identification of new revenues. County departments and the School Board develop operating budget submissions linked to strategic goals. Budget staff develops the preliminary five-year plan around the key priorities and the School Board approved budget, continuously assessing the draft plan's impact on financial policies to ensure affordability and sustainability over the long-term. Additional Board work sessions, community meetings, and public hearings are held prior to the Board adopting the proposed budget and CIP.

Through dialogue about community priorities, the citizens validated the County's focus on education and public safety for the fiscal year 2019 Budget. Demographic and development trends, such as the age wave, workers wanting jobs closer to home, and aging neighborhoods, require attention and resources. Strong support exists to address a wide array of transportation needs, as well as the desire to direct resources to maintain existing infrastructure throughout the County along with continued emphasis on customer service and the longstanding commitment to fiscal stewardship. These priorities are consistent with the results of The National Citizen Survey Community Livability Report results received during fiscal year 2017 where citizens voiced support for safety, infrastructure, education, and economic development. The five themes guiding program and service enhancements for the fiscal year 2019 budget and the five-year plan are:

- Strengthen public safety
- Enhance transportation
- Care for existing infrastructure
- Remain customer focused
- Invest in the workforce

Real and personal property tax revenues are the County's principal funding source, representing 64% of the budget for General Fund generated revenues in fiscal year 2019. Total real property revenues for fiscal year 2019 are budgeted at \$354.2 million, an increase of \$14.7 million (4.3%) from the fiscal year 2018 adopted budget, which incorporates a real estate tax rate decrease of one penny (\$0.95) for tax (calendar) year 2018. At January 2018, assessed home values increased for the fifth consecutive year with a 3.8% increase over January 2017 bringing the average assessed home value back to pre-recession levels. Personal property taxes are another major source of local revenue for the County and are budgeted in fiscal year 2019 at \$73.9 million, reflecting an increase of 6.5%. The real property tax revenue projections for the next four years build in a conservative 3.0% increase for planning purposes.

Expenditures approved for the fiscal year 2019 budget include a 2.3% pay raise for general government employees meeting expectations with lower earning employees receiving an extra 0.7% increase to offset increasing healthcare costs and other cost of living increases. Overall expenditures for the General Fund are estimated to increase by 3.3% (not considering reserves for Schools) with support for improvements across the full spectrum of the community priorities. The most significant increases are in public safety (3.2%), maintenance for infrastructure and capital (3.3%), Schools (3.0% above recurring baseline), and Parks and Recreation and Libraries (2.9%). Two newer departments, Community Enhancement and Citizen Information and Resources, were formed primarily through the reallocation of existing resources rather than relying solely on new investment, to better address community and citizen needs. Funding allocated to the Tax Relief Program increased by \$1.7 million (28.2%) which reflects shifting demographics and the state's decision to grant 100 percent tax relief to all fully service related disabled veterans. Transportation is discussed under the Initiatives section of this letter. Healthcare, employee merit and benefit increases, debt service, certain staffing allowances, cost adjustments

for the local transfer to schools, completed capital project impacts and contractual obligations are projected in the five-year plan long with funding allocations for initiatives that align with key priorities.

The County's financial policies adopt a prudent approach toward financial and debt management. The portion of the County's operating budget dedicated to the repayment of debt is capped by policy at 10% of general government expenditures and was 8.41% as of June 30, 2018. Per capita debt at June 30, 2018 was \$1,622 compared to the planning cap of \$1,838 per capita. The County's policy of funding a large portion of capital expenditures on a "pay as we go" basis by consistently reserving five percent of operating expenditures for capital investments further enhances debt management with contributions ranging from \$19.3 million to \$25.1 million in the five-year plan adopted for fiscal year 2019 through fiscal year 2023. A financial policy adopted in more recent years targets funding major maintenance at 2.5% of the facility replacement value. Annual budgeted funding for County major maintenance progressed from \$3.6 million in fiscal year 2014 to \$8.2 million in fiscal year 2019 compared to the \$10.4 million target. School Board major maintenance lags with fiscal year 2019 at one-third of the \$27.3 million target funding level. Efforts are underway to plan a phased approach for the School Board to attain their target. Each year the County dedicates eight percent of total general fund expenditures to unassigned fund balance to provide the ability to cope with unexpected financial emergencies and eliminate the need for short-term borrowing, ensure that current obligations including debt payments can be met, and provide a cushion against the potential impact of significant unexpected changes in revenues. The County strives to structure new debt issues using a level principal repayment structure over the life of the issue to help maintain accelerated payout ratio goals.

The County's fiscally responsible financial policies, solid financial results and sound management were reaffirmed as the County issued general obligation improvement bonds in July 2018 where Standard and Poor's, Moody's, and Fitch Ratings rated the bonds as "AAA". The County's strong credit characteristics include a very strong economy that is broad and diverse; very strong management with well-adhered-to financial policies and practices; strong budgetary performance and flexibility; and a strong debt and contingent liability position with a long history of significant pay-as-you-go capital funding were cited as conclusions for the ratings.

Chesterfield Utilities is one of only a handful of water and wastewater utilities in the nation to have achieved AAA ratings on its revenue bonds from each of the three top rating services which were reaffirmed as refunding bonds were issued in June 2016. Fitch Ratings reaffirmed their AAA rating in May 2018 because of the Department of Utilities' excellent financial profile, low debt, affordable rates, and sound economic fundamentals and recognized its consistent, solid, financial performance and for having strong systems in place to provide services to customers. Fitch Ratings also assigned the Department of Utilities' a stable outlook reflecting their belief that the department is well-positioned financially over the long-run.

## **Initiatives**

The County has numerous initiatives ongoing continuously to enhance the quality of life for citizens and to make the County a better place to live, work, and play. This section and the Awards section of the transmittal letter highlight some examples that showcase the breadth and quality of County services, innovation, and collaboration.

The focus of the public safety agencies remains on the recruitment and retention of sworn staff. The fiscal year 2019 budget builds upon incremental measures included in the past two budgets to improve the competitiveness of the County's position in the public safety labor market. The fiscal year 2019 budget also improves staffing levels to keep up with demand and citizen expectations for Police, Fire and EMS, and Sheriff services. Within Police, an expansion of part-time staffing will allow more sworn officers to cover front-line duties in addition to creating fifteen permanent overfill officer slots to allow the department to run recruit classes without impacting staffing levels in the field. Fire and EMS received eight positions to convert the ambulance service at Harrowgate Fire Station to a 24-hour operation where demands have steadily risen since the station opened in 2015 with only a daytime medic company. Resources have also been added to enable the Sheriff's jail work crew to assist Parks and Recreation with weekend grounds maintenance, particularly at school sites. The Sheriff received a civilian position to assist with inmate services and reentry coordination. Civilian staff for Police added three positions to assist with crime data analysis, the property and evidence room, and with a broader coordinated response to the opioid epidemic.

Students in the County's public schools enjoy a high-quality educational experience with 100% of the schools fully accredited for the 2018-2019 school year. The County's public schools on time graduation rate of 91% improved over the prior year's on time graduation rate of 90%. Major school renovations and school replacement capital projects are underway where the County citizens approved a \$304 million general obligation bond referendum to support school facility improvements. During the past year it was determined that it would be more cost effective in the long-term to replace several schools initially slated for renovation. Multiple projects are underway with replacement projects planned for Crestwood, Ettrick, Harrowgate, Matoaca and Reams Road Elementary Schools and a campus consolidation planned for Matoaca Middle School.

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The County relies upon the Commonwealth to build and maintain the primary and secondary roads in the County. Ownership and maintenance responsibilities are transferred to the Commonwealth once road improvements are completed and accepted into the Commonwealth's road system. The County continues to invest significant funds, \$5 million annually, in the State's Revenue Sharing program which provides a dollar for dollar match up to \$5 million each year. In fiscal year 2015 the Board increased the vehicle registration from \$20 to \$40 using the additional \$20 per vehicle to create a dedicated source of matching funds for the Revenue Sharing Program. From fiscal year 2019 through 2023 the full portion of the vehicle registration fee will be gradually allocated to fund transportation projects.

The County is currently managing a \$54 million road project to improve the Route 10 corridor between Interstate 95 and the Meadowville Technology Park. The project involves improvements to the intersection of Route 10 and Meadowville Road and widening Route 10 between Bermuda Triangle Road and Meadowville Road to eight lanes. Construction is anticipated to begin in the first quarter of 2019. The County is also managing the widening of Woolridge Road for the Lower Magnolia Green Community Development Authority. This \$25 million project is well underway with completion scheduled in May 2019. The Revenue Sharing Program is financing several major transportation projects such as the widening of Lucks Lane and Winterpock Road. A Bikeways and Trails Plan is also underway to bring more sidewalks and bike trails to the County in a planned, systematic manner.

The Central Library renovation, completed during July 2018, integrates unfinished space with upgrades to the existing facility to serve the community with space designed for interaction and learning, emphasizing technology and collaboration. The renovated library delivers collaboration suites, small meeting and study rooms, a demonstration kitchen for cooking classes and the ability to record meetings. Performance space for events such as author readings, poetry nights and live music is included, along with a business suite where workforce development courses will be held. A marketplace, where patrons can invent things using 3D printers, software, electronics and other means, is also part of the library. The Chesterfield Virginia Cooperative Extension Office moved to a renovated section of Central Library where resources and educational outreach to support citizens' agricultural and natural efforts will continue.

The County opened a Child Advocacy Center in early 2018 to improve the interview process for abused children. A steering committee of stakeholders for child advocacy championed this project for several years. The steering committee visited other centers to incorporate best practices into the design of the new County facility, which supports processes that change the way child maltreatment investigations are conducted. The facility has separate interview rooms for younger and older children equipped with technology that allows police, social workers, and prosecutors to observe and record the interviews. Victims can tell their story once to a specially trained forensic interviewer rather than having to revisit the trauma multiple times.

Existing staff were realigned to form two new departments to better serve the community and citizens. Community Enhancement supports existing neighborhoods and promotes their vitality through a combination of preservation and revitalization initiatives. The department provides a single point of contact for citizens, community representatives and other interested parties regarding the enhancement of communities. Citizen Information and Resources creates a portal for County citizens to access information about alternate transportation services, aging and disability services, youth services, multicultural services, and volunteerism.

The Parks and Recreation Department recently achieved national accreditation from the Commission for Accreditation of Parks and Recreation Agencies (CAPRA). The prestigious CAPRA designation signifies that the County's Parks and Recreation Department has met 151 standards of best practices for efficient and effective operations while providing enhanced services to the public. This accreditation is one of the highest recognition a parks and recreation department can attain and the County is the first parks and recreation department in the Richmond region, the eleventh in the state, to earn this honor. The County joins 166 parks and recreation agencies across the United States who are CAPRA accredited.

The Board recognizes cybersecurity as a priority and provides funding to adopt advanced defenses with vendors and to procure systems that enhance the security profile, allowing the County to partner with best-in-class vendors and organizations to provide secure solutions. The County partners with and provides leadership for the Department of Homeland Security groups that focus on the security of local governments such as the Center for Internet Security and the Multi-State Information Security Analysis Center. Strong perimeter defenses at the network layer, multi-factor user authentication for external network access and rigorous penetration testing of vendor software that interacts with the network are examples of best practices in place. Employees are the best defense in the cyber landscape. The County ensures employees understand the risks through training and regular communications about day-to-day vulnerabilities.

The School Board has a supplemental retirement plan (SRP) for eligible school board employees subject to the review and approval of the Board. In April 2017 the Board approved amendments to the plan, effective July 1, 2017, to ensure SRP sustainability and to improve the funding ratios with the goal of preserving the SRP and mitigating the adverse impact

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on School employees planning on the benefit. The most significant amendment contributing to the sustainability of the SRP is the implementation of a salary cap when calculating the SRP benefit. The Board also adopted a new operating budget policy statement to ensure annual funding levels are equal to or exceed the actuarially determined contribution for the SRP. The effect of the amendments realized at the end of the first fiscal year resulted in a reduction in the net pension liability to \$57.2 million as of June 30, 2018 compared to \$83.2 million the prior year and an improvement in the ratio of plan fiduciary net position as a percentage of the total pension liability (funded ratio) to 32.85% from 22.59%. The Board re-appropriated \$2 million of Schools' operating savings from fiscal year 2018 for contribution to the SRP in fiscal year 2019. An additional \$3.5 million, contingent upon Schools' forecasted operating savings for fiscal year 2018 being realized, was re-appropriated for an anticipated SRP payment gap in fiscal year 2019. A total of \$5.5 million has been re-appropriated to the Schools' fiscal year 2019 operating budget for SRP contributions.

Several County departments continue to address the opioid epidemic of addiction and are collaborating with each other and regionally to improve the response to opioid and heroin overdoses. A regional summit held in October 2017 had over 900 attendees who explored solutions to the opioid and heroin epidemic. The County is collaborating with other localities in the region to sponsor a regional Opioid Communications Campaign to spend \$100,000 collectively to advertise in various mediums over the next twelve months. The Sheriff continued the Heroin Addiction Recovery Program (HARP) for inmates, a unique, voluntary program that looks to treat the underlying causes of addiction instead of just housing drug users. During the past year, the jail became the first and only jail to offer Peer Recovery Specialist Certification, a 72-hour course offered by the state Department of Behavioral Health and Developmental Services, to incarcerated individuals actively recovering and participating in HARP and the Bridge Program. The Bridge Program involves all types of substance abuse while HARP focuses specifically on heroin. The Peer Recovery Specialist course is offered to male and female inmates covering a multitude of topics that address relationships, behavioral health challenges, resiliency, communication and other topics.

## Awards

The County received seventeen National Association of Counties (NACo) 2018 Achievement Awards, recognizing the ways that the County provides better, more innovative services to residents, and strengthens the community. Departments receiving Achievement Awards include Fire and EMS, Police, Sheriff, Juvenile Detention Home, Communications and Media, Libraries, Parks and Recreation, Mental Health Support Services (MHSS), Transportation and Utilities. The innovative approaches to services and/or solutions to problems most often include collaboration among two or more departments or external organizations. Some examples of these innovative services include librarians engaging with teens incarcerated at the Juvenile Detention Home to develop connections with the teens and read and discuss books on topics about the underlying factors and issues related to violence and suicide. Fire and EMS developed a Mobile Integrated Healthcare Program to assist with the unmet medical needs of frequent 9-1-1 users and connect them with resources available through MHSS, Social Services, Senior Services and to connect them with primary care. A partnership between MHSS and Communications and Media delivered a Suicide Awareness Campaign and a Police initiative to familiarize youth at apartment complexes with officers on summer Fridays promoted positive interaction with Police and helped build trust in the community. The Utilities wastewater treatment inflow and infiltration reduction program provides safe and cost-effective conveyance of wastewater while maximizing the treatment capacity of wastewater treatment plants and minimizing costs for utility bill rate payers. The Sheriff's office was recognized for its Peer Recovery Specialist Program which trains inmates to provide support to other inmates for substance abuse.

The County received four Achievement Awards from the Virginia Association of Counties (VACo), including the Best Large County Achievement Award. The Best Large County Award was for Juvenile Detention Home's partnership with the County's Adolescent Reporting Program and the Courts Services Unit to share a Senior Mental Health Clinician. This sharing prevents youth and their families from having to re-tell their stories and provide redundant information to strangers where now there is one familiar face which allows the juvenile justice agencies to better track and assess client needs and to meet their needs consistently. Transportation developed an option to allow Fire and EMS emergency response vehicles to cross bridges in emergencies with load postings less than the emergency response vehicles weight to improve response times. These two programs also received NACo Achievement Awards. VACo Achievement Awards were received for the County and its regional partners holding the Revive! Regional Opioid Summit where over 900 attendees shared information to improve the region's response to the problem, and for collaboration between the Planning and Communications and Media departments to obtain community input for the Northern Jefferson Davis Special Area Plan.

The County continues to set an example for the innovative use of technology in local government. The County placed second in the 2018 Digital Counties Survey nationwide among counties with populations from 250,000 - 499,999. The County was named the overall technology leader in the Digital Counties Survey in 2015 and has been recognized as a leader in its category several times over the past ten years. The County continues to be recognized through the annual Governor's Technology Awards program, receiving an award in September 2018 for the innovative use of technology in

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local government for the development and deployment of a business intelligence platform which permits end users to access data that was previously available only in specific applications and deliver meaningful information utilizing dashboards.

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 the County for its CAFR for the fiscal year ended June 30, 2017. This was the thirty-seventh consecutive year that the County has achieved this prestigious award. 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 this comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and are submitting it to the GFOA to determine its eligibility for another certificate.

The GFOA presented an award for Distinguished Budget Presentation to the County for the annual budget for the fiscal year beginning July 1, 2017. This program recognizes that the budget document meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device. The fiscal year 2018 budget represents the 32nd consecutive year that Chesterfield County has received this award. The County received overall ratings as proficient or outstanding in all review categories. We believe the fiscal year 2019 budget conforms to program requirements and submitted it to GFOA to determine its eligibility for another award.

The GFOA presented an Award for Best Practices in School Budgeting to the School Board for the annual budget for the fiscal year beginning July 1, 2017. The award allows school districts to demonstrate process excellence and receive recognition. The School Board submitted the fiscal year 2019 budget to GFOA to determine its eligibility for another award. The School Board received notification that they received the Meritorious Budget Award for excellence in budget presentation for the 2018-2019 budget year from the Association of School Business Officials International. The Meritorious Budget Awards program promotes and recognizes excellence in school budget presentation and enhances school business officials' skills in developing, analyzing, and presenting a school system budget.

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 2018, NIGP reaccruited the County's Purchasing Department with the Outstanding Agency Accreditation Achievement Award for demonstrating excellence in public purchasing. Currently, out of over 3,000 NIGP governmental agency members, Chesterfield is one of only sixty-four to have attained this distinction and was the eighth agency overall to attain this distinction.


## Acknowledgements

We want 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 prudent manner. We express our appreciation to all staff who contributed to this report, especially the accounting financial reporting staff who prepared and compiled the report. We commend them for their professionalism, dedication, and continuous efforts to improve the annual financial report.

Respectfully submitted,



Dr. Joseph P. Casey  
County Administrator



Patsy J. Brown, CPA, CPFO  
Director of Accounting



Government Finance Officers Association

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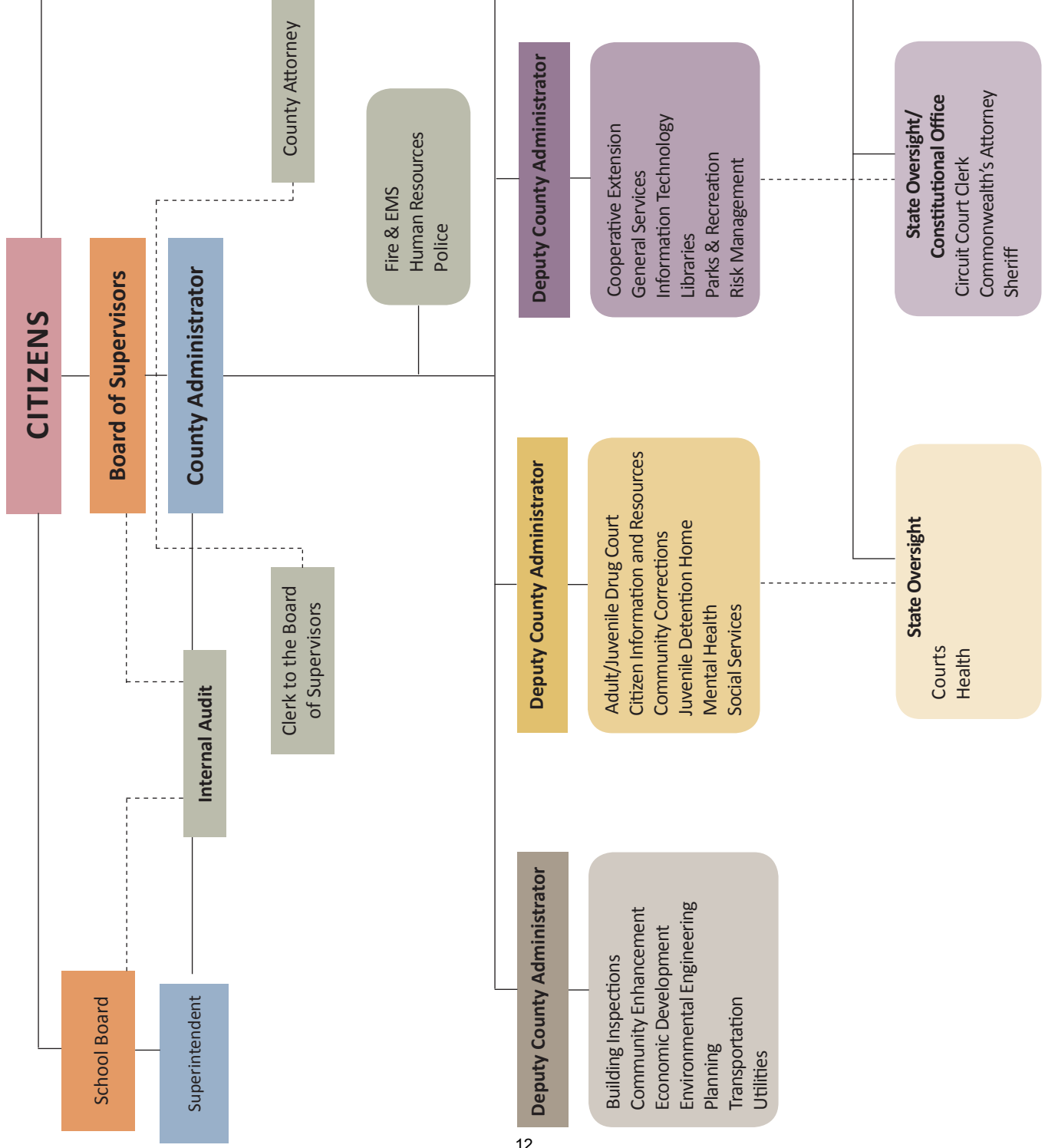
**June 30, 2017**

*Christopher P. Morill*

Executive Director/CEO

# CHESTERFIELD COUNTY ORGANIZATIONAL STRUCTURE

Approved Structure  
8-1-17



**County of Chesterfield, Virginia  
Directory of Officials  
June 30, 2018**

**Primary Government Officials**

**BOARD OF SUPERVISORS**

Dorothy A. Jaeckle, Chairman ..... Bermuda District  
Leslie Haley, Vice-chairman ..... Midlothian District  
Christopher Winslow ..... Clover Hill District  
James "Jim" Holland ..... Dale District  
Stephen A. Elswick ..... Matoaca District

**CONSTITUTIONAL OFFICERS**

Wendy S. Hughes ..... Circuit Court Clerk  
William W. Davenport ..... Commonwealth's Attorney  
Jenefer S. Hughes ..... Commissioner of the Revenue  
Karl S. Leonard ..... Sheriff  
Carey A. Adams ..... Treasurer

**ADMINISTRATIVE OFFICERS**

Dr. Joseph P. Casey ..... County Administrator  
William D. Dupler ..... Deputy County Administrator, Community Development  
Sarah C. Snead ..... Deputy County Administrator, Human Services  
Christopher "Matt" Harris ..... Deputy County Administrator,  
Finance and Administration  
Scott W. Zaremba ..... Deputy County Administrator, Management Services  
Jeffrey L. Mincks ..... County Attorney

**School Board Component Unit Officials**

**SCHOOL BOARD**

John M. Erbach, Chairman ..... Dale District  
Robert W. Thompson, Vice-chairman ..... Matoaca District  
Carrie E. Coyner ..... Bermuda District  
Javaid E. Siddiqi ..... Midlothian District  
Dianne H. Smith ..... Clover Hill District

**ADMINISTRATIVE OFFICERS**

Donald R. Fairheart ..... Interim Superintendent and Chief of Staff  
Dr. John Gordon ..... Chief of Schools  
Dr. Thomas Taylor ..... Chief Academic Officer  
Christina Berta ..... Chief Financial Officer  
Francine Bouldin ..... Executive Director, Human Resources  
Nita Mensia-Joseph ..... Chief Operating Officer  
Tim Bullis ..... Executive Director, Communications & Community Engagement  
Wendell Roberts ..... School Board Attorney





## FINANCIAL SECTION



## **Report of Independent Auditor**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Chesterfield, Virginia (the "County"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Chesterfield, Virginia, as of June 30, 2018, 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 accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matters***

As discussed in Note 1 and presented in Notes 9 and 13 to the financial statements, the County adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, effective July 1, 2017. The County early adopted Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, and Statement No. 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period*. Our opinions are not modified with respect to these matters.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The Introductory Section, Supplementary Information (Primary Government Combining Statements and Schedules, Capital Assets Used in the Operation of Governmental Funds, School Board Component Unit Financial Statements and Schedules), and Statistical Section, as listed within the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The Supplementary Information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information 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 and Statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2018, on our consideration of the County of Chesterfield, Virginia'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Chesterfield, Virginia's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Cheryl Behrman CPA". The signature is written in a cursive, flowing style.

Richmond, Virginia  
October 31, 2018



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

As management of the County of Chesterfield, Virginia (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, 2018. 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 position increased approximately \$150.2 million (7.8%). Net position of the governmental-type activities increased \$95.3 million (11.6%) and net position of the business-type activities increased \$54.9 million (5.0%).
- ◆ The County's unrestricted net position increased approximately \$107.8 million (36.0%). Unrestricted net position of the governmental-type activities increased \$55.6 million (197.2%) and unrestricted net position of the business-type activities increased \$52.2 million (19.3%).
- ◆ The County's program and general revenues (including taxes) of \$941.2 million for governmental-type activities exceeded expenses of \$845.7 million by \$95.5 million.
- ◆ In the County's business-type activities, revenues increased 0.4% to \$140.9 million while expenses increased 0.9% to \$86.2 million.
- ◆ The total cost of the primary government's programs increased approximately \$26.3 million (2.9%) to \$931.9 million.
- ◆ The General Fund reported an ending fund balance amount of \$357.6 million, an increase of \$14.4 million (4.2%) in comparison with the prior year. Of the ending fund balance amount, \$60.0 million was unassigned.
- ◆ The County's outstanding debt decreased by \$50.5 million (8.3%). The County issued \$10.1 million in new debt during the 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 report of the independent auditor, 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:

- ◆ 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 overall financial status.
- ◆ Exhibits III through X are fund financial statements that focus on individual areas of the County government and report the County's operations in more detail than the government-wide financial statements.
  - Governmental fund financial statements provide information on how government services, such as the public safety function, are financed in the short-term and on the resources available at year end for future spending.
  - Proprietary fund financial statements offer both short-term and long-term financial information about activities the government operates similar to private-sector businesses, such as the airport and the water and wastewater systems.
  - Fiduciary fund financial statements provide information about the financial relationships, such as the supplemental retirement and other postemployment 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.

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

- ◆ The remaining financial statements, Exhibits XI and XII, 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 plans information reported in the financial statements. The CAFR also includes a supplementary section containing combining schedules for the non-major governmental funds, budget and actual schedules for the General Fund and the Comprehensive Services Fund, combining schedules for the non-major enterprise funds, internal service funds, trust and agency funds and non-major component units, capital assets schedules, School Board component unit fund financial 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 Position includes all of the government's assets, deferred outflows of resources, liabilities (both current and long-term) and deferred inflows of resources. 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 three categories of the County's net position and how total net position changed during the fiscal year. Net position, the difference between the County's assets, deferred outflows of resources, liabilities and deferred inflows of resources, is a measure of the County's financial position. Over time, increases or decreases in net position can be an indicator of whether 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 or in the 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 expenses for governmental activities.
- ◆ Business-type activities - Activities that are intended to recover all or a significant portion of their costs through user fee charges to parties external to the County for goods or services are included in the business-type activities. The Economic Development Authority of Chesterfield County (EDA) is included as a blended component unit in the business-type activities.
- ◆ Component units - The County includes three other entities in its report as discretely presented component units: Chesterfield County Public School System (School Board), Watkins Centre Community Development Authority (Watkins Centre CDA), and Chippenham Place Community Development Authority (Chippenham Place CDA). Although legally separate, the County demonstrates financial accountability for these entities by providing operating, capital or tax increment financing. The School Board is included in this management's discussion and analysis because it does not issue separately audited financial statements.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the County's major funds as opposed to 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 resources for specific purposes or to show that the County is using revenue sources such as taxes or grants for their intended purposes.

The County reports three types of funds:

- ◆ Governmental funds - Most of the County's basic services are included in governmental funds which focus on (1) how cash and other financial assets readily convertible to cash, flow in and out and (2) the

## MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

balances left at year-end that are available for spending. Consequently, the financial 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 following governmental funds statements that explain 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 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 County trust fund activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. 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 position.** The County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$2.1 billion at the close of the most recent fiscal year. This represents a 7.8% increase over the prior year.

At the end of both the current and prior fiscal years, the County reported positive balances in all three categories of net position, both for the primary government as a whole and for its separate governmental and business-type activities. The largest portion of the County's net position (77.4%) at June 30, 2018, 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 position (2.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance is referred to as unrestricted net position (19.7%). Unrestricted net position is available to meet the County's ongoing obligations to residents and creditors.

Liabilities and deferred inflows of resources for the School Board component unit exceeded assets and deferred outflows of resources by \$739.0 million at the end of the current fiscal year, a decrease in the deficit of \$45.3 million (5.8%) compared to the prior year. Net investment in capital assets increased \$1.8 million primarily due to capital outlay for machinery and equipment that included the replacement of laptops for middle school students, purchase of new laptops for elementary schools and the purchase of school busses. The School Board component unit's deficit unrestricted net position is primarily due to reporting net pension liabilities of \$527.1 million and net other postemployment benefits liabilities of \$256.1 million at year end, which is a decrease of \$116.1 million (12.9%) compared to those liabilities estimated in the prior year. The largest portion of the net pension and other postemployment benefits liabilities is related to the VRS teachers' cost-sharing pension and other postemployment benefits programs whose benefit and funding decisions are made by the Commonwealth. As such, local governments and school boards have no ability to take actions on their own behalf to improve the funding position for their proportionate shares of the cost-sharing pool. Notes 12 and 13 of the notes to the financial statements provide additional information regarding the School Board component unit's pension and other postemployment benefit plans.

# MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

**TABLE 1**  
**Chesterfield County's Net Position**  
**June 30, 2018 and 2017<sup>(1)</sup>**  
**(in millions of dollars)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>		<b>School Board Component Unit</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>Assets</b>								
Current and other assets	\$ 904.8	\$ 902.2	\$ 360.6	\$ 308.1	\$ 1,265.4	\$ 1,210.3	\$ 102.0	\$ 93.5
Capital assets	<u>1,122.0</u>	<u>1,058.9</u>	<u>873.2</u>	<u>876.5</u>	<u>1,995.2</u>	<u>1,935.4</u>	<u>39.9</u>	<u>37.7</u>
<b>Total assets</b>	<u>2,026.8</u>	<u>1,961.1</u>	<u>1,233.8</u>	<u>1,184.6</u>	<u>3,260.6</u>	<u>3,145.7</u>	<u>141.9</u>	<u>131.2</u>
<b>Deferred outflows of resources</b>								
Deferred charge on refunding	6.7	8.5	2.2	2.7	8.9	11.2	-	-
Pensions	25.1	43.4	1.0	2.0	26.1	45.4	78.8	97.7
Other postemployment benefits	<u>2.0</u>	<u>0.8</u>	<u>0.1</u>	<u>0.1</u>	<u>2.1</u>	<u>0.9</u>	<u>8.6</u>	<u>4.8</u>
<b>Total deferred outflows of resources</b>	<u>33.8</u>	<u>52.7</u>	<u>3.3</u>	<u>4.8</u>	<u>37.1</u>	<u>57.5</u>	<u>87.4</u>	<u>102.5</u>
<b>Liabilities</b>								
Long-term liabilities	786.8	896.0	69.2	79.3	856.0	975.3	819.3	935.4
Other liabilities	<u>140.5</u>	<u>117.2</u>	<u>8.7</u>	<u>7.6</u>	<u>149.2</u>	<u>124.8</u>	<u>53.5</u>	<u>49.7</u>
<b>Total liabilities</b>	<u>927.3</u>	<u>1,013.2</u>	<u>77.9</u>	<u>86.9</u>	<u>1,005.2</u>	<u>1,100.1</u>	<u>872.8</u>	<u>985.1</u>
<b>Deferred inflows of resources</b>								
Deferred revenues	172.1	164.6	-	-	172.1	164.6	-	-
Pensions	27.0	16.3	1.1	0.7	28.1	17.0	72.2	32.9
Other postemployment benefits	<u>19.2</u>	<u>-</u>	<u>1.4</u>	<u>-</u>	<u>20.6</u>	<u>-</u>	<u>23.3</u>	<u>-</u>
<b>Total deferred inflows of resources</b>	<u>218.3</u>	<u>180.9</u>	<u>2.5</u>	<u>0.7</u>	<u>220.8</u>	<u>181.6</u>	<u>95.5</u>	<u>32.9</u>
<b>Net position</b>								
Net investment in capital assets	780.4	735.4	823.8	821.4	1,604.2	1,556.8	30.9	29.1
Restricted	50.8	56.1	9.7	9.4	60.5	65.5	8.6	7.7
Unrestricted (deficit)	<u>83.8</u>	<u>28.2</u>	<u>323.2</u>	<u>271.0</u>	<u>407.0</u>	<u>299.2</u>	<u>(778.5)</u>	<u>(821.1)</u>
<b>Total net position (deficit)</b>	<u>\$ 915.0</u>	<u>\$ 819.7</u>	<u>\$ 1,156.7</u>	<u>\$ 1,101.8</u>	<u>\$ 2,071.7</u>	<u>\$ 1,921.5</u>	<u>\$ (739.0)</u>	<u>\$ (784.3)</u>

<sup>(1)</sup> Amounts in fiscal year 2017 were restated for comparability to fiscal year 2018. See Note 1.E. of the notes to the financial statements for additional information.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

**Changes in net position.** The County's total revenues increased over the prior year by \$38.3 million (3.7%) to \$1,082.1 million. The total cost of all programs increased \$26.3 million (2.9%) to \$931.9 million.

**TABLE 2**  
**Changes in Chesterfield County's Net Position**  
**For the Years Ended June 30, 2018 and 2017**  
**(in millions of dollars)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>		<b>School Board Component Unit</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>Revenues:</b>								
<b>Program revenues:</b>								
Charges for services	\$ 157.2	\$ 155.0	\$ 100.9	\$ 96.2	\$ 258.1	\$ 251.2	\$ 14.0	\$ 15.0
Operating grants and contributions	120.9	119.1	-	-	120.9	119.1	136.7	119.4
Capital grants and contributions	39.0	33.3	37.8	39.8	76.8	73.1	5.9	-
<b>General revenues:</b>								
Property taxes	442.8	424.5	-	-	442.8	424.5	-	-
Other taxes	109.7	104.3	-	-	109.7	104.3	-	-
Payment from County	-	-	-	-	-	-	294.3	283.8
Grants and contributions not restricted to specific programs	65.7	65.5	-	-	65.7	65.5	174.8	173.0
Other	5.9	1.8	2.2	4.3	8.1	6.1	1.8	2.1
<b>Total revenues</b>	<b>941.2</b>	<b>903.5</b>	<b>140.9</b>	<b>140.3</b>	<b>1,082.1</b>	<b>1,043.8</b>	<b>627.5</b>	<b>593.3</b>
<b>Expenses:</b>								
General government	125.6	126.7	-	-	125.6	126.7	-	-
Administration of justice	10.9	10.9	-	-	10.9	10.9	-	-
Public safety	178.5	183.4	-	-	178.5	183.4	-	-
Public works	53.3	45.1	-	-	53.3	45.1	-	-
Health and welfare	90.0	84.4	-	-	90.0	84.4	-	-
Parks, recreation and cultural	27.9	26.3	-	-	27.9	26.3	-	-
Education - School Board	321.0	308.0	-	-	321.0	308.0	582.2	590.2
Community development	23.2	21.1	-	-	23.2	21.1	-	-
Interest on long-term debt	15.3	14.3	-	-	15.3	14.3	-	-
Water	-	-	41.6	40.9	41.6	40.9	-	-
Wastewater	-	-	40.5	39.0	40.5	39.0	-	-
Non-major business activities	-	-	4.1	5.5	4.1	5.5	-	-
<b>Total expenses</b>	<b>845.7</b>	<b>820.2</b>	<b>86.2</b>	<b>85.4</b>	<b>931.9</b>	<b>905.6</b>	<b>582.2</b>	<b>590.2</b>
<b>Increase in net position before transfers</b>	<b>95.5</b>	<b>83.3</b>	<b>54.7</b>	<b>54.9</b>	<b>150.2</b>	<b>138.2</b>	<b>45.3</b>	<b>3.1</b>
Transfers	(0.2)	(0.7)	0.2	0.7	-	-	-	-
<b>Increase in net position after transfers</b>	<b>95.3</b>	<b>82.6</b>	<b>54.9</b>	<b>55.6</b>	<b>150.2</b>	<b>138.2</b>	<b>45.3</b>	<b>3.1</b>
<b>Net position (deficit) - beginning of year</b>	<b>819.7</b>	<b>848.1</b>	<b>1,101.8</b>	<b>1,055.5</b>	<b>1,921.5</b>	<b>1,903.6</b>	<b>(784.3)</b>	<b>(507.0)</b>
<b>Restatement<sup>(1)</sup></b>	<b>-</b>	<b>(111.0)</b>	<b>-</b>	<b>(9.3)</b>	<b>-</b>	<b>(120.3)</b>	<b>-</b>	<b>(280.4)</b>
<b>Net position (deficit) - end of year</b>	<b>\$ 915.0</b>	<b>819.7</b>	<b>\$ 1,156.7</b>	<b>\$ 1,101.8</b>	<b>\$ 2,071.7</b>	<b>1,921.5</b>	<b>\$ (739.0)</b>	<b>\$ (784.3)</b>

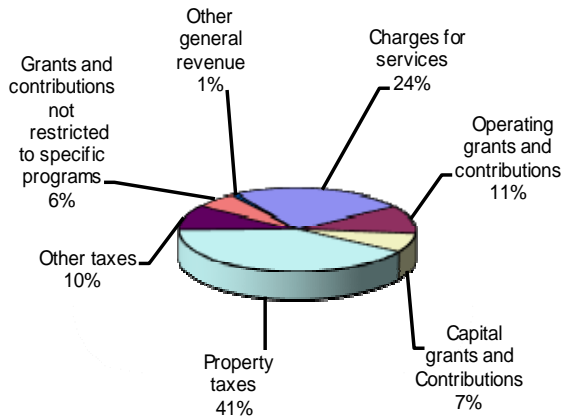
<sup>(1)</sup> See Note 1.E. of the notes to the financial statements for additional information.

Approximately 41% of the County's revenues came from property taxes and approximately 10% came from other taxes. Another 24% of the total revenues came from grants and contributions. The remaining revenues are charges for services, investment earnings and miscellaneous revenues. The County's expenses cover a range of services with approximately 63% related to public safety, health and welfare and education. Program revenues of the County's governmental activities covered 37% of its expenses.

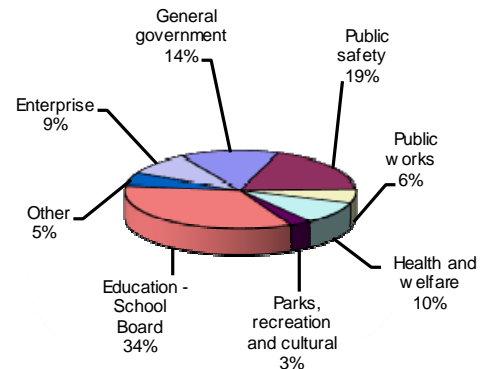


## MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

**Figure A-1  
Chesterfield County  
Sources of Revenue for Fiscal Year 2018**



**Figure A-2  
Chesterfield County  
Expenses by Function for Fiscal Year 2018**



The School Board's total revenues increased compared to the prior year by \$34.2 million (5.8%) to \$627.5 million. Total expenses for all School programs and services decreased over the prior year by \$8.0 million (1.4%) to \$582.2 million. Program revenues of School Board activities covered 27% of its expenses.

### Governmental Activities

Governmental activities increased the County's net position by \$95.3 million and accounted for 63.4% of the total growth in the total net position of the County. Revenues for governmental activities increased \$37.7 million (4.2%) and total expenses increased \$25.5 million (3.1%) when compared to the prior year. Key elements of these changes are as follows:

- ◆ Capital grants and contributions increased \$5.7 million (17.1%) primarily due to receiving \$5.9 million from the Lower Magnolia Green Community Development Authority (LMGCDA) as a reimbursement on its contract with the County to manage the widening of Woolridge Road from two lanes to four lanes from the Swift Creek Reservoir to Otterdale Road and from Woolridge Road to just north of Foxcreek Crossing as well as certain other improvements including raised medians and traffic signals. Road improvements made by the LMGCD, which are funded solely by special assessments collected within the district, are expected to improve the flow of traffic in the district. In addition, the County received approximately \$3.0 million in state funding over the prior year for various locally managed Virginia Department of Transportation (VDOT) projects located in the County. This increase was offset by an approximate \$3.4 million decrease in cash proffers received from developers for education. In fiscal year 2017, the cash proffer policy was changed to limit cash proffers from new zoning cases strictly to transportation improvements, which is likely to result in a trend of increasing cash proffers received for transportation purposes in the near-term future.
- ◆ Property tax revenues increased \$18.3 million (4.3%) primarily due to an overall 5.2% increase in the assessed valuation of taxable property over the prior year. The assessed valuation for real property increased 5.5% over the prior year. Residential real property assessed values increased by 5.8% and commercial and industrial real property assessed valuations increased by 4.5%. Commercial and industrial property comprised 20.9% of the assessed value of taxable real property. The real estate tax rate was \$0.96 per \$100 of assessed value for the first half of the current fiscal year and all of the prior fiscal year. The real estate rate was lowered to \$0.95 per \$100 of assessed value for the second half of the current fiscal year. Calendar year 2018 (CY2018) assessments were developed using sales data through December 2017. State Code mandates that "annual assessments shall be made at 100% of fair market value". Personal property assessed valuations increased by 3.9% over the prior year.
- ◆ Other taxes increased \$5.4 million (5.2%) primarily due to receiving an additional \$2.2 million in the local portion of sales and use tax, which is driven by an increase in retail sales in the County, \$1.3 million in motor vehicle registration fees, \$1.0 million in business license taxes, \$0.6 million in transient occupancy

## MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

taxes and \$0.5 million in recordation taxes. Each of these tax categories are associated with growth in consumer-driven categories and reflects the national trend of improving labor markets and higher consumer confidence.

- ◆ Other revenues increased by \$4.1 million (227.8%) primarily due to an increase in interest and investment earnings of approximately \$2.9 million. During fiscal year 2018, the average rate earned on investments in the highly liquid LGIP increased 75.2% from 1.149% in July 2017 to 2.013% in June 2018. See Note 4.A. of the notes to the financial statements for additional information regarding the County's investment portfolio.

Overall, expenses of governmental activities increased \$25.5 million (3.1%). In developing the budget for FY2018 expenses, the County remained committed to the five-year plan that serves as a general framework to guide the County in establishing and making continuous progress towards key priorities and initiatives. Based on community input, the five-year plan continues to focus on public safety, capital facilities and infrastructure, education, and economic development.

The County Board approved a 2% merit-based increase for eligible employees across all County functions and departments. Key elements of other changes in governmental activity expenses are as follows:

- ◆ Public safety expenses decreased by \$4.9 million (2.7%). The non-cash adjustment required for actuarial adjustments to pension expenses related to the Virginia Retirement System (VRS) pension plan liability decreased public safety expenses by \$5.0 million over the prior year. In addition, retiree healthcare expenses paid in the General Fund were centralized to the general government function. This change shifted retiree healthcare expense of approximately \$2.9 million from the public safety function to the general government function. The decrease in retiree healthcare was mostly offset by an increase in salaries and benefits paid to the Police and Fire and EMS departments of approximately \$1.5 million and \$0.4 million, respectively. The increase in salaries is reflective of the 2% merit-based increase received by employees across all County functions and to the fiscal year 2018 budget commitment to address staffing challenges by increasing starting pay for police officers and deputies and enhancing career development programs to improve retention of existing personnel.
- ◆ Public works expenses increased by \$8.2 million (18.2%) primarily due to the County leveraging its participation in the Commonwealth's revenue sharing program. In 2014, the County revised the vehicle registration fee structure to establish a dedicated revenue source for transportation. More recently, the County reformed the cash proffer program to focus exclusively on transportation impacts from new development. In addition to contracting with VDOT to locally manage the construction of various road projects, the County also contracted with the LMGCDAs to manage the construction of road improvements within the LMGCDAs district.
- ◆ Education expenses increased \$13.0 million (4.2%). General Fund payments to fund the School Board component unit operations were \$11.9 million greater than the prior year. Additional funding was provided to support the school division's goals as indicated in the approved five-year-plan. The majority of the funding increase focused on providing funding to enhance teacher and academic support through items such as a 2% increase for school employees, the second phase of the plan to place a special education coordinator at every elementary school, the fourth installment of an ongoing effort to reduce class sizes throughout the school system and a planned approach to improving the funded ratio of the School Board's supplemental retirement plan.

### **Business-type Activities**

Business-type activities increased the County's total net position by \$54.9 million, accounting for 36.6% of the overall growth. Revenues for business-type activities increased \$0.6 million (0.4%) and expenses increased \$0.8 million (0.9%) when compared to the prior year. Key elements of these changes are as follows:

- ◆ Charges for services increased \$4.7 million (4.9%) primarily in the Utilities funds. Charges for service in the Water Fund increased \$2.5 million due to an approximate 1.6% increase in total water consumption combined with a 1.6% increase in the number of water customers billed, a rate increase of \$0.07 per hundred cubic feet consumed and an increase in the capacity charge of \$1.08 for a 5/8" meter. Charges

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **(unaudited)**

for service in the Wastewater Fund increased \$2.5 million due to a 1.8% increase in the number of wastewater customers billed, a rate increase of \$0.05 per hundred cubic feet discharged and an increase in the capacity charge of \$2.26 for a 5/8" meter.

- ◆ Capital grants and contributions decreased \$2.0 million (5.0%) primarily due to an increase of \$0.9 million in water connection fees and \$0.7 million in wastewater connections fees which was offset by an overall decrease of \$3.2 million in water and wastewater assets contributed by developers.
- ◆ Other revenue decreased \$2.1 million (48.8%) primarily due a gain on the sale of land located in the Meadowville Technology Park during the prior year.

Expenses for business-type activities increased \$0.8 million (0.9%). The Board of Supervisors approved a 2% merit-based increase for eligible employees across all County functions and departments included Utilities' employees.

## **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. Specifically, unassigned 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, 2018, the County's governmental funds reported a combined fund balance of \$528.4 million, a decrease of \$31.0 million (5.5%) from the previous year. Of this combined fund balance amount, \$174.1 million (32.9%) constitutes restricted fund balance; \$1.7 million (0.3%) represents committed fund balance; \$292.6 million (55.4%) represents assigned fund balance; and \$60.0 million (11.4%) is unassigned fund balance. Assigned fund balance includes funding earmarked by the County Board for various items including funding for capital projects, the fiscal year 2019 (FY2019) budget, and potential revenue shortfalls in future fiscal years' budgets as an informal revenue stabilization or "rainy day" fund. Note 2 of the notes to the financial statements provides details about 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 balance of the General Fund was \$336.8 million and total fund balance was \$357.6 million. As a measure of the General Fund's liquidity, it may be useful to compare the combined assigned and unassigned fund balance to total fund expenditures. Combined assigned and unassigned fund balance represents 48.5% of total General Fund expenditures. Unassigned fund balance of \$60.0 million represents 8.6% 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 balance of the General Fund represents 51.5% of General Fund expenditures.

Fund balance of the General Fund increased by \$14.4 million (4.2%) during the current fiscal year. Revenue categories not already discussed that factor into this increase are as follows:

- ◆ Charges for services decreased \$22.4 million (61.8%) primarily due to moving the Mental Health Support Services department from the General Fund to its own stand-alone special revenue fund. This action allows more programmatic flexibility for the department and greater predictability for the General Fund's contribution of general revenue towards these services.
- ◆ Recovered costs decreased \$3.9 million (37.6%) primarily due to the elimination of interdepartmental charges from the County to the School Board; however, the operating transfer to the School Board was reduced by an estimate in interdepartmental charges effectively resulting in no impact to local funding from general revenues provided by the County to the School Board. The fiscal year 2017 recovered costs from the School Board was \$5.1 million. This decrease in recovered costs was offset by various other sources including a \$0.7 million increase in the reimbursement of transient occupancy taxes from the Greater Richmond Convention Center Authority as governed by the multijurisdictional agreement

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

between localities that participate in that joint venture and \$0.3 million received from the Commonwealth as a refund of County support for the Health Department that was paid in a prior fiscal year.

Overall, functional expenditures in the General Fund decreased \$3.5 million (0.5%), which includes the 2% merit increase awarded to eligible staff. Moving the Mental Health Support Services department to a stand-alone special revenue fund reduced expenses in the health and welfare function by 55.3%. This decrease was mostly offset by increases in other functional areas with the most significant increases in the functions of general government (19.7%), community development (13.8%), and education (4.2%). The increase in the general government function includes the reclassification of all retiree healthcare expenses (\$4.4 million) from other functional areas to the general government function; a large tax refund (\$3.8 million); and the consolidation of all deputy county administrators, including their staff, to the general government function. The most significant increase in the community development function is related to an increase in collections of transient occupancy taxes which were subsequently remitted to the Greater Richmond Convention Center Authority in accordance with the jurisdictional agreement and an increase in tax increment financing collections and special assessments which were also subsequently remitted to the individual community development authorities in accordance with agreements. The increase in education expenditures was discussed previously in the government-wide activities section.

At fiscal year-end, the County's Capital Projects Fund had fund balance of \$84.5 million that consisted primarily of unspent bond proceeds and cash proffers, both of which are restricted for use on specific County projects and functions. The School Capital Projects Fund had fund balance of \$62.0 million that consisted primarily of unspent bond proceeds 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 \$8.2 million (1.1%). The final amended budget for expenditures and other financing uses was greater than the original budget by \$104.5 million (14.0%). Some of the key budget adjustments are summarized as follows:

- ◆ The original budget for revenues was increased by \$8.0 million (1.1%). Budget amendments included the appropriation of an additional \$1.5 million for interest and investments earnings; \$1.0 million in federal revenue for social services programs; \$0.7 million in transient occupancy taxes; \$0.7 million in miscellaneous revenue for the Sheriff's department; \$0.5 million in Compensation Board funding from the Commonwealth; \$0.5 million in building inspection fees; \$0.4 million in delinquency fees related to personal property taxes; a \$0.3 million refund from the Commonwealth related to the Health Department; and various other insurance recoveries, proceeds from the sale of capital assets and other miscellaneous revenues.
- Expenditures in the original budget were increased by \$9.0 million (2.5%). The most significant increases were related to a large tax refund (\$3.8 million); higher than expected tax relief for the elderly and disabled (\$1.6 million); social services programs (\$1.1 million); asset forfeiture expenditures (\$0.6 million); payment of transient occupancy taxes (\$0.7 million); greater than expected software licensing and maintenance fees (\$0.6 million); greater than expected recycling fees (\$0.6 million); additional temporary workers to support a high turnout election; and incremental taxes (\$0.4 million).
- ◆ The budget for other financing uses increased by \$95.5 million (24.6%). Transfers out to the County Capital Projects Fund and the County Grants Fund increased \$82.8 million and \$0.3 million, respectively. These amendments are primarily due to the re-appropriation, in accordance with the appropriation resolution, of General Fund budgeted transfers that were not spent in the prior year due to timing of expenditures. The budget was increased \$5.4 million to reflect the transfer of prior year's fund balance assignments to the Stormwater Fund and \$2.9 million in prior year's Mental Health Support Services fund balance assignments to the new, stand-alone Mental Health Fund. The transfer to the School Board component unit increased \$2.3 million with most of the increase related to prior year's fund balance assignments earmarked for the purchase of new school buses.

Actual revenues and other financing sources were \$23.4 million (3.2%) greater than the amended budget. A summary of some key variances includes the following:

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **(unaudited)**

- ◆ The collection of general property taxes was \$13.9 million higher than the amended budget primarily due to greater than expected special assessments collections and a conservative estimate in the increase in assessed value of real and personal property.
- ◆ Other local taxes were \$3.9 million greater than expected primarily due to better than expected collections of business license and local sales and use taxes.
- ◆ Revenues from the other governments were \$3.1 million greater than expected primarily due to higher than expected reimbursements for health and welfare services and the receipt of one-time revenue that will be appropriated in another fiscal year. This category of revenue is typically budgeted conservatively due to the unpredictability of these revenue streams.

Actual expenditures and other financing uses were \$107.0 million (12.6%) less than the amended budget amount. A summary of several key differences is as follows:

- ◆ General government expenditures were \$2.9 million lower than the amended budget primarily due to \$0.5 million savings in the employee benefit programs and \$1.3 million in the Information Systems Technology (IST) department.
- ◆ Public safety expenditures were \$5.1 million lower than the amended budget with the Fire and Police departments contributing \$2.5 million and \$1.2 million, respectively, to the positive results. In the Fire department, \$0.9 million of these positive results were encumbered at fiscal year-end for the purchase of fire apparatus. In the Police department, \$1.4 million of positive results were encumbered at fiscal year-end for the purchase of police vehicles.
- ◆ Transfers to other funds resulted in a \$95.9 million positive variance. Transfers to the County Capital Projects Fund and the Stormwater Fund were \$81.7 million and \$4.8 million, respectively, less than the amended budget due to the timing difference between budgeted and actual expenditures for long-term projects. Unspent capital projects and stormwater transfers were assigned at year-end and re-appropriated as a part of the amended budget for fiscal year 2019. The positive \$8.2 million variance in the transfer to School Board operations was assigned at year-end, as directed by the County Board, for use in future years' school budgets and one-time needs including \$1.0 million for school bus replacements and \$1.9 million for future debt service.

## **CAPITAL/INTANGIBLE ASSETS AND DEBT ADMINISTRATION**

### **Overview**

Accounting principles generally accepted in the United States of America require 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 component unit can neither levy taxes nor incur debt under Virginia law. The County issues debt "on behalf" of the School Board component unit, 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 component unit 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. For financial reporting purposes, the School Board component unit directly reports the liability for debt associated with the lease purchase of equipment on its financial statements.

### **Capital and Intangible Assets**

At the end of the fiscal year, the County had an investment of \$2.0 billion in a broad range of capital and intangible assets net of accumulated depreciation, including public safety buildings, park facilities, libraries, and water and wastewater facilities. This amount represents a net increase of \$59.8 million (3.1%) over the prior year. More detailed information about the County's capital and intangible assets is presented in Note 8

## MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

of the notes to the financial statements. The net investment in capital assets of governmental activities includes \$633.0 million for school buildings and real property used by the School Board in its operations.

**TABLE 3**  
**Chesterfield County's Capital and Intangible Assets**  
**June 30, 2018 and 2017**  
**(net of depreciation, in millions of dollars)**

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>		<b>Total</b>
	<b>Activities</b>		<b>Activities</b>		<b>Total</b>		<b>Percentage</b>
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>Change</b>
							<b>2018 - 2017</b>
<b>Non-depreciable assets:</b>							
Land	\$ 87.2	\$ 81.5	\$ 23.3	\$ 22.4	\$ 110.5	\$ 103.9	6.4%
Construction in progress	77.8	42.1	7.9	7.1	85.7	49.2	74.2%
<b>Depreciable assets:</b>							
Capacity rights	-	-	70.6	70.9	70.6	70.9	-0.4%
Buildings	822.9	806.7	130.6	135.5	953.5	942.2	1.2%
Improvements other than buildings	40.0	38.8	23.0	24.9	63.0	63.7	-1.1%
Machinery and equipment	66.3	61.9	612.4	611.5	678.7	673.4	0.8%
Infrastructure	27.8	27.9	5.4	4.2	33.2	32.1	3.4%
<b>Total</b>	<b>\$ 1,122.0</b>	<b>\$ 1,058.9</b>	<b>\$ 873.2</b>	<b>\$ 876.5</b>	<b>\$ 1,995.2</b>	<b>\$ 1,935.4</b>	<b>3.1%</b>

Major projects either completed this year or with significant additions to construction in progress included:

- ◆ Completed major County projects:
  - Stonebridge Building Project - \$8.3 million
  - Smith Wagner Building - \$6.6 million
  - Public Safety Training Center, Fire Tower - \$4.3 million
  - Fire Alerting System - \$2.2 million
  - Five-story Administration Building Renovation - \$1.2 million
- ◆ Additions to major County construction in progress projects:
  - Central Library - \$3.9 million
  - Rogers Building HVAC - \$2.6 million
  - Horner Park, Phase I and II - \$2.1 million
  - 800 MHZ Radio System Replacement - \$1.3 million
- ◆ Completed major School Board component unit projects:
  - Providence Middle School Renovations - \$17.1 million
  - Swift Creek Middle School HVAC - \$6.6 million
- ◆ Additions to major School Board component unit construction in progress project:
  - Beulah Elementary School Replacement - \$21.9 million
  - Enon Elementary School Replacement - \$13.5 million
  - New Midlothian Middle School - \$3.5 million
  - Manchester Middle School Renovation - \$1.7 million
- ◆ Completed major Utilities - Water and Wastewater projects:
  - Woodlake Force Main Replacement - \$1.9 million
  - Winterfield Road Waterline - \$1.9 million
- ◆ Additions to major Utilities - Water and Wastewater construction in progress project:
  - Proctors Creek Treatment Plant, Centrifuge - \$1.3 million
  - Johnson Creek Pump Station and Force Main - \$1.2 million
  - Huguenot Pump Station and Waterline - \$1.0 million
  - East Boundary Waterline Improvement - \$0.5 million

## MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

The County's capital improvement program budget appropriated in FY19 added \$290.4 million in planned funding for capital projects, which includes \$121.2 million for the primary government and \$169.2 million for the School Board. Some of the principal projects for the primary government include the Chesapeake Bay Total Maximum Daily Load (TMDL) federally mandated project; various transportation projects funded through the Commonwealth's revenue sharing and smart scale programs; animal services facility, Midlothian replacement library; the Huguenot and Johnson Creek water and wastewater pump stations wastewater plant process upgrades; numerous water line rehabilitations; and the advanced meter reading infrastructure project. School projects are principally for school building improvements with major projects planned for the replacement of the Crestwood, Ettrick, Harrowgate, and Reams Road Elementary Schools and the replacement of the Matoaca Middle School. The County intends to issue new debt to partially finance these and other projects as identified in the fiscal years 2019-2023 Capital Improvement Program.

### Long-term Debt

At fiscal year-end, the County had \$557.9 million in bonds, lease purchases and other long-term debt outstanding, a decrease of \$50.5 million (8.3%) 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. Outstanding debt of the governmental activities includes \$302.5 million in debt outstanding related to School Board activities and \$11.9 million in outstanding debt for the EDA's development of infrastructure in the Meadowville Technology Park.

A key debt policy established by the County Board is the ratio of debt service (principal and interest) costs to governmental fund expenditures. This ratio was 6.2% for the current year comparing favorably to the policy target of 10.0%. Governmental fund expenditures for purposes of this calculation include expenditures for all governmental fund types of both the primary government and the School Board component unit, excluding capital project funds and payments between the primary government and the School Board component unit.

The County's "AAA" general obligation bond rating from all three major rating agencies was affirmed when it entered the bond market in July 2018 to sell \$51.4 million of general improvement bonds. Approximately 1% of counties nationwide have earned a triple "AAA" credit rating designation. Standard and Poor's noted that "Chesterfield County's general obligation bonds are eligible to be rated above the sovereign because we believe the County can maintain better credit characteristics than the nation in a stress scenario".

**TABLE 4**  
**Chesterfield County's Outstanding Debt**  
**June 30, 2018 and 2017**  
**(in millions of dollars)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>		<b>Total Percentage Change</b>
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018 - 2017</b>
General obligation bonds, net (backed by the County)	\$ 425.7	\$ 472.9	\$ -	\$ -	\$ 425.7	\$ 472.9	-10.0%
Revenue bonds, net	39.6	37	50.8	57.1	90.4	93.7	-3.5%
Certificates of participation	20.5	17.9	0.5	0.7	21.0	18.6	12.9%
Support agreement	11.9	13.2	-	-	11.9	13.2	-9.8%
Taxable redevelopment facility note	7.0	7.2	-	-	7.0	7.2	-2.8%
Public facility revenue refunding bonds, net	1.6	2.4	-	-	1.6	2.4	-33.3%
Other	-	0.1	0.3	-	0.3	0.1	200.0%
<b>Total</b>	<b>\$ 506.3</b>	<b>\$ 550.3</b>	<b>\$ 51.6</b>	<b>\$ 57.8</b>	<b>\$ 557.9</b>	<b>\$ 608.1</b>	<b>-8.3%</b>



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

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The County's annual unemployment rate for calendar year 2017 (CY2017) averaged 3.6%, a decrease from the previous calendar year's rate of 3.9%. The County's annual unemployment rate for CY2017 was lower than to the Commonwealth's 3.8% annual unemployment rate for the same period. The unemployment rate is back in line with pre-2008 recession rates.

The County developed a Biennial Financial Plan for fiscal year 2019 that was adopted on April 11, 2018. The FY2019 adopted budget (FY2019 Budget), totaling \$1.4 billion, represents an increase of 0.1% over the FY2018 adopted budget. Overall, the FY2019 Budget includes a 2% merit increase for all eligible County employees. In keeping with citizen driven priorities, several initiatives were included in the budget related to public safety. The FY2019 Budget continues to work towards competitiveness in starting pay for police officers and Sheriff's deputies and enhances the career development programs in Police, Fire and EMS and the Sheriff's Office. This budget also expands Police's part-time staffing levels which frees up sworn officers for front-line duty as well as create 15 permanent full-time officer slots. This budget adds eight positions to Fire and EMS to convert the ambulance service at the Harrowgate Fire Station 21 to a 24-hour operation. Resources have also been added to enable the Sheriff's work crew to assist Parks and Recreation with weekend grounds maintenance, particularly at school sites. The budget also increases major maintenance funding for County buildings by 8%. To focus on education, additional funding was added to the School Board operating budget to support a number of the School Board's key initiatives including insourcing of custodial services, school start time adjustments, a 2% pay increase for school personnel, targeted pay increases for substitute teachers, additional support for special education students, and the conversion of the five remaining referendum projects from renovations to rebuilds, completing the slate of approved projects from the 2013 referendum. In addition, the school capital projects budget also accommodates the Matoaca Middle School expansion and consolidation on one campus and includes \$6.9 million of funding dedicated to the upkeep and repair of school facilities. The FY2019 Budget stays within the financial parameters established in the five-year plan and does so while decreasing the real estate tax rate by one penny 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 Position**  
**June 30, 2018**

**Exhibit I**

	Primary Government				
	Governmental	Business-type		Component	Total
	Activities	Activities	Total	Units	Reporting Entity
ASSETS					
Cash and cash equivalents	\$ 299,960,731	\$ 162,197,183	\$ 462,157,914	\$ 21,152,318	\$ 483,310,232
Investments	309,690,513	185,682,426	495,372,939	-	495,372,939
Receivables,					
net of allowance for uncollectibles	285,624,674	18,160,728	303,785,402	7,831,998	311,617,400
Due from primary government	-	-	-	76,179,243	76,179,243
Internal balances	6,382,185	(6,382,185)	-	-	-
Inventories	769,463	927,595	1,697,058	307,316	2,004,374
Prepays	2,351,440	-	2,351,440	440	2,351,880
Capital assets, not being depreciated	165,046,435	31,171,768	196,218,203	98,689	196,316,892
Other capital and intangible assets,					
net of depreciation	956,974,062	842,010,057	1,798,984,119	39,754,038	1,838,738,157
Total assets	2,026,799,503	1,233,767,572	3,260,567,075	145,324,042	3,405,891,117
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	6,737,251	2,187,009	8,924,260	-	8,924,260
Deferred outflows related to pensions	25,108,009	1,027,395	26,135,404	78,760,991	104,896,395
Deferred outflows related to other					
postemployment benefits	1,963,905	71,518	2,035,423	8,597,440	10,632,863
Total deferred outflows of resources	33,809,165	3,285,922	37,095,087	87,358,431	124,453,518
LIABILITIES					
Accounts payable and accrued expenses	64,057,742	8,207,038	72,264,780	52,525,943	124,790,723
Due to component units	76,179,243	-	76,179,243	-	76,179,243
Unearned revenues	275,516	-	275,516	1,059,424	1,334,940
Developers' connection fees refundable	-	405,544	405,544	-	405,544
Prepaid connection fees	-	157,800	157,800	-	157,800
Non-current liabilities:					
Due within one year	70,220,451	7,256,223	77,476,674	10,638,854	88,115,528
Due in more than one year	716,563,579	61,909,666	778,473,245	825,625,660	1,604,098,905
Total liabilities	927,296,531	77,936,271	1,005,232,802	889,849,881	1,895,082,683
DEFERRED INFLOWS OF RESOURCES					
Deferred revenues	172,107,066	-	172,107,066	-	172,107,066
Deferred inflows related to pensions	27,041,630	1,100,860	28,142,490	72,186,368	100,328,858
Deferred inflows related to other					
postemployment benefits	19,164,545	1,365,728	20,530,273	23,339,855	43,870,128
Total deferred inflows of resources	218,313,241	2,466,588	220,779,829	95,526,223	316,306,052
NET POSITION					
Net investment in capital assets	780,470,955	823,755,861	1,604,226,816	30,927,179	1,635,153,995
Restricted for:					
Capital projects	23,213,761	-	23,213,761	-	23,213,761
Debt covenants	-	9,650,000	9,650,000	-	9,650,000
Grantor programs	2,073,223	-	2,073,223	58,213	2,131,436
Legislated programs	23,809,738	-	23,809,738	8,573,180	32,382,918
Public safety programs	1,661,540	-	1,661,540	-	1,661,540
Total restricted	50,758,262	9,650,000	60,408,262	8,631,393	69,039,655
Unrestricted (deficit)	83,769,679	323,244,774	407,014,453	(792,252,203)	(385,237,750)
Total net position	\$ 914,998,896	\$ 1,156,650,635	\$ 2,071,649,531	\$ (752,693,631)	\$ 1,318,955,900

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

**County of Chesterfield, Virginia**  
**Statement of Activities**  
**For the Year Ended June 30, 2018**

**Exhibit II**

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Component Units	Total Reporting Entity
				Governmental Activities	Business-type Activities		
<b>Primary government</b>							
<b>Governmental activities</b>							
General government	\$ 125,580,003	\$ 92,966,265	\$ 1,081,077	\$ (31,532,661)	\$ -	\$ -	\$ (31,532,661)
Administration of justice	10,957,857	1,917,435	4,300,311	(4,651,687)	-	-	(4,651,687)
Public safety	178,417,303	18,588,424	13,971,340	(143,538,741)	-	-	(143,538,741)
Public works	53,275,901	5,692,715	61,324	(19,367,289)	-	-	(19,367,289)
Health and welfare	89,977,088	30,813,568	33,941,622	(24,690,988)	-	-	(24,690,988)
Parks, recreation and cultural	27,912,496	2,248,761	310,238	(24,491,924)	-	-	(24,491,924)
Education - School Board	321,030,368	56,020	66,039,287	(248,162,281)	-	-	(248,162,281)
Community development	23,234,184	4,892,884	1,167,650	(16,942,917)	-	-	(16,942,917)
Interest on long-term debt	15,326,987	-	-	(15,326,987)	-	-	(15,326,987)
Total governmental activities	845,712,187	157,176,072	120,872,849	(528,705,475)	-	-	(528,705,475)
<b>Business-type activities</b>							
Water	41,633,594	50,258,066	-	-	28,258,099	-	28,258,099
Wastewater	40,566,705	49,402,056	-	-	26,877,617	-	26,877,617
Non-major business activities	4,135,956	1,269,885	-	-	(2,724,830)	-	(2,724,830)
Total business-type activities	86,336,255	100,930,007	-	-	52,410,886	-	52,410,886
Total primary government	\$ 932,048,442	\$ 258,106,079	\$ 120,872,849	(528,705,475)	52,410,886	-	(476,294,589)
<b>Component units</b>	\$ 582,995,021	\$ 14,067,953	\$ 136,696,837	-	-	(426,309,948)	(426,309,948)
<b>General revenues:</b>							
<b>Taxes:</b>							
Property taxes, levied for general purposes				439,570,375	-	-	439,570,375
Property taxes, levied for special purposes				3,221,313	-	-	3,221,313
Utility taxes				8,216,114	-	-	8,216,114
Sales taxes				50,014,870	-	-	50,014,870
Motor vehicle licenses				15,210,404	-	-	15,210,404
Business license taxes				21,217,270	-	-	21,217,270
Other				15,141,786	-	-	15,141,786
Payment from primary government				-	-	298,411,674	298,411,674
Grants and contributions not restricted to specific programs				65,744,743	-	174,760,747	240,505,490
Investment earnings				4,422,305	2,245,362	266,217	6,933,884
Miscellaneous				1,454,046	-	1,600,523	3,054,569
Transfers				(222,238)	222,238	-	-
Total general revenues and transfers				623,990,988	2,467,600	475,039,161	1,101,497,749
Change in net position				95,285,513	54,878,486	48,729,213	198,893,212
Total net position (deficit)-July 1, 2017, restated				819,713,383	1,101,772,149	(801,422,844)	1,120,062,688
Total net position-June 30, 2018				\$ 914,998,896	\$ 1,156,650,635	\$ (752,693,631)	\$ 1,318,955,900

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

**County of Chesterfield, Virginia**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2018**

**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>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 197,386,481	\$ 32,168,442	\$ 1,977,227	\$ 24,240,625	\$ 255,772,775
Cash, cash equivalents and investments with fiscal agents	457,380	8,516,063	-	-	8,973,443
Investments	187,823,688	42,055,586	71,295,176	-	301,174,450
Receivables, net of allowances for uncollectibles of \$16,509,845	213,844,809	2,344,582	30,008	4,558,047	220,777,446
Due from other funds	-	6,443,480	-	-	6,443,480
Due from other governments	54,248,387	7,664,874	-	2,858,176	64,771,437
Total assets	<u>\$ 653,760,745</u>	<u>\$ 99,193,027</u>	<u>\$ 73,302,411</u>	<u>\$ 31,656,848</u>	<u>\$ 857,913,031</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 7,620,688	\$ 11,451,161	\$ 8,196,775	\$ 3,789,288	\$ 31,057,912
Due to other funds	61,295	-	-	-	61,295
Due to other governments	-	-	-	79,958	79,958
Due to component unit - School Board	76,179,243	-	-	-	76,179,243
Accrued liabilities	11,761,039	14,846	-	1,888,555	13,664,440
Retainages payable	-	1,539,571	3,111,521	-	4,651,092
Unearned revenues	-	-	-	275,516	275,516
Deposits payable	343,273	1,573,682	-	-	1,916,955
Total liabilities	<u>95,965,538</u>	<u>14,579,260</u>	<u>11,308,296</u>	<u>6,033,317</u>	<u>127,886,411</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred revenues	172,107,066	-	-	-	172,107,066
Unavailable revenues	28,046,140	69,543	-	1,374,606	29,490,289
Total deferred inflows of resources	<u>200,153,206</u>	<u>69,543</u>	<u>-</u>	<u>1,374,606</u>	<u>201,597,355</u>
<b>FUND BALANCES</b>					
Restricted	19,209,996	84,544,224	61,994,115	8,334,505	174,082,840
Committed	1,680,987	-	-	-	1,680,987
Assigned	276,746,618	-	-	15,914,420	292,661,038
Unassigned	60,004,400	-	-	-	60,004,400
Total fund balances	<u>357,642,001</u>	<u>84,544,224</u>	<u>61,994,115</u>	<u>24,248,925</u>	<u>528,429,265</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 653,760,745</u>	<u>\$ 99,193,027</u>	<u>\$ 73,302,411</u>	<u>\$ 31,656,848</u>	<u>\$ 857,913,031</u>

**Reconciliation of total fund balances for governmental funds to total net position of governmental activities:**

Total fund balances for governmental funds \$ 528,429,265

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and are not reported in the funds. 1,113,913,148

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

Uncollected taxes receivable	\$ 17,723,757	
Uncollected receivables from other governments	9,883,160	
Uncollected miscellaneous receivables	1,883,372	29,490,289

Prepaid and deferred items:

Prepaid capital asset	2,351,440	
Deferred charge on refunding	6,737,251	
Deferred outflows related to pensions	24,649,207	
Deferred outflows related to other postemployment benefits	1,938,559	
Deferred inflows related to pensions	(26,550,021)	
Deferred inflows related to other postemployment benefits	(18,798,890)	(9,672,454)

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, deferred outflows, liabilities and deferred inflows of the internal service funds are included in governmental activities in the Statement of Net Position. 32,562,586

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 and capital lease obligations	(506,316,480)	
Judgments and claims	(6,516,230)	
Landfill	(1,188,218)	
Net pension liabilities	(150,570,170)	
Net other postemployment benefits liabilities	(82,768,567)	
Compensated absences	(23,406,769)	
Interest payable	(8,957,504)	(779,723,938)

Total net position of governmental activities \$ 914,998,896

*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, 2018**

	<u>General</u>	<u>County Capital Projects</u>	<u>School Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
From local sources:					
General property taxes	\$ 446,596,315	\$ -	\$ -	\$ -	\$ 446,596,315
Other local taxes	110,964,756	-	-	-	110,964,756
Permits, privilege fees and regulatory licenses	7,824,332	-	-	-	7,824,332
Fines and forfeitures	2,245,952	-	-	-	2,245,952
Use of money and property	2,677,912	1,034,616	1,459,208	2,937	5,174,673
Contributions from developers	-	4,923,960	-	-	4,923,960
Charges for services	13,815,225	98,236	56,020	37,583,970	51,553,451
Miscellaneous	3,488,253	100,943	45,670	168,450	3,803,316
Recovered costs	6,425,749	-	-	689,815	7,115,564
Donations and contributions	75,800	250,000	-	142,879	468,679
From component unit: School Board	-	-	7,702,425	3,626,700	11,329,125
From other governments	162,329,335	20,942,302	-	21,801,237	205,072,874
Total revenues	<u>756,443,629</u>	<u>27,350,057</u>	<u>9,263,323</u>	<u>64,015,988</u>	<u>857,072,997</u>
<b>Expenditures</b>					
Current:					
General government	56,277,595	-	-	-	56,277,595
Administration of justice	9,645,103	-	-	572,339	10,217,442
Public safety	172,408,156	-	-	10,872,101	183,280,257
Public works	19,188,965	-	-	647,129	19,836,094
Health and welfare	31,158,237	-	-	55,816,317	86,974,554
Parks, recreation and cultural	21,552,904	-	-	81,998	21,634,902
Education - School Board	294,198,019	-	74,000	-	294,272,019
Community development	21,898,812	-	-	1,444,195	23,343,007
Debt service:					
Retirement of principal	47,879,070	-	-	-	47,879,070
Interest	19,373,255	-	-	-	19,373,255
Other	584,745	-	-	-	584,745
Capital outlay	-	69,796,809	65,864,797	-	135,661,606
Total expenditures	<u>694,164,861</u>	<u>69,796,809</u>	<u>65,938,797</u>	<u>69,434,079</u>	<u>899,334,546</u>
Excess (deficiency) of revenues over (under) expenditures	<u>62,278,768</u>	<u>(42,446,752)</u>	<u>(56,675,474)</u>	<u>(5,418,091)</u>	<u>(42,261,549)</u>
<b>Other financing sources (uses)</b>					
Transfers in	1,991,443	30,333,292	3,090,156	19,294,198	54,709,089
Transfers out	(49,959,557)	(2,513,174)	-	(2,182,190)	(54,654,921)
Bonds issued	-	9,860,000	-	-	9,860,000
Premium on bonds issued	130,461	1,247,639	-	-	1,378,100
Total other financing sources (uses), net	<u>(47,837,653)</u>	<u>38,927,757</u>	<u>3,090,156</u>	<u>17,112,008</u>	<u>11,292,268</u>
Net change in fund balances	14,441,115	(3,518,995)	(53,585,318)	11,693,917	(30,969,281)
Total fund balances, July 1, 2017	343,200,886	88,063,219	115,579,433	12,555,008	559,398,546
Total fund balances, June 30, 2018	<u>\$ 357,642,001</u>	<u>\$ 84,544,224</u>	<u>\$ 61,994,115</u>	<u>\$ 24,248,925</u>	<u>\$ 528,429,265</u>



**County of Chesterfield, Virginia**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2018**

**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.	\$	(30,969,281)
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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	\$ 99,600,427		
Depreciation	(40,177,039)		59,423,388

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 position differs from the change in fund balances by the net book value of the surplus assets sold.			(1,065,700)
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Donations of capital assets increase revenues in the Statement of Changes in Net Position, but do not appear in the governmental funds because they are not financial resources.			5,027,503
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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.			(2,595,739)
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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 Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:

Payments	47,879,070		
Proceeds	(11,238,100)		36,640,970

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	(544,257)		
Judgment and claims	963,820		
Net pension liabilities	39,387,950		
Net other postemployment benefits liabilities	21,694,059		
Landfill	(33,461)		
Interest payable	(979,312)		
Amortization of debt premiums	7,331,634		
Amortization of deferred charge on refunding	(1,721,308)		
Amortization of deferred outflows related to pensions	(17,869,602)		
Amortization of deferred outflows related to other postemployment benefits	1,084,884		
Amortization of deferred inflows related to pensions	(10,629,108)		
Amortization of deferred inflows related to other postemployment benefits	(18,798,887)		19,886,412

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.			8,937,960
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Change in net position of governmental activities.	\$		95,285,513
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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, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>				
From local sources:				
General property taxes	\$ 432,322,500	\$ 432,689,750	\$ 446,596,315	\$ 13,906,565
Other local taxes	119,698,800	120,410,865	124,319,089	3,908,224
Permits, privilege fees and regulatory licenses	7,071,100	7,666,685	8,411,940	745,255
Fines and forfeitures	1,768,900	2,284,631	2,245,952	(38,679)
Use of money and property	1,563,800	3,119,784	2,677,912	(441,872)
Charges for services	12,784,600	13,461,964	13,227,616	(234,348)
Miscellaneous	974,586	2,349,772	3,488,253	1,138,481
Recovered costs	4,758,900	5,189,132	6,425,749	1,236,617
Donations and contributions	18,600	21,014	75,800	54,786
From other governments	144,074,600	145,866,195	148,975,003	3,108,808
Total revenues	<u>725,036,386</u>	<u>733,059,792</u>	<u>756,443,629</u>	<u>23,383,837</u>
<b>Expenditures</b>				
Current:				
General government	56,947,508	59,159,265	56,277,593	2,881,672
Administration of justice	9,429,885	9,950,577	9,754,074	196,503
Public safety	175,340,401	177,556,515	172,417,997	5,138,518
Public works	18,761,505	20,061,799	19,188,965	872,834
Health and welfare	29,238,290	31,928,790	31,612,437	316,353
Parks, recreation and cultural	21,748,437	21,893,087	21,552,904	340,183
Community development	21,373,516	23,141,869	22,194,821	947,048
Non-departmental	612,400	173,057	-	173,057
Debt service:				
Retirement of principal	15,972,100	15,872,100	15,789,851	82,249
Interest	7,385,400	6,385,400	6,324,333	61,067
Other	925,245	588,745	482,871	105,874
Total expenditures	<u>357,734,687</u>	<u>366,711,204</u>	<u>355,595,846</u>	<u>11,115,358</u>
Excess of revenues over expenditures	<u>367,301,699</u>	<u>366,348,588</u>	<u>400,847,783</u>	<u>34,499,195</u>
<b>Other financing sources (uses)</b>				
Transfers in	1,905,200	2,117,906	1,991,443	(126,463)
Transfers out	(388,881,600)	(484,406,673)	(388,528,572)	95,878,101
Premium on bonds issued	-	-	130,461	130,461
Total other financing uses, net	<u>(386,976,400)</u>	<u>(482,288,767)</u>	<u>(386,406,668)</u>	<u>95,882,099</u>
Net change in fund balance	(19,674,701)	(115,940,179)	14,441,115	130,381,294
Fund balance, July 1, 2017	343,200,886	343,200,886	343,200,886	-
Fund balance, June 30, 2018	<u>\$ 323,526,185</u>	<u>\$ 227,260,707</u>	<u>\$ 357,642,001</u>	<u>\$ 130,381,294</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, 2018**

**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	\$ 355,595,846
Local funding of grant programs are transfers to other funds, rather than expenditures, for financial reporting purposes.	(573,033)
Budgetary transfers to component unit, excluding transfers for funding "on behalf" debt payments, are expenditures for financial reporting purposes.	294,198,019
Budgetary expenditures to blended component unit are transfers for financial reporting purposes.	(295,986)
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>45,240,015</u>
Total expenditures of the General Fund on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 694,164,861</u>
<b>Other financing sources (uses), net</b>	
Total other financing uses, net, on the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	\$ (386,406,668)
Local funding of grant programs are transfers to other funds, rather than expenditures, for financial reporting purposes.	(573,033)
Budgetary transfers to component units are expenditures for financial reporting purposes.	339,438,034
Budgetary expenditures to blended component unit are transfers for financial reporting purposes.	<u>(295,986)</u>
Total other financing uses of the General Fund on the Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds	<u>\$ (47,837,653)</u>

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

**County of Chesterfield, Virginia**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2018**

*Exhibit VI*

	Business-type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	Water	Wastewater	Total Non-major Enterprise Funds	Total	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 82,988,951	\$ 61,579,988	\$ 1,425,541	\$ 145,994,480	\$ 43,730,576
Investments	61,964,232	123,718,194	-	185,682,426	-
Restricted cash equivalents with trustees	-	-	6,552,703	6,552,703	-
Receivables, net of allowances for uncollectibles of \$691,060					
Accounts	8,926,433	8,028,615	44,708	16,999,756	75,791
Special assessments	9,967	25,099	-	35,066	-
Total net receivables	8,936,400	8,053,714	44,708	17,034,822	75,791
Accrued interest	292,831	403,269	-	696,100	-
Due from other governments	-	-	18,023	18,023	-
Due from other funds	-	-	61,295	61,295	-
Inventories	927,595	-	-	927,595	769,463
Total current assets	155,110,009	193,755,165	8,102,270	356,967,444	44,575,830
Non-current assets:					
Accrued interest receivable	-	161,148	-	161,148	-
Special assessments receivable	63,398	187,237	-	250,635	-
Restricted cash and cash equivalents	5,366,750	4,283,250	-	9,650,000	-
Capital and intangible assets:					
Capacity rights, net	68,485,549	2,139,782	-	70,625,331	-
Land and land improvements	7,042,354	3,229,579	12,971,401	23,243,334	193,685
Buildings	63,841,676	146,008,651	7,576,782	217,427,109	2,271,849
Improvements other than buildings	9,042,718	19,069,061	29,172,875	57,284,654	311,805
Infrastructure	-	-	6,159,269	6,159,269	-
Machinery and equipment	480,251,709	545,422,464	2,216,342	1,027,890,515	17,394,994
Construction in progress	4,402,959	3,246,850	278,625	7,928,434	-
Total capital and intangible assets	633,066,965	719,116,387	58,375,294	1,410,558,646	20,172,333
Less accumulated depreciation	(208,054,343)	(304,384,691)	(24,937,787)	(537,376,821)	(12,064,984)
Total capital and intangible assets, net of accumulated depreciation	425,012,622	414,731,696	33,437,507	873,181,825	8,107,349
Total non-current assets	430,442,770	419,363,331	33,437,507	883,243,608	8,107,349
Total assets	585,552,779	613,118,496	41,539,777	1,240,211,052	52,683,179
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	840,526	1,328,276	18,207	2,187,009	-
Deferred outflows related to pensions	515,811	492,832	18,752	1,027,395	458,802
Deferred outflows related to other postemployment benefits	29,963	40,180	1,375	71,518	25,346
Total deferred outflows of resources	1,386,300	1,861,288	38,334	3,285,922	484,148

*(Continued)*

**County of Chesterfield, Virginia**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2018**

*Exhibit VI*

	Business-type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	Water	Wastewater	Total Non-major Enterprise Funds	Total	
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	\$ 3,492,784	\$ 1,584,849	\$ 243,238	\$ 5,320,871	\$ 3,336,919
Due to other funds	-	-	6,443,480	6,443,480	-
Accrued liabilities:					
Wages and benefits	572,529	493,476	13,371	1,079,376	392,962
Interest	166,208	201,917	5,701	373,826	-
Other	1,170,349	31,661	114,502	1,316,512	-
Total accrued liabilities	1,909,086	727,054	133,574	2,769,714	392,962
Compensated absences	161,227	148,101	4,060	313,388	91,714
Judgments and claims	334,171	78,825	-	412,996	10,515,611
Certificates of participation, net	-	-	101,670	101,670	-
Revenue bonds payable, net	3,281,998	3,139,888	6,283	6,428,169	-
Total current liabilities	9,179,266	5,678,717	6,932,305	21,790,288	14,337,206
Non-current liabilities:					
Developers' connection fees refundable	193,710	211,834	-	405,544	-
Retainages payable	26,677	84,776	5,000	116,453	-
Prepaid connection fees	-	157,800	-	157,800	-
Compensated absences	638,344	653,153	15,710	1,307,207	369,825
Judgments and claims	624,442	147,293	-	771,735	126,751
Net pension liabilities	3,625,418	3,367,465	99,649	7,092,532	2,827,410
Net other postemployment benefit liabilities	3,489,074	4,050,349	115,635	7,655,058	2,086,285
Certificates of participation, net	-	-	708,769	708,769	-
Revenue bonds payable, net	19,271,168	25,061,078	42,119	44,374,365	-
Total non-current liabilities	27,868,833	33,733,748	986,882	62,589,463	5,410,271
Total liabilities	37,048,099	39,412,465	7,919,187	84,379,751	19,747,477
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows related to pensions	552,695	528,072	20,093	1,100,860	491,609
Deferred inflows related to other postemployment benefits	625,431	719,998	20,299	1,365,728	365,655
Total deferred inflows of resources	1,178,126	1,248,070	40,392	2,466,588	857,264
<b>NET POSITION</b>					
Net investment in capital assets	403,299,982	387,859,006	32,596,873	823,755,861	8,107,349
Restricted - debt covenants	5,366,750	4,283,250	-	9,650,000	-
Unrestricted	140,046,122	182,176,993	1,021,659	323,244,774	24,455,237
Total net position	\$ 548,712,854	\$ 574,319,249	\$ 33,618,532	\$ 1,156,650,635	\$ 32,562,586

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

**County of Chesterfield, Virginia**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2018**

*Exhibit VII*

	Business-type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	Water	Wastewater	Total Non-major Enterprise Funds	Total	
<b>Operating revenues</b>					
Charges for services	\$ 49,052,442	\$ 48,804,976	\$ 1,200,212	\$ 99,057,630	\$ 140,476,723
Sale of supplies	970,338	-	-	970,338	-
Rental fees	171,974	-	-	171,974	-
Change in actuarial estimate of claims	-	-	-	-	1,955,941
From other governments	-	-	25,009	25,009	-
Other	63,312	597,080	44,664	705,056	293,609
Total operating revenues	<u>50,258,066</u>	<u>49,402,056</u>	<u>1,269,885</u>	<u>100,930,007</u>	<u>142,726,273</u>
<b>Operating expenses</b>					
Salaries and wages	8,143,134	7,564,299	251,631	15,959,064	6,785,255
Contractual services	12,209,081	5,026,598	600,135	17,835,814	1,837,146
Capacity rights amortization	2,211,671	118,877	-	2,330,548	-
Materials and supplies	3,341,696	4,409,389	10,061	7,761,146	8,864,934
Heat, light and power	1,451,222	2,552,601	78,702	4,082,525	63,440
Rent	750	-	-	750	-
Depreciation	12,284,215	18,168,495	1,604,934	32,057,644	1,751,000
Repairs and maintenance	845,450	1,404,175	58,757	2,308,382	1,255,511
Insurance	-	-	-	-	3,243,837
Claims	-	-	-	-	110,640,380
Other	334,402	198,394	677,596	1,210,392	34,164
Total operating expenses	<u>40,821,621</u>	<u>39,442,828</u>	<u>3,281,816</u>	<u>83,546,265</u>	<u>134,475,667</u>
Operating income (loss)	<u>9,436,445</u>	<u>9,959,228</u>	<u>(2,011,931)</u>	<u>17,383,742</u>	<u>8,250,606</u>
<b>Non-operating revenues (expenses)</b>					
Investment income	1,025,295	1,219,422	645	2,245,362	123,885
Interest expense	(694,387)	(872,252)	(21,590)	(1,588,229)	-
Gain (loss) on disposal of capital assets	9,580	2,872	(21,572)	(9,120)	199,754
Other	(127,166)	(254,497)	(810,978)	(1,192,641)	422,324
Net non-operating revenues (expenses)	<u>213,322</u>	<u>95,545</u>	<u>(853,495)</u>	<u>(544,628)</u>	<u>745,963</u>
Gain (loss) before contributions and transfers	9,649,767	10,054,773	(2,865,426)	16,839,114	8,996,569
Capital contributions	19,633,627	18,042,266	197,741	37,873,634	161,297
Transfers in	-	-	415,722	415,722	-
Transfers out	(248,726)	(1,258)	-	(249,984)	(219,906)
Change in net position	29,034,668	28,095,781	(2,251,963)	54,878,486	8,937,960
Total net position-July 1, 2017, restated	<u>519,678,186</u>	<u>546,223,468</u>	<u>35,870,495</u>	<u>1,101,772,149</u>	<u>23,624,626</u>
Total net position-June 30, 2018	<u>\$ 548,712,854</u>	<u>\$ 574,319,249</u>	<u>\$ 33,618,532</u>	<u>\$ 1,156,650,635</u>	<u>\$ 32,562,586</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, 2018**

	Business-type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	Water	Wastewater	Total Non-major Enterprise Funds	Total	
<b>Cash flows from operating activities</b>					
Receipts from customers	\$ 49,406,276	\$ 49,033,561	\$ 1,251,419	\$ 99,691,256	\$ 140,762,641
Payments to suppliers	(18,477,186)	(13,253,796)	(1,253,779)	(32,984,761)	(15,160,629)
Payments to employees	(8,482,588)	(7,932,516)	(270,466)	(16,685,570)	(7,125,512)
Claims paid	-	-	-	-	(108,712,917)
Net cash provided by (used in) operating activities	<u>22,446,502</u>	<u>27,847,249</u>	<u>(272,826)</u>	<u>50,020,925</u>	<u>9,763,583</u>
<b>Cash flows from non-capital financing activities</b>					
Transfers in	-	-	295,986	295,986	-
Transfers out	(1,888)	(1,258)	-	(3,146)	(219,906)
Net cash provided by (used in) non-capital financing activities	<u>(1,888)</u>	<u>(1,258)</u>	<u>295,986</u>	<u>292,840</u>	<u>(219,906)</u>
<b>Cash flows from capital and related financing activities</b>					
Transfers in	-	-	87,686	87,686	-
Purchase of capital assets	(6,018,318)	(5,904,282)	(1,118,983)	(13,041,583)	(1,705,105)
Purchase of capacity rights	(2,075,731)	-	-	(2,075,731)	-
Payments to developers for utility assets	(175,982)	(156,508)	-	(332,490)	-
Retainages paid to contractors	(227,176)	(54,466)	-	(281,642)	-
Proceeds from sale of capital assets	9,778	4,191	-	13,969	308,905
Capital contributions	11,414,168	9,800,918	153,393	21,368,479	-
Interest paid on bonds, certificates of participation and other liabilities	(1,058,750)	(1,266,625)	(29,188)	(2,354,563)	-
Debt issuance paid	-	-	(46,000)	(46,000)	-
Proceeds from revolving loan	-	-	259,715	259,715	-
Principal paid on bonds, certificates of participation and other liabilities	(2,460,000)	(2,205,000)	(91,331)	(4,756,331)	-
Payment of other debt expenses	(1,915)	(2,860)	-	(4,775)	-
Net cash used in capital and related financing activities	<u>(593,926)</u>	<u>215,368</u>	<u>(784,708)</u>	<u>(1,163,266)</u>	<u>(1,396,200)</u>
<b>Cash flows from investing activities</b>					
Purchase of investments	(45,793,140)	(73,610,250)	-	(119,403,390)	-
Proceeds from sale of investments	46,000,000	32,000,000	-	78,000,000	-
Interest received	986,319	1,337,228	3,214	2,326,761	123,885
Net cash provided by (used in) investing activities	<u>1,193,179</u>	<u>(40,273,022)</u>	<u>3,214</u>	<u>(39,076,629)</u>	<u>123,885</u>
Net increase (decrease) in cash and cash equivalents	<u>23,043,867</u>	<u>(12,211,663)</u>	<u>(758,334)</u>	<u>10,073,870</u>	<u>8,271,362</u>

(Continued)



**County of Chesterfield, Virginia**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2018**

	<b>Business-type Activities Enterprise Funds</b>				<b>Governmental Activities Internal Service Funds</b>
	<b><u>Water</u></b>	<b><u>Wastewater</u></b>	<b><u>Total Non-major Enterprise Funds</u></b>	<b><u>Total</u></b>	
Cash and cash equivalents, June 30, 2017:					
Cash and cash equivalents	\$ 60,089,767	\$ 73,873,268	\$ 2,262,669	\$ 136,225,704	\$ 35,459,214
Investments	62,333,674	82,463,681	-	144,797,355	-
Less: Investments with maturities greater than 90 days when purchased	(62,333,674)	(82,463,681)	-	(144,797,355)	-
Restricted cash and cash equivalents	5,222,067	4,201,633	-	9,423,700	-
Restricted cash and cash equivalents with trustees	-	-	6,473,909	6,473,909	-
Total cash and cash equivalents, June 30, 2017	<u>65,311,834</u>	<u>78,074,901</u>	<u>8,736,578</u>	<u>152,123,313</u>	<u>35,459,214</u>
Cash and cash equivalents, June 30, 2018:					
Cash and cash equivalents	82,988,951	61,579,988	1,425,541	145,994,480	43,730,576
Investments	61,964,232	123,718,194	-	185,682,426	-
Less: Investments with maturities greater than 90 days when purchased	(61,964,232)	(123,718,194)	-	(185,682,426)	-
Restricted cash and cash equivalents	5,366,750	4,283,250	-	9,650,000	-
Restricted cash and cash equivalents with trustees	-	-	6,552,703	6,552,703	-
Total cash and cash equivalents, June 30, 2018	<u>\$ 88,355,701</u>	<u>\$ 65,863,238</u>	<u>\$ 7,978,244</u>	<u>\$ 162,197,183</u>	<u>\$ 43,730,576</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>					
Operating income (loss)	\$ 9,436,445	\$ 9,959,228	\$ (2,011,931)	\$ 17,383,742	\$ 8,250,606
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	12,284,215	18,168,495	1,604,934	32,057,644	1,751,000
Amortization	2,211,671	118,877	-	2,330,548	-
Changes in assets and liabilities:					
Receivables, net	(851,790)	(368,495)	(18,466)	(1,238,751)	15,638
Inventories	(69,548)	-	-	(69,548)	(42,593)
Accounts and other payables	(564,491)	(30,856)	152,637	(442,710)	(211,068)
Net cash provided by (used in) operating activities	<u>\$ 22,446,502</u>	<u>\$ 27,847,249</u>	<u>\$ (272,826)</u>	<u>\$ 50,020,925</u>	<u>\$ 9,763,583</u>
<b>Noncash transactions related to financing, capital and investing activities:</b>					
Contributions of capital assets	\$ 8,219,459	\$ 8,241,348	\$ 56,500	\$ 16,517,307	\$ 161,297
Issuance of developer contracts	136,264	8,640	-	144,904	-
Unrealized loss on investments	(162,581)	(355,737)	-	(518,318)	-
Interest receivable	-	237,933	-	237,933	-

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

**County of Chesterfield, Virginia**  
**Statement of Fiduciary Net Position**  
**June 30, 2018**

	<u>Trust Funds</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,882,991	\$ 16,193,078
Accounts receivable	66,825	401,476
Prepays	-	5,000
Due from other governments	-	26,000
Restricted assets:		
Cash and cash equivalents	-	4,552,703
Investments	-	22,745,283
Cash, cash equivalents, and investments with trustee	-	2,539,238
Due from other governments	-	2,778,386
Interest receivable	-	5,550
Total restricted assets	<u>-</u>	<u>32,621,160</u>
Investments:		
Mutual funds	5,638,717	-
Common and preferred stocks	11,036,093	-
Corporate bonds	4,917,648	-
U.S. government and agency securities	3,690,864	-
Exchange traded funds	5,764,732	-
Collateralized mortgage obligations	128,313	-
Fund of funds	5,433,566	-
Pooled funds	54,908,815	-
Total investments	<u>91,518,748</u>	<u>-</u>
Total assets	<u>94,468,564</u>	<u>\$ 49,246,714</u>
<b>LIABILITIES</b>		
Due to broker	2,116,762	-
Amounts held for others	-	49,246,714
Total liabilities	<u>2,116,762</u>	<u>\$ 49,246,714</u>
<b>FIDUCIARY NET POSITION</b>		
Restricted for pensions/other postemployment benefits	<u>\$ 92,351,802</u>	

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

**County of Chesterfield, Virginia**  
**Statement of Changes in Fiduciary Net Position**  
**For the Year Ended June 30, 2018**

	<u>Trust Funds</u>
<b>Additions:</b>	
Contributions - employer	\$ 28,938,758
Contributions - employee	9,026,024
Investment earnings:	
Interest and dividends	1,285,817
Net increase in the fair value of investments	<u>6,025,356</u>
Total investment income	7,311,173
Less investment expenses	<u>(254,196)</u>
Net investment income	<u>7,056,977</u>
Total additions, net	<u>45,021,759</u>
 <b>Deductions:</b>	
Benefit payments	36,540,518
Administrative expenses	<u>93,837</u>
Total deductions	<u>36,634,355</u>
Increase in net position restricted for pensions/other postemployment benefits	<u>8,387,404</u>
Fiduciary net position - July 1, 2017	<u>83,964,398</u>
Fiduciary net position - June 30, 2018	<u>\$ 92,351,802</u>

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

**County of Chesterfield, Virginia**  
**Statement of Net Position**  
**Discretely Presented Component Units**  
**June 30, 2018**

	<b>School Board</b>	<b>Non-major Component Units</b>	<b>Total Component Units</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 17,753,722	\$ 3,398,596	\$ 21,152,318
Receivables	7,829,045	2,953	7,831,998
Due from primary government	76,179,243	-	76,179,243
Inventories	307,316	-	307,316
Prepays	-	440	440
Capital assets, not being depreciated	98,689	-	98,689
Other capital assets, net of depreciation	39,754,038	-	39,754,038
Total assets	<u>141,922,053</u>	<u>3,401,989</u>	<u>145,324,042</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	78,760,991	-	78,760,991
Deferred outflows related to other postemployment benefits	<u>8,597,440</u>	<u>-</u>	<u>8,597,440</u>
Total deferred outflows of resources	<u>87,358,431</u>	<u>-</u>	<u>87,358,431</u>
<b>LIABILITIES</b>			
Accounts payable and other liabilities	52,331,755	194,188	52,525,943
Unearned revenues	1,059,424	-	1,059,424
Non-current liabilities:			
Due within one year	7,207,446	3,431,408	10,638,854
Due in more than one year	<u>812,140,944</u>	<u>13,484,716</u>	<u>825,625,660</u>
Total liabilities	<u>872,739,569</u>	<u>17,110,312</u>	<u>889,849,881</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	72,186,368	-	72,186,368
Deferred inflows related to other postemployment benefits	<u>23,339,855</u>	<u>-</u>	<u>23,339,855</u>
Total deferred inflows of resources	<u>95,526,223</u>	<u>-</u>	<u>95,526,223</u>
<b>NET POSITION</b>			
Net investment in capital assets	30,927,179	-	30,927,179
Restricted for:			
Grantor programs	58,213	-	58,213
Legislated programs	<u>8,573,180</u>	<u>-</u>	<u>8,573,180</u>
Total restricted	8,631,393	-	8,631,393
Unrestricted (deficit)	<u>(778,543,880)</u>	<u>(13,708,323)</u>	<u>(792,252,203)</u>
Total net position (deficit)	<u>\$ (738,985,308)</u>	<u>\$ (13,708,323)</u>	<u>\$ (752,693,631)</u>

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

**County of Chesterfield, Virginia**  
**Statement of Activities**  
**Discretely Presented Component Units**  
**For the Year Ended June 30, 2018**

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	School Board	Non-major Component Units	Total Component Units
School Board	\$ 582,190,959	\$ 14,067,953	\$ 136,696,837	\$ 5,920,283	\$ (425,505,886)	\$ -	\$ (425,505,886)
Non-major Component Units	804,062	-	-	-	-	(804,062)	(804,062)
Total	<u>\$ 582,995,021</u>	<u>\$ 14,067,953</u>	<u>\$ 136,696,837</u>	<u>\$ 5,920,283</u>	<u>(425,505,886)</u>	<u>(804,062)</u>	<u>(426,309,948)</u>
General revenues:							
Payment from County of Chesterfield					294,272,019	4,139,655	298,411,674
Grants and contributions					174,760,747	-	174,760,747
not restricted to specific programs					219,120	47,097	266,217
Investment earnings					1,600,523	-	1,600,523
Miscellaneous					470,852,409	4,186,752	475,039,161
Total general revenues					45,346,523	3,382,690	48,729,213
Change in net position (deficit)					(784,331,831)	(17,091,013)	(801,422,844)
Total net position (deficit) - July 1, 2017, restated					\$ (738,985,308)	\$ (13,708,323)	\$ (752,693,631)
Total net position (deficit) - June 30, 2018							

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

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2018**

**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 Commonwealth's Auditor of Public Accounts (APA) and with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units, as prescribed by the Governmental Accounting Standards Board (GASB).

**Blended Component Unit** - The financial data of the County's component unit that meets the criteria for blending under GAAP is reported as a business-type activity in the financial statements of the County.

The Economic Development Authority of the County of Chesterfield (EDA), 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 EDA, among other activities, to issue tax-exempt bonds on behalf of bond issuers so that they may 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 EDA. In addition, the County's General Fund provides financial support by making direct payments of substantially all of the debt service expenses of the EDA which fulfills the requirements for reporting the EDA as a blended component unit under GASB Statement No. 61. Separate and complete financial statements for the EDA may be obtained at Chesterfield County Economic Development Department, 9401 Courthouse Road, Centre Court - Suite B, Chesterfield, Virginia 23832.

**Discretely Presented Component Units** - The financial information of the County's component units that meet the criteria for inclusion under GAAP but do not meet the criteria for blending are reported in a single column/row on the face of the government-wide financial statements with combining statements of major and non-major 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 2015. The School Board functions independently of the County Board and County Administration, but is fiscally dependent as it receives significant funding from the County. The nature and significance of the financial relationship between the County and the School Board is such that it would be misleading to exclude the School Board from the County's financial statements. The School Board does not prepare a separate financial report; therefore, the fund financial statements of the School Board are included in the supplementary information section.
2. 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

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2018**

financial statements for the Watkins Centre CDA may be obtained by contacting the Chesterfield County Accounting Department, 9901 Lori Road, P.O. Box 40, Chesterfield, Virginia 23832.

3. 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 former Cloverleaf Mall site (Stonebridge) 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.

**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 Position and a Statement of Activities and reflect a full economic resources measurement focus and the accrual basis of accounting. The Statement of Net Position presents the assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position 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' financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Proprietary funds' financial 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, deferred outflows of resources, liabilities, deferred inflows of resources, 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 Position and a Statement of Changes in Fiduciary Net Position.

**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. Unearned revenues are a liability that represents amounts received where the exchange transaction has not been completed. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2018**

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. Unavailable revenues are resource inflows that represent amounts earned, but which are not available to liquidate liabilities of the current 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 inflows of resources when billed, net of allowances for uncollectible amounts. During the fiscal year, property tax collections are recorded as revenues and deferred inflows of resources is reduced. Property taxes for the current and prior years, not collected within 45 days after year-end, remain recorded as unavailable deferred inflows of resources in the fund statements. Sales taxes, which are collected by the Commonwealth before year-end and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the Commonwealth, 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 and special revenues that are restricted to expenditures for specific purposes.

**Children's Services Fund** - The Children's 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.

**Stormwater Fund** - The Stormwater Fund reflects revenues collected from stormwater utility fees and expenditures related to meeting the County's stormwater management program initiatives.

**Mental Health Support Services Fund** - The Mental Health Support Services Fund reflects the revenues and expenditures of providing services that focus on stabilizing acute situations and promoting both self-sufficiency and successful community living for people with long-term disabilities and a history of substance abuse.



**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2018**

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

**Enterprise Funds:**

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

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

**Economic Development Authority** - The EDA is a blended component unit of the County whose economic development operations are reported as a non-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 functions and general self-insurance functions. 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. All fiduciary funds, including agency funds, use the accrual basis of accounting.

As a general rule, 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. Income and losses of internal service funds are allocated to governmental activities.

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 these definitions are reported as non-operating revenues and expenses. Charges for water and wastewater services provided but not yet billed are recognized as revenues 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 \$11,086,900 and \$9,749,162 in fiscal year 2018 have been recorded as capital contributions in the Water and Wastewater

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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.

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position 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), the Virginia Investment Pool Trust Fund (VIP) 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, textbook and furniture inventories are valued at the lower of cost (moving average) or market and are considered expended when used (consumption method). School Board instructional and custodial supplies inventories held for use are recorded as expenditures when acquired (purchases method).

**5. Restricted Assets - Enterprise Funds**

Certain assets of the Water, Wastewater, EDA and Airport Funds are classified as restricted assets on the Statement of Net Position - 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.

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

**7. Capital Assets**

Capital assets include property, plant, equipment and infrastructure assets (e.g., roads, bridges, drainage systems and similar items). Generally, 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 acquisition 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 financial statements.

Capital assets are reported in the business-type activities and proprietary funds at cost, net of accumulated depreciation. Contributed assets are valued at acquisition 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	20-60 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	25-100 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 Position. The Proprietary Funds also record depreciation and accumulated depreciation in their fund based statements.

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

The Statement of Net Position reports a separate section for deferred outflows of resources in addition to assets. The County reports deferred outflows of resources for deferred charges on refunding, amounts related to pensions and amounts related to other postemployment benefits (OPEB) in the government-wide Statement of Net Position. The deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or the refunding debt. Deferred outflows for pensions and OPEB result from changes in actuarial assumptions, pension/OPEB trust investment returns that exceed projected earnings, change in the proportionate share of total VRS Teachers' Pool liability and VRS OPEB programs, actual economic experience that is different than estimated, and pension/OPEB contributions made to the measurement date. Changes in deferred outflows of resources, except contributions subsequent to the measurement date, are amortized over the remaining service life of all plan participants with the exception of investment experience amounts, which are deferred and amortized over a closed five-year period.

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The Statement of Net Position reports a separate section for deferred inflows of resources in addition to liabilities. Deferred inflows of resources in the governmental funds' Balance Sheet represent unavailable revenue for amounts billed and not collected. Deferred inflows of resources in the government-wide Statement of Net Position represent unearned revenues for amounts received in advance of meeting timing requirements or amounts collected in advance of the fiscal year to which they apply. Deferred inflows of resources are also reported for amounts related to pensions and OPEB in the government-wide statement of net position. Actuarial losses resulting from a difference in expected and actual experience, investment results, changes in actuarial assumptions and changes in proportionate share are deferred and amortized. Changes in deferred inflows of resources are amortized over the remaining service life of all plan participants with the exception of investment experience amounts, which are deferred and amortized over a closed five-year period.

**9. 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 enrolled in the traditional leave plan who retire with five or more years of full-time service and who are eligible for Virginia Retirement System (VRS) benefits upon retirement, will receive cash compensation for any unused sick leave balance at a rate of \$2 per hour. Upon retirement, County employees enrolled in the paid time off (PTO) plan who retire with five or more years of full-time service and who are eligible for VRS benefits upon retirement, will receive cash compensation for any unused sick leave reserve balance at a rate of \$4 per hour.

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.

**10. Retirement Plans**

For purposes of measuring retirement plan net pension liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the VRS agent multiple-employer (VRS Local Plans) and teachers' cost-sharing plan (VRS Teachers' Pool) and the additions to or deductions from the VRS Plan's net fiduciary position are determined on the same basis as reported by VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms for modified accrual reporting purposes, but may be deferred to match the measurement period for each retirement plan in the government-wide statements. Investments are reported at fair value. Retirement plan contributions are actuarially determined for the County and School Board component unit supplemental retirement plans.

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**11. Other Postemployment Benefits Plans**

Other postemployment benefits plan contributions are actuarially determined for the retiree healthcare and line of duty plans. The County and School Board component unit's policies are 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. For purposes of measuring OPEB plan net liabilities, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Trust plans and the additions to or deductions from the OPEB Trust Plans net fiduciary position are determined by an annual actuarial valuation. Investments are reported at fair value.

For purposes of measuring OPEB plan net OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the VRS Group Life Insurance Plan (GLI) and cost-Teacher Health Insurance Credit Plan (HIC) and the additions to or deductions from the VRS Plans' net fiduciary position are determined on the same basis as reported by VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms for modified accrual reporting purposes but may be deferred to match the measurement period for each retirement plan in the government-wide statements. Investments are reported at fair value.

**12. 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 must be approved by a voting majority of the qualified voters. Virginia Public School Authority (VPSA) bonds, Virginia Resource Authority bonds, direct bank borrowing, water and sewer revenue bonds and other forms of capital lease debt 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 Position. Bond premiums and discounts 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 during the current period. The face 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.

**13. 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, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenditures/expenses and disclosure of contingent assets and liabilities for the reported periods. Actual results could differ from those estimates.

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**E. New Accounting Pronouncements**

In fiscal year 2018, the County implemented GASB Statement No. 75 (GASB 75), "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", GASB Statement No. 88 (GASB 88), "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements", and GASB Statement No. 89 (GASB 89), "Accounting for Interest Costs Incurred Before the End of a Construction Period".

GASB 75 establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and OPEB expense. GASB 75 also requires additional disclosures and new required supplementary schedules. GASB 75 was applied retrospectively and certain beginning balances have been adjusted accordingly as follows:

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	School Board
<b>Government-wide restatement:</b>				
Net position - July 1, 2017	\$ 930,650,975	\$ 1,111,093,462	\$ 2,041,744,437	\$ (503,844,748)
Other Postemployment Benefit Trust:				
Other Postemployment Benefits asset	(2,574,562)	-	(2,574,562)	(3,601,689)
Net Other Postemployment Benefits liabilities	(83,860,466)	(8,109,994)	(91,970,460)	(206,425,394)
Other Postemployment Benefit Trust - Line of Duty:				
Other Postemployment Benefits asset	(2,225,430)	-	(2,225,430)	-
Net Other Postemployment Benefits liabilities	(6,849,453)	-	(6,849,453)	-
VRS Group Life Insurance - Local Plans:				
Deferred outflow - contributions subsequent to measurement date	872,495	68,505	941,000	79,000
Net Other Postemployment Benefits liabilities	(16,300,176)	(1,279,824)	(17,580,000)	(1,958,000)
VRS Group Life Insurance - Teachers' Pool:				
Deferred outflow - contributions subsequent to measurement date	-	-	-	1,483,000
Net Other Postemployment Benefits liabilities	-	-	-	(27,060,000)
VRS Health Insurance Credit - Teachers' Pool:				
Deferred outflow - contributions subsequent to measurement date	-	-	-	3,225,000
Net Other Postemployment Benefits liabilities	-	-	-	(46,229,000)
Net position - July 1, 2017, restated	<u>\$ 819,713,383</u>	<u>\$ 1,101,772,149</u>	<u>\$ 1,921,485,532</u>	<u>(784,331,831)</u>
Non-major Component Units - not requiring restatement				<u>(17,091,013)</u>
Total net position - July 1, 2017, restated				<u>\$ (801,422,844)</u>

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<b>Enterprise funds:</b>	<b>Water</b>	<b>Wastewater</b>	<b>Non-major Airport</b>	<b>Total</b>
Net position - July 1, 2017	\$ 523,932,003	\$ 551,150,751	\$ 16,054,189	\$ 1,091,136,943
Other Postemployment Benefit Trust:				
Net Other Postemployment Benefits liabilities	(3,746,328)	(4,246,748)	(116,918)	(8,109,994)
VRS Group Life Insurance - Local Plans:				
Deferred outflow - contributions subsequent to measurement date	28,701	38,487	1,317	68,505
Net Other Postemployment Benefits liabilities	<u>(536,190)</u>	<u>(719,022)</u>	<u>(24,612)</u>	<u>(1,279,824)</u>
Net position - July 1, 2017, restated	<u>\$ 519,678,186</u>	<u>\$ 546,223,468</u>	<u>\$ 15,913,976</u>	1,081,815,630
Economic Development Authority - not requiring restatement				<u>19,956,519</u>
Total net position - July 1, 2017, restated				<u>\$ 1,101,772,149</u>

<b>Internal service funds:</b>	<b>Vehicle and Communications Maintenance</b>	<b>Risk Management</b>	<b>Total</b>
Net position - July 1, 2017, restated	\$ 17,944,535	\$ 14,396,428	\$ 32,340,963
Other Postemployment Benefit Trust:			
Net Other Postemployment Benefits liabilities	(1,873,478)	(225,885)	(2,099,363)
VRS Group Life Insurance - Local Plans:			
Deferred outflow - contributions subsequent to measurement date	18,820	5,458	24,278
Net Other Postemployment Benefits liabilities	<u>(351,600)</u>	<u>(101,964)</u>	<u>(453,564)</u>
Net position - July 1, 2017, restated	<u>\$ 15,738,277</u>	<u>\$ 14,074,037</u>	29,812,314
Healthcare Fund and Capital Projects Management - not requiring restatement			<u>(6,187,688)</u>
Total net position - July 1, 2017, restated			<u>\$ 23,624,626</u>

GASB 88 requires that additional information related to debt be disclosed in the notes to the financial statements. This additional information includes unused lines of credit; assets pledged as collateral for debt; and specific terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. GASB 88 is effective for years beginning after June 15, 2018; however, the County elected to include the additional note disclosures in fiscal year 2018.

GASB 89 establishes accounting requirements for interest costs incurred before the end of a construction period. In financial statements prepared using the economic resources measurement focus, GASB 89 establishes that interest cost incurred before the end of a construction period should be recognized as an expense in the period in which the cost is incurred. Such interest cost should not be capitalized as part of the historical cost of a capital asset. GASB 89 is effective for years beginning after December 15, 2019; however, the County has elected to implement the requirements of GASB 89 in fiscal year 2018.

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## **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 items such as 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 approved 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 in March to obtain taxpayer comments on the proposed budget. 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 July 1 generally at the function level for the General Fund, at the fund level for the Children's 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.
- ◆ Appropriations for the General Fund, Stormwater Fund operations, Mental Health Fund, School Operating Fund, Internal Service Funds, and Enterprise Funds lapse at fiscal year-end. Appropriations for Capital Project funds, Grant funds and Stormwater Fund capital projects are continued until the completion of the applicable project or grant, even when the project or grant extends beyond the end of the fiscal year.
- ◆ 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 Children's Services Fund, Stormwater Fund, Mental Health 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 as funds become available on a fiscal year basis. The appropriations resolution specifies that the



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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 workers' 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.

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**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 and the County Board has not specified use of committed or unassigned resources, assigned fund balance is used when available within the same spending category.

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 by a resolution that identifies the specific circumstances under which resources can be expended. The County Board may modify the specified use of its commitments by resolution.

**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. Actions taken by a majority vote of the County Board provides the County Administrator with a specific level of administrative authority to fulfill the County Board's intent for each action.

**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% with a floor of 6.0% for fiscal year 2018.

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The County had the following classifications of fund balances at June 30, 2018:

	<b>General Fund</b>	<b>County Capital Projects Fund</b>	<b>School Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Totals</b>
<b>Restricted for:</b>					
General government	\$ 207,760	\$ -	\$ -	\$ -	\$ 207,760
Public, education and government access	5,582,426	-	-	-	5,582,426
Administration of justice	474,670	-	-	-	474,670
Public safety	46,450	30,323,522	-	752,832	31,122,804
Law enforcement	1,661,541	-	-	-	1,661,541
Public works	452,237	38,083,607	-	-	38,535,844
Stormwater management facility	1,170,361	-	-	-	1,170,361
Health and welfare	22,417	1,105,017	-	513,954	1,641,388
Chesapeake Bay Watershed/TMDL	-	-	-	6,737,005	6,737,005
Parks, recreation and cultural	7,383	11,062,799	-	239,431	11,309,613
Education - School Board	-	-	60,031,257	-	60,031,257
Economic development	2,320,003	688,792	-	91,283	3,100,078
Tax increment financing and special assessment	6,808,456	-	-	-	6,808,456
Debt service	456,292	3,280,487	1,962,858	-	5,699,637
Total restricted	19,209,996	84,544,224	61,994,115	8,334,505	174,082,840
<b>Committed to:</b>					
Community contracts	12,122	-	-	-	12,122
District improvement funds	191,541	-	-	-	191,541
Economic development	294,727	-	-	-	294,727
Public works	1,182,597	-	-	-	1,182,597
Total committed	1,680,987	-	-	-	1,680,987
<b>Assigned to:</b>					
General government	871,431	-	-	-	871,431
Personal property tax relief	2,300,000	-	-	-	2,300,000
Telecommunications	1,124,159	-	-	-	1,124,159
Workers compensation	2,400,000	-	-	-	2,400,000
Administration of justice	1,628	-	-	-	1,628
Public safety	1,611,024	-	-	7,255,734	8,866,758
Fire apparatus	767,980	-	-	-	767,980
Local match for grants	127,491	-	-	-	127,491
Police vehicles	1,420,539	-	-	-	1,420,539
Public works	140,708	-	-	-	140,708
Road construction	12,366,189	-	-	-	12,366,189
Motor vehicle registration fees for transportation	1,020,522	-	-	-	1,020,522
Health and welfare	32,892	-	-	8,658,686	8,691,578
Parks, recreation and cultural	674,940	-	-	-	674,940
Economic development	9,965,771	-	-	-	9,965,771
Airport	697,588	-	-	-	697,588
Construction	81,378,866	-	-	-	81,378,866
Debt service	5,967,193	-	-	-	5,967,193
Chesapeake Bay Watershed/TMDL	4,756,274	-	-	-	4,756,274
Fiscal year 2019 adopted budget	20,752,500	-	-	-	20,752,500
Future capital projects	7,687,297	-	-	-	7,687,297
Future revenue shortfall - County	102,168,381	-	-	-	102,168,381
Future revenue shortfall - Schools	18,115,397	-	-	-	18,115,397
Education - School Board	397,848	-	-	-	397,848
Total assigned	276,746,618	-	-	15,914,420	292,661,038
<b>Unassigned</b>	60,004,400	-	-	-	60,004,400
Total fund balances	\$ 357,642,001	\$ 84,544,224	\$ 61,994,115	\$ 24,248,925	\$ 528,429,265

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**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 dependent 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 by a resolution that identifies the specific circumstances under which resources can be expended. The School Board can only modify the specified use of commitments with County approval by resolution. At June 30, 2018, 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, 2018, the School Board had no unassigned fund balance.

The School Board had the following classifications of fund balances at June 30, 2018:

**School Operating Fund**

<b>Nonspendable:</b>	
Inventories	\$ 307,316
<b>Restricted for:</b>	
Instruction	58,213
Food service	<u>8,573,180</u>
Total restricted	<u>8,631,393</u>
<b>Assigned to:</b>	
Instruction	3,226,768
Administration, attendance and health	932,212
Transportation	5,155,721
Operations and maintenance	16,628,406
Technology	280,064
Food service	5,668,271
Future capital projects	108,900
SRP Contributions	5,500,000
Workers' compensation	<u>2,400,000</u>
Total assigned	<u>39,900,342</u>
Total fund balances	<u>\$ 48,839,051</u>

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**C. Deficit net position**

The Healthcare Fund, an internal service fund, had a deficit total net position of \$2,361,797 at June 30, 2018. The Healthcare Fund is funded with a combination of employer and employee contributions using Board approved rates which are sufficient to provide the cash flow required to pay medical claims and administrative fees as they become due. Over time, positive claims experience is expected to fully fund claims incurred but not reported (IBNR) at fiscal year end. At June 30, 2018, IBNR was approximately 72% funded after four full years of operations.

**3. Significant Transactions of the County and 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. Proceeds from general obligation debt issued "on behalf" of the School Board are reported in the School Capital Projects Fund, a major fund of the primary government, and used to pay for school capital expenditures. Proceeds from lease purchase debt for vehicles and equipment owned by the School Board is debt of the School Board, which is reported in the School Operating Fund.
- 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 for "on behalf" debt are eliminated in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Fund. The primary government eliminates budgetary transfers for these "on behalf" debt service payments for financial reporting purposes in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.

**B. Economic Development Authority**

**1. Primary Government**

On October 18, 2004, the EDA 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 former 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. On July 25, 2013, the principal amount of the Note was decreased by \$3,453,705 due to the sale of a

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portion of the redevelopment asset. On December 19, 2014, the principal amount of the Note was decreased by \$5,657,548 and Taxable Redevelopment Facility Note, Series 2014A for \$7,484,947 was issued to refinance the 2004 Note. As of June 30, 2018, \$6,961,255 was outstanding on the Series 2014A Note. The County paid interest expense related to the Note in the amount of \$259,489 during fiscal year 2018 and accrued interest of \$63,521.

On January 27, 2005, the EDA 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, 2018, \$6,880,000 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 EDA and the County. The County made support payments of \$935,000 for principal and \$101,852 for interest during fiscal year 2018. In connection with issuing the revenue bonds, the EDA entered into a standby 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 standby bond purchase agreement, which matures on July 1, 2019, principal payments due after fiscal year 2018 are classified as non-current liabilities due in more than one year.

On October 14, 2010, the EDA 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 EDA qualifies 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 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. Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, the subsidy is subject to a 6.9% reduction. The County made support payments of \$420,000 for principal and \$142,333 for interest during the fiscal year. As of June 30, 2018, \$4,985,000 remained outstanding on the Series 2010B Bonds.

The primary government's budgeting process provides funding to the EDA component unit for debt service payments. GAAP requires that component units where the primary government pays substantially all of the debt service on behalf of the component unit be reported as a blended component unit. Payments received by the EDA for debt service are eliminated in the Combining Statement of Revenues, Expenditures and Changes Net Position - Non-major Enterprise Funds.

## **2. Chippenham Place Community Development Authority**

On October 1, 2011, the EDA entered into a Financial Agreement with the Chippenham Place CDA. In accordance with the Financing Agreement, the EDA issued a Tax-Exempt Revenue Note in an amount up to \$8 million and provided the proceeds of the Note to the Chippenham Place CDA to finance the infrastructure improvements at the former Cloverleaf Mall site. The outstanding amount of the Special Assessment Revenue Note, Series 2011, at December 1, 2014 was \$6,670,000. On December 1, 2014, the EDA entered into a new Financing Agreement with the CDA. In accordance with the new Financing Agreement, the EDA issued a Tax-Exempt Revenue Note, Series 2014B, in an amount of \$12,577,548, the proceeds of which were used to pay the outstanding balance of the Special Assessment Revenue Note, Series 2011; reimburse the County for infrastructure improvements; and pay the costs of issuing the Note. On May 1, 2017, the EDA entered into a new Financing Agreement with the Chippenham Place CDA. In accordance with the new Financing Agreement, the EDA issued a Special Assessment Revenue Note, Series 2017, in an amount of \$11,774,028, the proceeds of which were used to pay the outstanding principal balance and interest on the EDA's Note solely from the revenues and other property pledged to

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the payment of this Note. The Note is a limited obligation of the Authority secured by pledged revenues consisting of incremental tax and special assessment revenues collected by the County and it is not an obligation of the County. The Note will be repaid with the incremental tax revenues and, to the extent incremental tax revenues are not sufficient, special assessment revenues. The County intends to make annual appropriations of incremental and special assessment taxes sufficient to cover the Chippenham Place CDA's required annual debt service. The balance of the Note is included in Due from Chippenham Place CDA on the Statement of Net Position of the EDA's separately issued statements.

#### **4. Deposits and Investments**

##### **A. Primary Government:**

As of June 30, 2018, the carrying value of the County's deposits and investments, other than that of the Trust Funds, with their respective credit ratings, was as follows:

<u>Asset Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Demand deposits	\$ 200,822,172	N/A
LGIP	184,681,882	AAAm
VIP Stable NAV Liquidity Pool	100,005,740	AAAm
SNAP	116,881,089	AAAm
VIP 1 - 3 Year High Quality Bond Fund	60,000,000	AA+f/S1
Negotiable certificates of deposit	7,991,074	A1/P1
U. S. Treasuries	11,909,997	AA+
Federal Home Loan Bank	115,882,334	AA+
Federal Home Loan Mortgage Corporation	94,503,982	AA+
Federal Farm Credit Bank	52,617,535	AA+
Federal National Mortgage Association	58,265,350	AA+
Total deposits and investments	<u>\$ 1,003,561,155</u>	

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 GAAP, are designated as "N/A" in the credit rating column in the above table.

##### **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, the LGIP and the VIP.

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 in accordance with GAAP. Pursuant to the Code of Virginia, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer.

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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 weekly basis this valuation is compared to current market value 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.

The VIP is a Section 115 governmental trust fund created under the Joint Exercise of Powers statute of the Commonwealth to provide political subdivisions with an investment vehicle to pool surplus funds and to invest such funds into one or more investment portfolios under the direction and daily supervision of a professional fund manager. The VIP is governed by a Board of Trustees. The VIP is committed to managing certain risk limiting provisions of the VIP Stable NAV Liquidity Pool to maintain a stable net asset value (NAV) at \$1 per share, daily liquidity and a competitive yield. The VIP 1 - 3 Year High Quality Bond Fund is designed for funds that can be invested generally for one year or longer. This fund incorporates a diversified portfolio of security types authorized by the Code of Virginia and its returns are benchmarked against the Bank of America Merrill Lynch One-to-Three Year Corporate & Government Index. Both the VIP Stable NAV Liquidity Pool and the VIP 1 - 3 Year High Quality Bond Fund measure their investments at fair value as provided in GAAP.

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 was originally established as a professionally managed money market/mutual fund program to provide 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. On October 27, 2016, the SNAP Fund was established as a local government investment pool that is not registered as an investment company with the Securities Exchange Commission. The SNAP Fund values portfolio securities by the amortized cost method in accordance with GAAP and periodically monitors the relationship between the amortized cost value per share and the net asset value (NAV) per share based upon available indications of market value and takes corrective action, if required, to minimize any material dilution or other unfair results which might arise from differences between amortized cost and NAV value. 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
VIP	75% maximum
LGIP	75% maximum
Money market funds	75% maximum
Negotiable certificates of deposit - commercial banks	100% maximum
Negotiable certificates of deposit - savings & loan associations	10% maximum
Repurchase agreements	25% maximum
U. S. Treasuries	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.



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**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, 2018, \$2,654,711 of the \$200,822,172 in demand deposits was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 48,613
Uninsured and partially collateralized with securities held by the pledging financial institution but not in the government's name	<u>2,606,098</u>
Total	<u>\$2,654,711</u>

**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
Repurchase agreements	10% maximum
Certificate of deposit - commercial banks	45% maximum
Certificate of deposit - savings and loan associations	\$100,000
Commercial paper	25% maximum
VIP	75% maximum
LGIP	75% maximum
Each repurchase agreement counterparty	10% maximum
U. S. Treasuries and agencies	No maximum

As of June 30, 2018, the portion of the County's portfolio, excluding demand deposits and SNAP, that represents 5% or more of the total portfolio is as follows:

<u>Issuer</u>	<u>% of Portfolio</u>
LGIP	26.9%
VIP	23.3%
Federal Home Loan Bank	16.9%
Federal Home Loan Mortgage Corporation	13.8%
Federal National Mortgage Association	8.5%
Federal Farm Credit Bank	7.7%

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**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, 2018, the County had the following pooled deposits and investments:

<u>Asset Type</u>	<u>Fair Value</u>	<u>Investment Maturity</u>		
		<u>Less than 1 Year</u>	<u>1 - 2 Years</u>	<u>2 - 2.5 Years</u>
LGIP	\$ 184,681,882	\$ 184,681,882	\$ -	\$ -
VIP Stable NAV Liquidity Pool	100,005,740	100,005,740	-	-
SNAP	116,881,089	116,881,089	-	-
VIP 1 - 3 Year High Quality Bond Fund	60,000,000	-	60,000,000 (a)	-
Participating certificate of deposit	7,991,074	7,991,074	-	-
U. S. Treasuries	11,909,997	8,963,552	2,946,445	-
Federal Home Loan Bank	115,882,334	49,334,331 (b)	56,753,903 (c)	9,794,100 (d)
Federal Home Loan Mortgage Corporation	94,503,982	62,418,578 (e)	32,085,404 (f)	-
Federal Farm Credit Bank	52,617,535	12,795,703 (g)	39,821,832 (h)	-
Federal National Mortgage Association	58,265,350	38,568,470 (i)	19,696,880 (j)	-
Total	<u>\$ 802,738,983</u>	<u>\$ 581,640,419</u>	<u>\$ 211,304,464</u>	<u>\$ 9,794,100</u>

- (a) The weighted average days to maturity for this investment is 1.73 years.  
(b) \$15,822,010 of these bonds have call dates ranging from July 9, 2018 to September 28, 2018.  
(c) \$37,621,129 of these bonds have call dates ranging from July 9, 2018 to October 23, 2018.  
(d) This bond has a call date of August 28, 2018.  
(e) \$38,196,981 of these bonds have call dates ranging from July 26, 2018 to September 28, 2018.  
(f) \$14,804,325 of these bonds have call dates ranging from July 30, 2018 to October 10, 2018.  
(g) These bonds have a call date of July 9, 2018.  
(h) \$9,388,147 of these bonds have call dates ranging from July 9, 2018 to February 12, 2019.  
(i) \$21,830,230 of these bonds have call dates ranging from August 26, 2018 to September 13, 2018.  
(j) \$14,803,790 of these bonds have call dates ranging from July 27, 2018 to August 2, 2018.

**Fair Value Hierarchy:**

The County's portfolio categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of an asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

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Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices (Level 2 inputs). The County's portfolio has the following recurring fair value measurements for debt securities as of June 30, 2018:

<b>Investments by fair value - Level 2</b>	<b>Fair Value</b>
Negotiable certificates of deposit	\$ 7,991,074
U. S. Treasuries	11,909,997
Federal Home Loan Bank	115,882,334
Federal Home Loan Mortgage Corporation	94,503,982
Federal Farm Credit Bank	52,617,535
Federal National Mortgage Association	58,265,350
Total investments by fair value - Level 2	<u>\$ 341,170,272</u>

**Investments measured at the net asset value (NAV)**

VIP 1 - 3 Year High Quality Bond Fund	\$ 60,000,000
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The VIP 1 - 3 Year High Quality Bond Fund (Portfolio) is invested in high-quality corporate and government securities with an average duration of between one to three years. The net asset value is determined by calculating the fair market value of all securities and assets held by the Portfolio, including accrued interest and amounts owed to the fund for securities sold or principal and income not collected as of the Portfolio valuation date, less any liabilities of the Portfolio. The value of each participant's account is determined by dividing the net asset value of the Portfolio by the total number of shares of beneficial interest, multiplied by the number of shares owned by the participant. Prices for securities held in the Portfolio shall be valued at the most recent bid price or yield equivalent obtained from one or more market makers for such securities, except that any securities designated as money market securities may be valued using the amortized cost method based upon the Portfolio's acquisition of the security. Participant redemption requests must be made at least five business days prior to the Portfolio valuation date, which typically occurs on the fifteenth and the last business days of the month.

**Chesterfield County Supplemental Retirement Plan:**

As of June 30, 2018, 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:

<b><u>Asset Type</u></b>	<b><u>Fair Value</u></b>	<b><u>Credit Rating</u></b>
Demand deposits	\$ 822,991	N/A
Mutual funds	5,638,717	N/A
Common and preferred stocks	11,036,093	N/A
Corporate bonds	4,917,648	N/A
Funds of funds	5,433,566	N/A
Exchange traded funds	5,764,732	N/A
Collateralized mortgage backed securities	128,313	N/A
U. S. Treasuries	1,503,344	AA+
Federal National Mortgage Association	1,320,322	AA+
Federal Home Loan Mortgage Corporation	793,865	AA+
Government National Mortgage Association	73,333	AA+
Total deposits and investments	<u>\$37,432,924</u>	

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The Plan's investments include funds of funds, which are investment funds that use a 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, 2018, the underlying investments in the Plan's funds 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 GAAP, 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 \$822,991 of demand deposits, \$572,991 is invested in bank deposits or 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 defined by GAAP, there were no investments in any one issuer that represented 5% or more of total investments as of June 30, 2018.

**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, 2018, the Plan had investments of \$128,313 (0.4% of total portfolio excluding demand deposits) in collateralized mortgage backed securities. These securities are based on cash flows from interest and principal payments on underlying mortgages of commercial income producing properties and therefore are sensitive to interest rate changes.

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As of June 30, 2018, 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>
Corporate bonds and collateralized mortgage securities	\$ 5,045,961	\$ 3,462,827	\$ 778,378	\$ 804,756
U. S. Treasuries	1,503,344	29,053	706,660	767,631
Federal National Mortgage Association	1,320,322	21,624	1,298,698	-
Federal Home Loan Mortgage Corporation	793,865	154,105	540,810	98,950
Government National Mortgage Association	73,333	30,218	43,115	-
Total	<u>\$ 8,736,825</u>	<u>\$ 3,697,827</u>	<u>\$ 3,367,661</u>	<u>\$ 1,671,337</u>

**Fair Value Hierarchy:**

The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of an asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix technique. Matrix pricing is used to value securities based on the securities relationship to benchmark quoted prices.

The County's portfolio has the following recurring fair value measurements as of June 30, 2018:

<u>Investments by fair value level</u>	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>	
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>
Debt securities:			
U. S. Treasuries	\$ 1,503,344	\$ -	\$ 1,503,344
U. S. agencies and sponsored enterprises	2,187,520	-	2,187,520
Collateralized mortgage-backed securities	128,313	-	128,313
Corporate bonds	4,917,648	-	4,917,648
Total debt securities	<u>8,736,825</u>	<u>-</u>	<u>8,736,825</u>
Equity securities:			
Common and preferred stocks	11,036,093	11,036,093	-
Exchange traded funds	5,764,732	5,764,732	-
Mutual funds	5,638,717	5,638,717	-
Total equity securities	<u>22,439,542</u>	<u>22,439,542</u>	<u>-</u>
Total investments by fair value level	<u>31,176,367</u>	<u>\$ 22,439,542</u>	<u>\$ 8,736,825</u>
<u>Investments measured at the net asset value (NAV)</u>			
Multi-strategy alternative funds	5,433,566		
Total investments measured at fair value	<u>\$ 36,609,933</u>		

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<u>Investments measured at the NAV</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
(1) Multi-strategy alternative fund	\$ 385,282	\$ 1,133,367	None	N/A
(2) Multi-strategy alternative fund	599,128	767,064	None	N/A
(3) Multi-strategy alternative fund	1,831,677	None	Semi-annual	95 days
(4) Multi-strategy alternative fund	<u>2,617,479</u>	None	Quarterly	65 days
Total investments measured at fair value	<u>\$ 5,433,566</u>			

- (1) *Multi-strategy alternative fund.* This investment is a multi-strategy fund designed to provide investors with exposure to a well-diversified private markets portfolio across strategy, investment type and vintage year. The fair value of this investment has been determined using the NAV per share (or its equivalent) of the investments.
- (2) *Multi-strategy alternative fund.* This investment's objective is to provide liquidity, capital and partnering solutions to private equity investors and managers. It funds source opportunities from around the world, acquiring and structuring portfolios of private equity partnerships and underlying portfolio companies across leveraged buyout, credit, distressed, growth capital, real asset and venture capital strategies. The fair value of this investment has been determined using the NAV per share (or its equivalent) of the investments.
- (3) *Multi-strategy alternative fund.* This investment's objective is capital appreciation with limited variability of returns. This includes relative value strategies that attempt to capture pricing anomalies between assets that for all economic purposes are identical; market neutral and low net equity strategies that involve the purchase of a stock or basket of stocks that is relatively underpriced as well as selling short a stock or basket of stocks that is relatively overpriced; and event driven strategies that involve the assessment of how, when and if specific transactions will be completed and the effect on corporations and financial assets. A common event driven strategy is merger arbitrage. The fair value of this investment has been determined using the NAV per share (or its equivalent) of the investments.
- (4) *Multi-strategy alternative fund.* This investment's objective is capital appreciation. The fund seeks to realize attractive risk-adjusted returns, net of fees and expenses, over a three- to five-year investment horizon. To achieve this objective, the fund seeks to allocate assets across a diverse set of fund strategies to create portfolios with stable risk, return and correlation characteristics over the long term. Investment strategies include directional equity funds that take long and short stock positions; directional macro strategies that require well developed risk management procedures due to the frequent employment of leverage; event driven strategies that involve investing in opportunities created by significant transactional events such as spin-offs, mergers and acquisition, bankruptcies, recapitalizations and share buybacks; and relative value strategies that seek to take advantage of specific pricing anomalies, while also seeking to maintain minimal exposure to systemic market risk. The fair value of this investment has been determined using the NAV per share (or its equivalent) of the investments.

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2018**

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

As of June 30, 2018, 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:

<b><u>Asset Type</u></b>	<b><u>Fair Value</u></b>	<b><u>Credit Rating</u></b>
Cash	\$ 630,000	
Investment in pooled funds	29,746,510	N/A
Total	<u>\$30,376,510</u>	

As of June 30, 2018, 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:

<b><u>Asset Type</u></b>	<b><u>Fair Value</u></b>	<b><u>Credit Rating</u></b>
Cash	\$ 1,000,000	
Investment in pooled funds	16,611,936	N/A
Total	<u>\$17,611,936</u>	

As of June 30, 2018, 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:

<b><u>Asset Type</u></b>	<b><u>Fair Value</u></b>	<b><u>Credit Rating</u></b>
Cash	\$ 430,000	
Investment in pooled funds	8,550,369	N/A
Total	<u>\$8,980,369</u>	

As of June 30, 2018, 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.

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
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The Trust categorizes its investments within the fair value hierarchy established by GAAP. A government is permitted in certain circumstances to establish the fair value of an investment that does not have a readily determinable fair value by using the NAV per share (or its equivalent) of the investment. Investments in the Trust are valued using the NAV per share which is determined by dividing the total value of the Trust by the number of outstanding shares. The NAV per share changes with the value of the underlying investments in the Trust. Generally, participants may redeem their investment at the end of a calendar quarter upon 90 days' written notice. The Trust currently invests in the following assets classes and strategies:

**Investment Policy and Long-term Rates of Return**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Arithmetic Long- term Expected Rate of Return</u>
Equity:		
Large Cap	26%	7.79%
Small Cap	10%	9.08%
International	13%	8.79%
Emerging Markets	5%	10.14%
Private	5%	10.43%
Fixed Income:		
Core Plus	14%	3.07%
Core Plus	7%	2.80%
Diversified Hedge Funds	10%	6.32%
Real Assets:		
Real Estate	7%	5.84%
Commodities	3%	3.90%
Cash and Equivalents	0%	0.93%
	<u>100%</u>	<u>6.89%</u>

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% after inflation, in a manner consistent with prudent 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.



**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2018**

**B. Component Unit - School Board:**

As of June 30, 2018, 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	\$24,159,198	N/A

School Board deposits are invested in accordance with the County's investment policy. As of June 30, 2018, 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, 2018, 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	\$ 1,330,384	N/A
Mutual funds - equity	8,139,446	Not Rated
Mutual funds - fixed income	7,683,282	Not Rated
Exchange traded funds	10,840,726	Not Rated
Total deposits and investments	<u>\$ 27,993,838</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.

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 \$1,330,384 of demand deposits is invested in a money market fund that is uninsured and uncollateralized.

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
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**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 Bankers' 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, 2018, excluding mutual funds and exchange traded funds, the Program had no investments and, therefore, accordingly had no concentration of credit risk.

**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, 2018, the average effective duration of the fixed income portfolio did not exceed 6.5 years.

As of June 30, 2018, excluding equity mutual funds and certain exchange traded funds, the Program had the following investments and maturities:

<u>Asset Type</u>	<u>Fair Value</u>	<u>Investment Maturity<sup>(1)</sup></u>	
		<u>0 - 5 Years</u>	<u>5 - 10 Years</u>
Exchange traded funds	\$ 1,050,066	\$ 1,050,066	\$ -
Mutual funds - fixed income	7,683,282	2,970,307	4,712,975
Total	<u>\$ 8,733,348</u>	<u>\$ 4,020,373</u>	<u>\$ 4,712,975</u>

<sup>(1)</sup> Estimated using average effective maturity.

**Fair Value Hierarchy:**

The Program categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of an asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Program has the following recurring fair value measurements using quoted market prices (Level 1 inputs) as of June 30, 2018:

<u>Investments by fair value - Level 1</u>	<u>Fair Value</u>
Mutual funds - equity	\$ 8,139,446
Mutual funds - fixed income	7,683,282
Exchange traded funds	10,840,726
Total investments by fair value	<u>\$ 26,663,454</u>

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2018**

**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, 2018, are levied for fiscal year 2018 and, when unavailable in the current period, are reported as deferred inflows of resources. Installments due on December 5, 2018, are levied for fiscal year 2019 and, therefore, are unearned and reported as deferred inflows of resources.

Personal property taxes, which do not create a lien on property, are due on June 5th and levied for fiscal year 2018 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, 2018. 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, 2018**

**B. Receivables**

Receivables at June 30, 2018, were as follows:

**Governmental Activities**

	<b>General Fund</b>	<b>County Capital Projects Fund</b>	<b>School Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Internal Service Funds</b>	<b>Total</b>
Taxes	\$ 205,514,695	\$ -	\$ -	\$ -	\$ -	\$ 205,514,695
Accounts	13,197,052	2,333,433	30,008	13,966,283	75,033	29,601,809
Interest	497,412	11,149	-	-	-	508,561
Special assessments	1,737,259	-	-	-	-	1,737,259
Commonwealth of Virginia	54,248,387	7,539,874	-	2,032,720	758	63,821,739
Federal government	-	125,000	-	825,456	-	950,456
Gross receivables	275,194,805	10,009,456	30,008	16,824,459	75,791	302,134,519
Less: Allowance for uncollectibles	(7,101,609)	-	-	(9,408,236)	-	(16,509,845)
Net receivables	<u>\$ 268,093,196</u>	<u>\$ 10,009,456</u>	<u>\$ 30,008</u>	<u>\$ 7,416,223</u>	<u>\$ 75,791</u>	<u>\$ 285,624,674</u>

**Business-type Activities**

	<b>Water Fund</b>	<b>Wastewater Fund</b>	<b>Non-major Enterprise Funds</b>	<b>Total</b>
Accounts	\$ 9,285,775	\$ 8,360,333	\$ 44,708	\$ 17,690,816
Interest	292,831	564,417	-	857,248
Special assessments	73,365	212,336	-	285,701
Federal government	-	-	18,023	18,023
Gross receivables	9,651,971	9,137,086	62,731	18,851,788
Less: Allowance for uncollectibles	(359,342)	(331,718)	-	(691,060)
Net receivables	<u>\$ 9,292,629</u>	<u>\$ 8,805,368</u>	<u>\$ 62,731</u>	<u>\$ 18,160,728</u>

**Component Unit**

	<b>School Board</b>
Accounts	\$ 483,283
Commonwealth of Virginia	947,855
Federal government	6,397,907
Gross receivables	<u>\$ 7,829,045</u>

Special assessments of \$63,398 and \$187,237, 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, 2018**

**6. Payables**

Payables at June 30, 2018, were as follows:

**Governmental Activities**

	<u>General Fund</u>	<u>County Capital Projects Fund</u>	<u>School Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Internal Service Funds</u>	<u>Total</u>
Vendors	\$ 7,620,688	\$ 11,451,161	\$ 8,196,775	\$ 3,789,288	\$ 3,336,919	\$ 34,394,831
Due to other governments	-	-	-	79,958	-	79,958
Wages and benefits	11,761,039	14,846	-	1,888,555	392,962	14,057,402
Retainages	-	1,539,571	3,111,521	-	-	4,651,092
Deposits	343,273	1,573,682	-	-	-	1,916,955
Total	<u>\$ 19,725,000</u>	<u>\$ 14,579,260</u>	<u>\$ 11,308,296</u>	<u>\$ 5,757,801</u>	<u>\$ 3,729,881</u>	<u>55,100,238</u>
					Accrued interest	<u>8,957,504</u>
					Total per government-wide	<u>\$ 64,057,742</u>

**Business-type Activities**

	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Non-major Enterprise Funds</u>	<u>Total</u>
Vendors	\$ 3,492,784	\$ 1,584,849	\$ 243,238	\$ 5,320,871
Wages and benefits	572,529	493,476	13,371	1,079,376
Accrued interest	166,208	201,917	5,701	373,826
Retainages	26,677	84,776	5,000	116,453
Other	1,170,349	31,661	114,502	1,316,512
Total	<u>\$ 5,428,547</u>	<u>\$ 2,396,679</u>	<u>\$ 381,812</u>	<u>\$ 8,207,038</u>

**Component Unit**

	<u>School Board</u>
Vendors	\$ 7,965,258
Wages and benefits	44,205,593
Accrued interest	160,904
Total	<u>\$ 52,331,755</u>

County of Chesterfield, Virginia  
Notes to Financial Statements  
June 30, 2018

**7. Reporting Entity - Internal Transactions**

Internal receivable and payable balances at June 30, 2018, were as follows:

Fund	Internal Receivables	Internal Payables
<b>Internal Receivables/Payables Other Funds</b>		
<b>Governmental Activities:</b>		
General Fund	\$ -	\$ 61,295
County Capital Projects Fund	6,443,480	-
<b>Business-type Activities:</b>		
Airport Fund	32,050	-
Non-major Economic Development Authority	29,245	6,443,480
Total primary government	<u>\$ 6,504,775</u>	<u>\$ 6,504,775</u>
<b>Receivables/Payables Primary Government and Component Units</b>		
<b>Primary Government:</b>		
General Fund	\$ -	\$ 76,179,243
<b>Discretely Presented Component Units:</b>		
School Board	76,179,243	-
Total	<u>\$ 76,179,243</u>	<u>\$ 76,179,243</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. Internal transactions between the General Fund and the School Board component unit are related to School Board expenditures funded by the County where expenditures are liquidated subsequent to year end. Internal transactions between the County Capital Projects Fund and the EDA are related to prepayments made to the EDA for a large construction project managed by the EDA on behalf of the County.

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
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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 2018 were as follows:

**Transfers In:**

**Governmental Funds**

General Fund from:

Grants Fund	\$ 1,414,528	
Mental Health Fund	353,863	
Capital Projects Management Fund	212,706	
Water Fund	1,888	
Wastewater Fund	1,258	
Vehicle and Communications Maintenance Fund	<u>7,200</u>	\$ 1,991,443

County Capital Projects Fund from:

General Fund	30,061,454	
Mental Health Fund	25,000	
Water Fund	<u>246,838</u>	30,333,292

School Capital Projects Fund from:

County Capital Projects Fund	2,513,174	
General Fund	<u>576,982</u>	3,090,156

Grants Fund from:

General Fund	1,146,881	
Mental Health Fund	<u>388,799</u>	1,535,680

Stormwater Fund from:

General Fund		647,129
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Children's Services Fund from:

General Fund		2,367,800
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Mental Health Fund from:

General Fund		14,743,589
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**Proprietary Funds**

Economic Development Authority from:

General Fund		295,986
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Airport Fund from:

General Fund		<u>119,736</u>
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Total transfers in		<u><u>\$ 55,124,811</u></u>
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**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2018**

**Transfers Out:**

**Governmental Funds**

General Fund to:

County Capital Projects Fund	\$ 30,061,454	
School Capital Projects Fund	576,982	
Grants Fund	1,146,881	
Children's Services Fund	2,367,800	
Stormwater Fund	647,129	
Mental Health Fund	14,743,589	
Economic Development Authority	295,986	
Airport Fund	<u>119,736</u>	\$ 49,959,557

County Capital Projects Fund to:

School Capital Projects Fund	2,513,174
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Grants Fund to:

General Fund	1,414,528
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Mental Health Fund to:

General Fund	353,863	
Grants Fund	388,799	
County Capital Projects Fund	25,000	767,662

**Proprietary Funds**

Capital Projects Management Fund to:

General Fund	212,706
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Vehicle and Communications Maintenance Fund to:

General Fund	7,200
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Water Fund to:

General Fund	1,888	
County Capital Projects Fund	<u>246,838</u>	248,726

Wastewater Fund to:

General Fund	<u>1,258</u>
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Total transfers out	<u><u>\$ 55,124,811</u></u>
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**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2018**

**8. Capital and Intangible Assets**

**A. Governmental Activities**

Capital asset activity for the year ended June 30, 2018, was as follows:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2018</u>
Capital assets, not being depreciated:				
Land	\$ 81,519,045	\$ 5,714,318	\$ 7,937	\$ 87,225,426
Construction in progress	42,119,997	87,961,485	52,260,473	77,821,009
Total assets, not being depreciated	<u>123,639,042</u>	<u>93,675,803</u>	<u>52,268,410</u>	<u>165,046,435</u>
Capital assets, being depreciated:				
Buildings	1,256,056,253	42,427,347	5,545,340	1,292,938,260
Improvements other than buildings	88,353,655	4,707,373	211,834	92,849,194
Machinery and equipment	180,529,799	16,752,907	6,532,224	190,750,482
Infrastructure	38,769,627	530,910	-	39,300,537
Total at historical cost	<u>1,563,709,334</u>	<u>64,418,537</u>	<u>12,289,398</u>	<u>1,615,838,473</u>
Less accumulated depreciation for:				
Buildings	449,320,008	25,866,256	5,102,742	470,083,522
Improvements other than buildings	49,593,788	3,406,322	132,430	52,867,680
Machinery and equipment	118,667,689	12,088,681	6,295,749	124,460,621
Infrastructure	10,885,808	566,780	-	11,452,588
Total accumulated depreciation	<u>628,467,293</u>	<u>41,928,039</u>	<u>11,530,921</u>	<u>658,864,411</u>
Total capital assets, being depreciated, net	<u>935,242,041</u>	<u>22,490,498</u>	<u>758,477</u>	<u>956,974,062</u>
<b>Governmental activities capital assets, net</b>	<u><u>\$ 1,058,881,083</u></u>	<u><u>\$ 116,166,301</u></u>	<u><u>\$ 53,026,887</u></u>	<u><u>\$ 1,122,020,497</u></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 position 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, 2018, are comprised of the following:

General capital assets, net	\$ 1,113,913,148
Internal Service Funds capital assets, net	<u>8,107,349</u>
Total	<u><u>\$ 1,122,020,497</u></u>

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2018**

Depreciation expense was charged to the following functions:

General government	\$ 3,043,661
Administration of justice	1,220,076
Public safety	9,534,874
Public works	1,562,646
Health and welfare	1,240,123
Education - School Board	19,101,177
Parks, recreation and cultural	4,083,889
Community development	390,593
Capital assets held by the County's Internal Service Funds are charged to the various functions based on their usage of the assets	<u>1,751,000</u>
Total depreciation expense	<u>\$ 41,928,039</u>

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

<u>Function</u>	<u>Committed at June 30, 2018</u>
General government	\$ 2,748,186
Administration of justice	130,348
Public safety	37,367,888
Public works	1,641,905
Health and welfare	844,971
Parks, recreation and cultural	2,967,336
Education - School Board	137,932,322
Community development	<u>498,568</u>
Total construction in progress commitments	<u>\$ 184,131,524</u>

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2018**

**B. Business-type Activities**

Intangible and capital asset activity for the year ended June 30, 2018, was as follows:

<b>Water Fund</b>	<b>Balance July 1, 2017</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2018</b>
Intangible assets:				
Capacity rights, net of amortization	\$ 68,621,489	\$ 2,075,731	\$ 2,211,671	\$ 68,485,549
Capital assets, not being depreciated:				
Land	6,537,153	505,201	-	7,042,354
Construction in progress	3,880,911	4,735,108	4,213,060	4,402,959
Total assets, not being depreciated	10,418,064	5,240,309	4,213,060	11,445,313
Capital assets, being depreciated:				
Buildings	63,985,378	26,298	170,000	63,841,676
Improvements other than buildings	9,026,406	16,312	-	9,042,718
Machinery and equipment	466,715,473	13,537,228	992	480,251,709
Totals at historical cost	539,727,257	13,579,838	170,992	553,136,103
Less accumulated depreciation for:				
Buildings	22,634,620	1,522,986	170,000	23,987,606
Improvements other than buildings	5,501,191	322,258	-	5,823,449
Machinery and equipment	167,805,111	10,438,971	794	178,243,288
Total accumulated depreciation	195,940,922	12,284,215	170,794	208,054,343
Total capital assets, being depreciated, net	343,786,335	1,295,623	198	345,081,760
Water capital and intangible assets, net	\$ 422,825,888	\$ 8,611,663	\$ 6,424,929	\$ 425,012,622

<b>Wastewater Fund</b>	<b>Balance July 1, 2017</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2018</b>
Intangible assets:				
Capacity rights, net of amortization	\$ 2,258,659	\$ -	\$ 118,877	\$ 2,139,782
Capital assets, not being depreciated:				
Land	2,866,069	363,510	-	3,229,579
Construction in progress	1,756,304	3,668,383	2,177,837	3,246,850
Total assets, not being depreciated	4,622,373	4,031,893	2,177,837	6,476,429
Capital assets, being depreciated:				
Buildings	145,999,621	9,030	-	146,008,651
Improvements other than buildings	19,069,061	-	-	19,069,061
Machinery and equipment	533,369,479	12,182,861	129,876	545,422,464
Totals at historical cost	698,438,161	12,191,891	129,876	710,500,176
Less accumulated depreciation for:				
Buildings	56,177,705	3,367,724	-	59,545,429
Improvements other than buildings	8,390,263	500,267	-	8,890,530
Machinery and equipment	221,776,784	14,300,504	128,556	235,948,732
Total accumulated depreciation	286,344,752	18,168,495	128,556	304,384,691
Total capital assets, being depreciated, net	412,093,409	(5,976,604)	1,320	406,115,485
Wastewater capital and intangible assets, net	\$ 418,974,441	\$ (1,944,711)	\$ 2,298,034	\$ 414,731,696

**County of Chesterfield, Virginia**  
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	<u>Balance</u> <u>July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2018</u>
<b>Non-major</b>				
Capital assets, not being depreciated:				
Land and improvements	\$ 12,971,401	\$ -	\$ -	\$ 12,971,401
Construction in progress	1,435,757	316,101	1,473,233	278,625
Total assets, not being depreciated	<u>14,407,158</u>	<u>316,101</u>	<u>1,473,233</u>	<u>13,250,026</u>
Capital assets, being depreciated:				
Buildings	7,576,782	-	-	7,576,782
Improvements other than buildings	29,108,883	85,686	21,694	29,172,875
Machinery and equipment	2,167,070	66,843	17,571	2,216,342
Infrastructure	4,771,722	1,387,547	-	6,159,269
Totals at historical cost	<u>43,624,457</u>	<u>1,540,076</u>	<u>39,265</u>	<u>45,125,268</u>
Less accumulated depreciation for:				
Buildings	3,195,564	148,335	-	3,343,899
Improvements other than buildings	18,447,827	1,107,112	21,694	19,533,245
Machinery and equipment	1,195,196	102,730	17,570	1,280,356
Infrastructure	533,530	246,757	-	780,287
Total accumulated depreciation	<u>23,372,117</u>	<u>1,604,934</u>	<u>39,264</u>	<u>24,937,787</u>
Total capital assets, being depreciated, net	<u>20,252,340</u>	<u>(64,858)</u>	<u>1</u>	<u>20,187,481</u>
Non-major business-type activities capital assets, net	<u>\$ 34,659,498</u>	<u>\$ 251,243</u>	<u>\$ 1,473,234</u>	<u>\$ 33,437,507</u>

	<u>Balance</u> <u>July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2018</u>
<b>Total Business-type Activities</b>				
Intangible assets:				
Capacity rights, net of amortization	\$ 70,880,148	\$ 2,075,731	\$ 2,330,548	\$ 70,625,331
Capital assets, not being depreciated:				
Land	22,374,623	868,711	-	23,243,334
Construction in progress	7,072,972	8,719,592	7,864,130	7,928,434
Total assets, not being depreciated	<u>29,447,595</u>	<u>9,588,303</u>	<u>7,864,130</u>	<u>31,171,768</u>
Capital assets, being depreciated:				
Buildings	217,561,781	35,328	170,000	217,427,109
Improvements other than buildings	57,204,350	101,998.00	21,694	57,284,654
Machinery and equipment	1,002,252,022	25,786,932	148,439	1,027,890,515
Infrastructure	4,771,722	1,387,547	-	6,159,269
Totals at historical cost	<u>1,281,789,875</u>	<u>27,311,805</u>	<u>340,133</u>	<u>1,308,761,547</u>
Less accumulated depreciation for:				
Buildings	82,007,889	5,039,045	170,000	86,876,934
Improvements other than buildings	32,339,281	1,929,637	21,694	34,247,224
Machinery and equipment	390,777,091	24,842,205	146,920	415,472,376
Infrastructure	533,530	246,757	-	780,287
Total accumulated depreciation	<u>505,657,791</u>	<u>32,057,644</u>	<u>338,614</u>	<u>537,376,821</u>
Total capital assets, being depreciated, net	<u>776,132,084</u>	<u>(4,745,839)</u>	<u>1,519</u>	<u>771,384,726</u>
Total business-type activities capital and intangible assets, net	<u>\$ 876,459,827</u>	<u>\$ 6,918,195</u>	<u>\$ 10,196,197</u>	<u>\$ 873,181,825</u>

**County of Chesterfield, Virginia**  
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Amortization and depreciation were charged to the various activities as follows:

Water	\$ 2,211,671
Wastewater	118,877
Total amortization expense	<u>\$ 2,330,548</u>
 Water	 \$ 12,284,215
Wastewater	18,168,495
Non-major funds	1,604,934
Total depreciation expense	<u>\$ 32,057,644</u>

**C. Component Unit - School Board**

Capital asset activity for the year ended June 30, 2018, for the School Board component unit was as follows:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2018</u>
Capital assets, not being depreciated:				
Construction in progress	\$ 389,835	\$ 98,689	\$ 389,835	\$ 98,689
Capital assets, being depreciated:				
Machinery and equipment				
Historical cost	107,110,459	12,542,240	8,088,086	111,564,613
Less accumulated depreciation	<u>69,831,150</u>	<u>9,998,281</u>	<u>8,018,856</u>	<u>71,810,575</u>
Total capital assets, being depreciated, net	<u>37,279,309</u>	<u>2,543,959</u>	<u>69,230</u>	<u>39,754,038</u>
School Board capital assets, net	<u>\$ 37,669,144</u>	<u>\$ 2,642,648</u>	<u>\$ 459,065</u>	<u>\$ 39,852,727</u>

Current year depreciation on capital assets of the School Board was \$9,998,281.

**County of Chesterfield, Virginia**  
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**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 2013 voter-approved bond referendum authorized \$353,000,000 in bonds to be issued in two major project categories. \$186,545,000 of this authorization remained at June 30, 2018. 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, 2018, general obligation bonds offered for public sale were outstanding as follows:

	<u>Original Issue Amount</u>	<u>Interest Rates</u>	<u>Annual Principal Requirements</u>	<u>Total Outstanding</u>
<b>General Obligation Bonds</b>				
2002B School, due 2023	\$ 23,950,000	4.60 - 5.10%	\$ 1,195,000	\$ 5,975,000
2009 General Improvement & Refunding, due 2019	92,000,000	5.00%	3,575,000	3,575,000
2011A School, due 2032	15,630,000	4.05 - 5.05%	780,000 - 785,000	10,925,000
2012 General Improvement & Refunding, due 2032	67,495,000	2.50 - 5.00%	895,000 - 7,735,000	50,775,000
2012B School, due 2033	18,595,000	3.05 - 5.05%	925,000 - 930,000	13,945,000
2013A School, due 2034	18,305,000	3.05 - 5.05%	915,000	14,640,000
2014 General Improvement & Refunding, due 2034	60,645,000	3.50 - 5.00%	725,000 - 6,090,000	35,280,000
2015 General Improvement & Refunding, due 2035	92,110,000	3.00 - 5.00%	1,730,000 - 11,930,000	81,325,000
2016 General Improvement & Refunding, due 2036	86,480,000	2.125 - 5.00%	2,095,000 - 8,965,000	78,465,000
2017B General Improvement, due 2037	82,270,000	3.00 - 5.00%	4,110,000 - 4,115,000	78,155,000
Total general obligation bonds				373,060,000
Add: Premium				38,348,111
Net general obligation bonds				<u>\$ 411,408,111</u>

**County of Chesterfield, Virginia**  
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Annual debt service requirements to maturity for general obligation bonds are as follows:

<b>Year Ending</b>	<b>General Obligation Bonds</b>		
	<b>June 30</b>	<b>Principal</b>	<b>Interest</b>
2019	\$	32,365,000	\$ 16,259,931
2020		32,360,000	14,661,873
2021		30,315,000	13,062,352
2022		30,465,000	11,566,476
2023		30,470,000	10,061,606
2024-2028		125,195,000	30,455,725
2029-2033		64,060,000	10,365,465
2034-2038		27,830,000	1,930,948
Total		<u>\$ 373,060,000</u>	<u>\$ 108,364,376</u>

In August 2017, the VPSA sold a refunding bond series that refinanced a series of Local School Bonds, including the County's 2011A and 2012B issues. The sale resulted in debt service savings in excess of 3.00% of the par amount of the refunded VPSA bonds. This savings is being passed on to localities in the form of an interest rebate, allocated and paid over the remaining amortization period. The County continues to be responsible for its full debt service payments in accordance with the original amortization schedule and, once received, the VPSA will then disburse the credit to the County. The expected interest rebate amounts are as follows:

<b>Year Ending</b>	<b>Schedule of</b>		
	<b>Expected Interest Credits</b>		
<b>June 30</b>	<b>2011A</b>	<b>2012B</b>	<b>Total</b>
2019	\$ 31,364	\$ 42,025	\$ 73,389
2020	32,525	34,925	67,450
2021	31,525	44,425	75,950
2022	30,525	43,425	73,950
2023	54,525	42,425	96,950
2024-2028	260,925	223,225	484,150
2029-2033	212,825	217,725	430,550
Total	<u>\$ 654,214</u>	<u>\$ 648,175</u>	<u>\$ 1,302,389</u>

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
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**B. Revenue Bonds**

The County issued revenue bonds to finance construction projects for the Water and Wastewater enterprise funds. Revenue bonds outstanding at June 30, 2018, are as follows:

	<u>Original Issue Amount</u>	<u>Interest Rates</u>	<u>Annual Principal Requirements</u>	<u>Amount Outstanding</u>
<b>Business-type Activities</b>				
<b>Major Enterprise Funds</b>				
2016 Water and Sewer, due 2027	\$ 53,695,000	5.00%	\$2,005,000 - 6,315,000	\$ 44,175,000
Add: Premium				6,579,132
Net revenue bonds				<u>\$ 50,754,132</u>

The Water and Wastewater Funds are responsible for the following revenue bonds:

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Total revenue bonds	\$ 19,945,000	\$ 24,230,000	\$ 44,175,000
Net revenue bonds	22,553,166	28,200,966	50,754,132

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

<u>Year Ending</u>	<u>Business-type Activities</u>		
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 4,910,000	\$ 2,086,000	\$ 6,996,000
2020	5,160,000	1,834,250	6,994,250
2021	5,425,000	1,569,625	6,994,625
2022	5,710,000	1,291,250	7,001,250
2023	6,000,000	998,500	6,998,500
2024-2028	<u>16,970,000</u>	<u>1,321,750</u>	<u>18,291,750</u>
Total	<u>\$ 44,175,000</u>	<u>\$ 9,101,375</u>	<u>\$ 53,276,375</u>

**C. Support Agreement**

In accordance with the Support Agreement, the EDA issued bonds to finance construction projects for the infrastructure improvements at the Meadowville Technology Park. The General Fund is responsible for the following Revenue Bonds outstanding at June 30, 2018:

	<u>Original Issue Amount</u>	<u>Interest Rates</u>	<u>Annual Principal Requirements</u>	<u>Amount Outstanding</u>
<b>Primary Government</b>				
2005 Economic Development, due 2025	\$ 18,120,000	variable	\$ 945,000 - 1,020,000	\$ 6,880,000
2010 Taxable Recovery Zone, Economic Development, due 2030	8,345,000	3.583 - 5.265%	415,000 - 420,000	<u>4,985,000</u>
Total bonds under support agreements				<u>\$ 11,865,000</u>



**County of Chesterfield, Virginia**  
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Debt service requirements to maturity for the revenue bonds are as follows:

Year Ending	Primary Government		
	Non-major Enterprise funds		
June 30	Principal	Interest <sup>(1) (2)</sup>	Total
2019	\$ 1,365,000	\$ 347,720	\$ 1,712,720
2020	1,370,000	314,175	1,684,175
2021	1,385,000	279,904	1,664,904
2022	1,400,000	244,509	1,644,509
2023	1,415,000	208,200	1,623,200
2024-2028	4,100,000	565,915	4,665,915
2029-2033	830,000	65,549	895,549
Total	<u>\$ 11,865,000</u>	<u>\$ 2,025,972</u>	<u>\$ 13,890,972</u>

<sup>(1)</sup> Interest estimated using rate in effect as of June 30, 2018.

<sup>(2)</sup> Interest for 2010B Recovery Zone Revenue Bonds has not been adjusted for 45% U. S. Treasury cash subsidy payment.

**D. Special Subfund Revenue Bonds**

On May 25, 2016, the County issued a \$19,805,000 subfund revenue bond through the Virginia Resource Authority (VRA). In return for issuing the 2016 VRA Bond, VRA provided the County with a portion of the proceeds realized from its May 2016 pooled refinancing bond transaction. Amounts required for debt service are deposited into a special fund within the General Fund and are pledged to secure the local bonds. The obligation for these bonds is to be liquidated by the General Fund and the non-major Airport Fund and is subject to annual appropriation. The 2016 VRA Bond was issued to finance the renovations of the Smith Wagner Building and to refund a portion of the obligations for the 2003B, 2005B, 2006B and the 2007 Certificates of Participation.

On May 24, 2017, the County issued a \$6,550,000 subfund revenue bond through the VRA. In return for issuing the 2017 VRA Bond, VRA provided the County with a portion of the proceeds realized from its May 2017 pooled refinancing bond transaction. Amounts required for debt service are deposited into a special fund within the General Fund and are pledged to secure the local bonds. The obligation for these bonds is to be liquidated by the General Fund and is subject to annual appropriation. The 2017 VRA Bond was issued to finance a portion of the indoor sports facility at Stonebridge.

On November 15, 2017, the County issued subfund revenue bonds in the amounts of \$7,185,000 and \$2,675,000 through the Virginia Resource Authority. In return for issuing the 2017 VRA Bonds, the VRA provided the County with a portion of the proceeds realized from its November 2017 pooled refinancing bond transaction. Amounts required for debt service are deposited into a special fund within the General Fund and are pledged to secure the local bonds. The obligation for these bonds is to be liquidated by the General Fund and is subject to annual appropriation. The 2017B VRA Bond was issued to finance construction activity related to the Rogers Building HVAC system and the River City Sportsplex facility. The 2017C VRA Bond was issued to finance construction activity for the Chester Center for the Arts.

**County of Chesterfield, Virginia**  
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The County has a moral obligation to appropriate and pay the amounts due for subfund revenue bonds issued by the VRA from the General Fund. In the event of default, the lender may provide prompt, written notice declaring the entire unpaid balance as due and payable. The lender also has the option of applying to the State Aid Intercept Program and request that the Commonwealth withholds its payments to the County to be applied to the defaulted amount as a cure for nonpayment. Amounts outstanding as of June 30, 2018 for the Special Subfund Revenue Bonds are:

	<u>Original Issue Amount</u>	<u>Interest Rates</u>	<u>Annual Principal Requirements</u>	<u>Amount Outstanding</u>
<b>Governmental Activities</b>				
2016A Virginia Resource Authority, due 2037	\$ 19,760,324	3.807 - 5.125%	\$330,000 - 2,034,203	\$ 18,732,687
2017A Virginia Resource Authority, due 2037	6,550,000	3.082 - 5.125%	225,000 - 475,000	6,550,000
2017B Virginia Resource Authority, due 2037	7,185,000	2.832 - 5.125%	375,000 - 380,000	7,185,000
2017C Virginia Resource Authority, due 2037	2,675,000	2.839 - 5.125%	140,000 - 145,000	2,675,000
Total governmental special subfund revenue bonds				35,142,687
Add: Premium				4,515,285
Net governmental activities.				<u>39,657,972</u>
<b>Business-type Activities</b>				
2016A Virginia Resource Authority due 2028	\$ 44,676	4.476 - 5.125%	\$2,618 - 5,797	42,313
Add: Premium				6,089
Net business-type activities				48,402
Total special subfund revenue bonds				<u>\$ 39,706,374</u>

Debt service requirements to maturity for these bonds are as follows:

<b>Year Ending</b>	<u>Primary Government</u>					
	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 2,540,002	\$ 1,543,929	\$ 4,083,931	\$ 4,998	\$ 1,975	\$ 6,973
2020	2,545,036	1,434,326	3,979,362	4,964	1,743	6,707
2021	2,560,036	1,314,625	3,874,661	4,964	1,497	6,461
2022	2,560,053	1,187,023	3,747,076	4,947	1,243	6,190
2023	2,291,039	1,064,514	3,355,553	3,961	1,015	4,976
2024-2028	11,271,521	3,510,818	14,782,339	18,479	1,862	20,341
2029-2033	6,185,000	1,587,577	7,772,577	-	-	-
2034-2038	5,190,000	362,638	5,552,638	-	-	-
Total	<u>\$ 35,142,687</u>	<u>\$ 12,005,450</u>	<u>\$ 47,148,137</u>	<u>\$ 42,313</u>	<u>\$ 9,335</u>	<u>\$ 51,648</u>

**County of Chesterfield, Virginia**  
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**E. Public Facility Lease Revenue Bonds and Certificates of Participation**

The County is a party to several Real Property Lease and Purchase Agreements. These agreements are structured with Public Facility Lease Revenue Bonds and Certificates of Participation. Obligations under these leases will 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 March 1, 2004, the County leases real property incorporating a new Community Development Building, a replacement Chester House Rehabilitative Facility, and an additional Airport Hangar. Certificates of Participation Series 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/human resources information management system. The outstanding Certificates of Participation Series 2005B was refunded with 2016A VRA Bond. Certificates of Participation Series 2006B was partially refunded with Certificates of Participation Series 2012 and with 2016A VRA Bond.

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. 2007 Certificates of Participation were partially refunded with 2016A VRA Bond.

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, and the Certificates of Participation 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.

Amounts outstanding as of June 30, 2018 on the Public Facility Lease and the Certificates of Participation are as follows:

	<b>Original Issue Amount</b>	<b>Interest Rates</b>	<b>Annual Principal Requirements</b>	<b>Amount Outstanding</b>
<b>Governmental Activities</b>				
2010A Public Facility Revenue Refunding Bonds, due 2020	\$ 7,185,000	3.00 - 4.00%	\$ 800,000 - 805,000	\$ 1,605,000
2012 Certificates of Participation Refunding, due 2025	19,011,905	4.00 - 5.00%	327,211 - 2,377,090	13,218,350
Total governmental activities				14,823,350
Add: Premium				864,978
Net governmental activities				15,688,328
<b>Business-type Activities</b>				
2012 Certificates of Participation - Refunding, due 2025	\$ 743,095	4.00 - 5.00%	\$ 12,789 - 92,910	516,650
Add: Premium				34,074
Net business-type activities				550,724
Total public facility lease revenue bonds and certificates of participation				<u>\$ 16,239,052</u>

**County of Chesterfield, Virginia**  
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Annual debt service requirements to maturity for the Public Facility Lease and the Certificates of Participation are as follows:

Year Ending	<b>Primary Government</b>					
	<b>Governmental Activities</b>			<b>Business-Type Activities</b>		
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 3,124,347	\$ 640,464	\$ 3,764,811	\$ 90,653	\$ 22,836	\$ 113,489
2020	3,133,782	491,935	3,625,717	91,218	18,290	109,508
2021	2,357,842	350,645	2,708,487	92,158	13,705	105,863
2022	2,377,090	232,271	2,609,361	92,910	9,079	101,989
2023	1,963,264	123,763	2,087,027	76,736	4,837	81,573
2024-2025	<u>1,867,025</u>	<u>50,429</u>	<u>1,917,454</u>	<u>72,975</u>	<u>1,971</u>	<u>74,946</u>
Total	<u>\$ 14,823,350</u>	<u>\$ 1,889,507</u>	<u>\$ 16,712,857</u>	<u>\$ 516,650</u>	<u>\$ 70,718</u>	<u>\$ 587,368</u>

**F. Direct Borrowings**

In March 2017, the County issued General Obligation Public Improvement Refunding Series 2017A, a commercial bank loan, to refund the remaining balance of General Obligation Public Improvement Refunding Bonds, Series B of 2011. The Series 2017A Bond was issued in the principal amount of \$20,224,000 and constitutes a full faith and credit, general obligation of the County. In each year while the Series 2017A Bond is outstanding and unpaid, the Board of Supervisors of the County is authorized and required to levy and collect annually, at the same time and in the same manner as other taxes in the County are assessed, levied and collected, a tax upon all taxable property within the County, over and above all other taxes, authorized or limited by law and without limitation as to rate or amount, sufficient to pay, when due, the principal of and interest on the Series 2017A Bond to the extent other funds of the County are not lawfully available and appropriated for such purpose. The County must notify the lender within 30 days if an event of taxability occurs that impacts the tax-exempt status of the loan and the interest rate will be adjusted to a taxable rate retroactive to the date of taxability.

In December 2015, the County, together with the EDA, entered into an agreement to issue tax exempt special revenue fund bonds to finance the building of the Chester Arts Community Center. The debt service is subject to annual appropriation in the General Fund. In December 2015, the County, through the EDA, entered into an agreement with a lender to issue tax-exempt financing for the construction of the Chester Arts Community Center. The County's obligation under this agreement is limited to the annual appropriation of debt service in the adopted budget. In the event of default, the lender may, without further demand or notice, declare the entire unpaid balance as due and payable. If an event of taxability occurs that impacts the tax-exempt status of the loan, the interest rate will be adjusted to a taxable rate retroactive to the date of taxability.

In December 2014, the County refinanced the remaining balance of its 2004 Note that was used to acquire the former Cloverleaf Mall property (see Note 3.B.) with a private lender. The County's obligation under this agreement is limited to the annual appropriation of debt service in the adopted budget and the establishment of a debt service reserve fund which is held with a security interest by the lender. In the event of default, the lender may, by notice, declare the entire unpaid balance as due and payable.

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Direct borrowings as of June 30, 2018 are as follows:

	<u>Original Issue Amount</u>	<u>Interest Rates</u>	<u>Annual Principal Requirements</u>	<u>Total Outstanding</u>
<b>Governmental Activities</b>				
2017A General Obligation Refunding				
Bond, due 2022	\$ 20,224,000	1.57%	\$721,000 - 5,698,000	\$ 14,296,000
Chester Arts Community Center, due 2032	6,899,800	3.09	459,987	6,439,814
2014A Taxable Revenue Note, due 2021	16,596,199	3.65	204,051 - 6,545,637	6,961,255
Total governmental activities				<u>\$ 27,697,069</u>

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

<u>Year Ending</u>	<u>Governmental Activities</u>		
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 6,362,037	\$ 668,571	\$ 7,030,608
2020	4,698,553	557,383	5,255,936
2021	10,855,623	354,679	11,210,302
2022	1,180,986	160,562	1,341,548
2023	459,986	135,029	595,015
2024-2028	2,299,935	461,942	2,761,877
2029-2033	1,839,949	113,709	1,953,658
Total	<u>\$ 27,697,069</u>	<u>\$ 2,451,875</u>	<u>\$ 30,148,944</u>

**G. Capital Leases - School Board**

The School Board has acquired equipment under capital lease arrangements. Capital leases are liquidated by the School Operating Fund. Amounts outstanding as of June 30, 2018 are as follows:

	<u>Original Issue Amount</u>	<u>Interest Rates</u>	<u>Annual Principal Requirements</u>	<u>Amount Outstanding</u>
School buses	\$ 8,649,800	1.69%	\$652,238 - 1,288,109	\$ 5,676,996
Chromebooks	4,408,730	6.64	1,038,475 - 1,127,841	3,248,552
Net School Board capital leases				<u>\$ 8,925,548</u>

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Future minimum lease payments at June 30, 2018 for these capital leases are as follows:

<b>Year Ending</b>	<b>Component Unit</b>		
	<b>School Board</b>		
<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 2,263,100	\$ 227,779	\$ 2,490,879
2020	2,327,667	163,212	2,490,879
2021	2,394,432	96,447	2,490,879
2022	1,288,109	27,402	1,315,511
2023	652,240	5,517	657,757
Total	<u>\$ 8,925,548</u>	<u>\$ 520,357</u>	<u>\$ 9,445,905</u>

**H. Airport Revolving Loan**

In November 2017, the County procured a loan from the Virginia Airports Revolving Fund in an amount up to \$1,846,000 to design and replace the existing fuel farm at the County Airport. Obligations for this loan will be liquidated by revenues generated by the Airport. The County agrees that each year's annual budget will include rates, rentals, fees and other charges sufficient to generate revenues that cover operations, maintenance, repairs, replacements, improvements, debt service and other purposes as well as any amount transferred from the General Fund to maintain rate covenant requirements. The County covenants that, in each fiscal year, the Airport's net revenues available for debt service will be at least equal to 100% of the amount required to pay debt service on the loan. If the Airport fails to make debt service payments when due, the County has a moral obligation to appropriate and pay the amount due from the General Fund to cure the deficiency. In the event of default, the lender may provide prompt, written notice declaring the entire unpaid balance as due and payable. The lender also has the option of applying to the State Aid Intercept Program and request that the Commonwealth withhold its payments to the County to be applied to the defaulted amount as a cure for nonpayment.

As of June 30, 2018, \$259,715 was drawn on the loan leaving \$1,586,285 available to draw down for future construction costs. As of June 30, 2018, interest of \$996 had been accrued with the first interest payment due July 1, 2019. Projected future debt service payments on the full amount of the loan are as follows:

<b>Year Ending</b>	<b>Business-type Activities</b>		
	<b>Principal</b>	<b>Interest <sup>(1)</sup></b>	<b>Total</b>
<b>June 30</b>			
2019	\$ -	\$ -	\$ -
2020	92,300	25,936	118,236
2021	92,300	49,279	141,579
2022	92,300	46,685	138,985
2023	92,300	44,092	136,392
2024-2028	461,500	181,554	643,054
2029-2033	461,500	116,713	578,213
2034-2038	461,500	51,873	513,373
2039-2043	92,300	2,594	94,894
Total	<u>\$ 1,846,000</u>	<u>\$ 518,726</u>	<u>\$ 2,364,726</u>

<sup>(1)</sup> Interest to be paid July 1, 2019, is dependent on timing of draws on the line of credit.

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**I. Defeased Debt**

In prior years, the County has defeased certain general obligation and revenue bonds by placing funds in irrevocable escrow accounts to provide for future debt service payments on the defeased debt. Accordingly, the escrow account assets and the liability for the defeased debt are not included in the County's financial statements. At June 30, 2018, the outstanding balance of the defeased debt was \$37,565,000 for general obligation bonds and \$32,620,000 for revenue bonds.

**J. Compensated Absences Payable**

The County recorded a liability for compensated absences in the Statement of Net Position 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 \$19,836,341 and \$4,031,967 for accrued vacation and sick leave benefits, respectively, and the business-type activities of the primary government recorded \$1,222,498 and \$398,097 for accrued vacation and sick leave benefits, respectively. The School Board component unit recorded \$11,358,400 and \$7,259,178 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.

**K. Judgments and Claims**

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 \$6,547,572 for the governmental activities of the primary government, \$1,184,731 for the business-type activities of the primary government and \$8,617,454 for the School Board component unit. A liability of \$2,233,020 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, 2018, and b) liabilities for claims incurred but not reported as of June 30, 2018. 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.

Effective January 1, 2014, the County and School Board began participating in a self-insured health care program covering medical and prescription drug costs. Medical and drug claims that exceed \$300,000 per member are covered by specific excess risk insurance. Additionally, claims in the aggregate that exceed 125% of expected medical and drug claims are covered by aggregate excess risk insurance. Claims paid by the third party claims administrator, but not reimbursed by the County as of June 30, 2018, are reported as accounts payable in the Healthcare Fund. An estimate of claims incurred but not reported as of June 30, 2018 is reported as a current claims liability in the Healthcare Fund in the amount of \$8,378,000.

In October 1991, the U. S. 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 \$1,188,218 at June 30, 2018. 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 costs may be higher due to inflation, changes in technology or changes in regulations. Actual costs may be lower if the County is released from postclosure maintenance and monitoring by the

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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.

GAAP requires that the County estimate the financial liabilities associated with pollution remediation obligations when certain obligating events occur. One such obligating event is being named by a regulator as a potentially responsible party for remediation. The U.S. Department of Interior National Park Service (NPS) has named the County as a Primary Responsible Party (PRP) for cleanup efforts for a landfill site that was closed in 1972 and subsequently transferred to the NPS by the County. As a current owner of the landfill site, the NPS is also a potentially responsible party, with the liability for paying for the costs of cleanup. In December 2015, an Engineering Evaluation and Cost Analysis report was released by the NPS estimating the future cost of cleanup. In January 2016, the County received a cost package summarizing the response costs incurred by the NPS to date. However, neither document apportions liability between the NPS and the County. Therefore, as of June 30, 2018, the County's portion of the liability of the shared costs of cleanup is not reasonably estimable.

**L. Net Pension Liabilities**

As required by GAAP, a long-term liability has been recorded for the VRS Plan, the County Supplemental Retirement Plan and the School Board Supplemental Retirement Program for the cumulative difference between the total pension liabilities and fiduciary net position as of the measurement date. The governmental activities of the primary government recorded net pension liabilities of \$153,339,057 for the VRS Local Plan and \$58,523 for the County Supplemental Retirement Plan. The business-type activities of the primary government recorded net pension liabilities of \$7,092,532 the VRS Local Plan. The School Board component unit recorded net pension liabilities of \$17,134,433 and \$452,768,000 for the VRS Local and Teachers' Pool Plans and \$57,232,038 for the School Board Supplemental Retirement Program. Payments for these liabilities are recorded as a charge to the fund that incurred the liability.

**M. Other Postemployment Benefits Liabilities**

As required by GAAP, a long-term liability has been recorded for the County and Schools OPEB - Retiree Healthcare, the County Line of Duty Plan, the County and Schools VRS Group Life Insurance Plan and the Schools VRS cost-sharing Teachers Pool Health Insurance Credit Program for the cumulative difference between the total OPEB liabilities and fiduciary net position as of the measurement date. The governmental activities of the primary government recorded net OPEB liabilities of \$67,825,406 for OPEB-Retiree Healthcare, \$3,073,232 for OPEB-Line of Duty, and \$13,956,214 for the County's share of VRS cost-sharing Group Life Insurance Plan. The business-type activities of the primary government recorded net OPEB liabilities of \$6,559,272 for OPEB-Retiree Healthcare and \$1,095,786 for the County's share of VRS cost-sharing Group Life Insurance Plan. The School Board component unit recorded net OPEB liabilities of \$184,351,339 for OPEB-Retiree Healthcare, \$25,009,000 for the School Board's share of VRS cost-sharing Group Life Insurance Plan, and \$46,693,000 for the School Board's share of the VRS cost-sharing Teachers' Pool Health Insurance Credit Program. Payments for these liabilities are recorded as a charge to the fund that incurred the liability.



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**N. Changes in Long-term Obligations**

The following is a summary of long-term obligation transactions for the year ended June 30, 2018:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018	Amounts Due Within One Year
<b>Governmental Activities</b>					
General obligation bonds	\$ 407,975,000	-	\$ 34,915,000	\$ 373,060,000	\$ 32,365,000
Add: Premium	44,711,798	-	6,363,687	38,348,111	5,829,568
Net bonds payable	452,686,798	-	41,278,687	411,408,111	38,194,568
Subfund revenue bonds	25,926,633	9,860,000	643,946	35,142,687	2,540,002
Add: Premium	3,760,425	1,378,100	623,240	4,515,285	653,194
Net subfund revenue bonds payable	29,687,058	11,238,100	1,267,186	39,657,972	3,193,196
Certificates of participation	16,693,073	-	3,474,723	13,218,350	2,319,347
Add: Premium	1,188,551	-	332,942	855,609	276,619
Net certificates of participation	17,881,624	-	3,807,665	14,073,959	2,595,966
Public facility lease	2,420,000	-	815,000	1,605,000	805,000
Add: Premium	21,134	-	11,765	9,369	7,030
Net public facility lease	2,441,134	-	826,765	1,614,369	812,030
Direct borrowings	34,281,857	-	6,584,788	27,697,069	6,362,037
Support agreements - EDA	13,220,000	-	1,355,000	11,865,000	1,365,000
Capital lease obligations	90,613	-	90,613	-	-
Total bonds, leases and loans	550,289,084	11,238,100	55,210,704	506,316,480	52,522,797
Other liabilities:					
Compensated absences	23,412,191	6,587,719	6,131,602	23,868,308	4,800,984
Judgments and claims:					
Workers' compensation and risk claims	12,677,730	82,228	3,979,366	8,780,592	4,409,158
Healthcare claims	7,524,845	853,155	-	8,378,000	8,378,000
Landfill	1,154,757	33,461	-	1,188,218	109,512
Total judgements and claims	21,357,332	968,844	3,979,366	18,346,810	12,896,670
Net pension liabilities	193,935,082	89,354,393	129,891,895	153,397,580	-
Net other postemployment benefit obligations <sup>(1)</sup>	107,010,095	11,516,799	33,672,042	84,854,852	-
Total other liabilities	345,714,700	108,427,755	173,674,905	280,467,550	17,697,654
Total long-term liabilities	\$ 896,003,784	\$ 119,665,855	\$ 228,885,609	\$ 786,784,030	\$ 70,220,451

<sup>(1)</sup> Beginning balances have been restated to reflect adoption of requirements in GASB Statement No. 75.

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, \$461,539 for compensated absences, \$10,642,362 for judgments and claims, \$2,827,410 for net pension liabilities, and \$2,086,285 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.

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<b>Business-type Activities</b>	<b>Balance July 1, 2017</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2018</b>	<b>Amounts Due Within One Year</b>
<b><u>Water Fund</u></b>					
Revenue bonds payable	\$ 22,405,000	\$ -	\$ 2,460,000	\$ 19,945,000	\$ 2,590,000
Add: Premium	3,393,853	-	785,687	2,608,166	691,998
Net bonds payable	25,798,853	-	3,245,687	22,553,166	3,281,998
Other liabilities:					
Compensated absences	776,789	208,864	186,082	799,571	161,227
Judgments and claims	1,596,268	-	637,655	958,613	334,171
Net pension liabilities	4,479,727	1,874,143	2,728,452	3,625,418	-
Net other postemployment benefit obligations <sup>(1)</sup>	4,282,518	385,193	1,178,637	3,489,074	-
Total other liabilities	11,135,302	2,468,200	4,730,826	8,872,676	495,398
Total long-term liabilities	36,934,155	2,468,200	7,976,513	31,425,842	3,777,396
<b><u>Wastewater Fund</u></b>					
Revenue bonds payable	26,435,000	-	2,205,000	24,230,000	2,320,000
Add: Premium	4,871,261	-	900,295	3,970,966	819,888
Net bonds payable	31,306,261	-	3,105,295	28,200,966	3,139,888
Other liabilities:					
Compensated absences	776,504	209,462	184,712	801,254	148,101
Judgments and claims	160,580	65,538	-	226,118	78,825
Net pension liabilities	4,183,343	1,791,025	2,606,903	3,367,465	-
Net other postemployment benefit obligations <sup>(1)</sup>	4,965,770	436,645	1,352,066	4,050,349	-
Total other liabilities	10,086,197	2,502,670	4,143,681	8,445,186	226,926
Total long-term liabilities	41,392,458	2,502,670	7,248,976	36,646,152	3,366,814
<b><u>Non-major</u></b>					
Certificates of participation	606,927	-	90,277	516,650	90,653
Add: Premium	47,267	-	13,193	34,074	11,017
Net certificates of participation	654,194	-	103,470	550,724	101,670
Subfund revenue bonds	43,367	-	1,054	42,313	4,998
Add: Premium	7,471	-	1,382	6,089	1,285
Net subfund revenue bonds payable	50,838	-	2,436	48,402	6,283
Airport Revolving Loan Fund	-	259,715	-	259,715	-
Total certificates of participation, revolving loan funds and revenue bonds payable	705,032	259,715	105,906	858,841	107,953
Other liabilities:					
Compensated absences	21,923	5,369	7,522	19,770	4,060
Net pension liabilities	130,583	68,258	99,192	99,649	-
Net other postemployment benefit obligations <sup>(1)</sup>	141,530	12,021	37,916	115,635	-
Total other liabilities	294,036	85,648	144,630	235,054	4,060
Total long-term liabilities	999,068	345,363	250,536	1,093,895	112,013

<sup>(1)</sup> Beginning balances have been restated to reflect adoption of requirements in GASB Statement No. 75.

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	<u>Balance</u> <u>July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
<b><u>Total Business-type Activities</u></b>					
Revenue bonds payable	\$ 48,840,000	\$ -	\$ 4,665,000	\$ 44,175,000	\$ 4,910,000
Add: Premium	8,265,114	-	1,685,982	6,579,132	1,511,886
Net bonds payable	57,105,114	-	6,350,982	50,754,132	6,421,886
Certificates of participation	606,927	-	90,277	516,650	90,653
Add: Premium	47,267	-	13,193	34,074	11,017
Net certificates of participation	654,194	-	103,470	550,724	101,670
Subfund revenue bonds	43,367	-	1,054	42,313	4,998
Add: Premium	7,471	-	1,382	6,089	1,285
Net subfund revenue bonds payable	50,838	-	2,436	48,402	6,283
Airport Revolving Loan Fund	-	259,715	-	259,715	-
Total bonds, certificates of participation revolving fund loans and revenue bonds payable	57,810,146	259,715	6,456,888	51,612,973	6,529,839
Other liabilities:					
Compensated absences	1,575,216	423,695	378,316	1,620,595	313,388
Judgments and claims	1,756,848	65,538	637,655	1,184,731	412,996
Net pension liabilities	8,793,653	3,733,426	5,434,547	7,092,532	-
Net other postemployment benefit obligations <sup>(1)</sup>	9,389,818	833,859	2,568,619	7,655,058	-
Total other liabilities	21,515,535	5,056,518	9,019,137	17,552,916	726,384
Total long-term liabilities	\$ 79,325,681	\$ 5,316,233	\$ 15,476,025	\$ 69,165,889	\$ 7,256,223

<sup>(1)</sup> Beginning balances have been restated to reflect adoption of requirements in GASB Statement No. 75.

Summaries of long-term obligation transactions for the School Board component unit for the year ended June 30, 2018, are as follows:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
<b><u>School Board</u></b>					
Capital leases	\$ 8,573,701	\$ 4,408,730	\$ 4,056,883	\$ 8,925,548	\$ 2,263,100
Compensated absences	18,244,491	2,797,398	2,424,311	18,617,578	1,940,315
Judgments and claims	9,348,530	-	731,076	8,617,454	3,004,031
Net pension liabilities	617,595,746	173,000,224	263,461,499	527,134,471	-
Net other postemployment benefit obligations <sup>(1)</sup>	281,672,394	18,963,960	44,583,015	256,053,339	-
Total long-term liabilities	\$ 935,434,862	\$ 199,170,312	\$ 315,256,784	\$ 819,348,390	\$ 7,207,446

<sup>(1)</sup> Beginning balances have been restated to reflect adoption of requirements in GASB Statement No. 75.

**O. 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. Debt from general obligation bonds of \$302,530,770 is reported in the government-wide statements of the primary government on behalf of the School Board component unit.

In addition to the general obligation debt and lease obligations, the primary government has also recorded accrued interest payable of \$6,432,973 in the government-wide financial statements on behalf of the School Board component unit. The School Board component unit has recorded accrued interest payable of \$160,904 in the government-wide financial statements.

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**10. Commitments and Contingent Liabilities**

**A. Lease Commitments**

Rent expense for all operating leases was \$1,817,432 for the County and \$1,838,153 for the School Board for the fiscal year ended June 30, 2018.

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, 2018, future operating lease payments for the County and School Board were as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Future Operating Lease Payments</u>	
	<u>County</u>	<u>School Board</u>
2019	\$ 96,509	\$ 58,357
2020	68,773	28,802
2021	-	6,213
Total	<u>\$ 165,282</u>	<u>\$ 93,372</u>

**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 15A and 15F.

**C. Contingent Liabilities**

Various claims and lawsuits are pending against the County and School Board. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County management the resolution of these matters will not have a material adverse effect on the financial position of the government.

The County and School Board have received a number of Federal and State grants. Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantors cannot be determined at this time, although the County expects such amounts, if any, would not have a material effect on the financial position of the County.

**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 maintains 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 were no 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

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Fund which exceed the premium charged will be covered by increased premiums in future 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 65% for property, automobile, general, professional, medical and law enforcement liabilities.

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, to promote pollution prevention and to help ensure compliance with environmental laws and regulations.

Workers' compensation claims are funded annually by appropriations in the various funds. The County maintains an excess insurance policy for claims greater than self-insured retention. The self-insured retention as of January 1, 2018 was \$800,000 for non-public safety county employees, \$1,250,000 for public safety employees and \$800,000 for public school employees. Claims are administered by Risk Management staff with an independent claims audit conducted periodically. Environmental, Health and 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>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Workers' Compensation:</b>				
Liability, July 1	\$ 9,266,242	\$ 10,340,853	\$ 9,348,530	\$ 11,020,376
Current year claims	3,074,000	2,963,000	2,891,000	2,935,000
Changes in estimates	(2,302,315)	(1,014,178)	(1,198,462)	(1,604,712)
Claim payments	<u>(2,305,624)</u>	<u>(3,023,433)</u>	<u>(2,423,614)</u>	<u>(3,002,134)</u>
Liability, June 30	<u>\$ 7,732,303</u>	<u>\$ 9,266,242</u>	<u>\$ 8,617,454</u>	<u>\$ 9,348,530</u>

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

	<u>2018</u>	<u>2017</u>
<b>Risk Management Fund:</b>		
Liability, July 1	\$ 5,168,336	\$ 5,239,585
Current year claims	2,258,940	1,885,574
Changes in estimates	(1,955,941)	(393,165)
Claim payments	<u>(3,238,315)</u>	<u>(1,563,658)</u>
Liability, June 30	<u>\$ 2,233,020</u>	<u>\$ 5,168,336</u>

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## **12. Retirement Plans**

### **A. Virginia Retirement System - Local Plans and Teachers' Pool**

#### **1. Plan Description and Membership**

The County and School Board participate in agent multiple employer plans (VRS Local Plans) administered by VRS. In addition, certain School Board employees participate in the VRS statewide teachers' cost-sharing pool plan (VRS Teachers' Pool). All full-time, salaried permanent employees are automatically covered by VRS upon employment. Benefits vest after five years of service credits. Members earn one month of service credit for each month they are employed and they and the County or School Board, as employers, pay contributions to VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan. VRS administers three different benefit structures for local government employees - Plan 1, Plan 2 and Hybrid.

- a. Employees hired before July 1, 2010, and who were vested as of January 1, 2013, are covered under Plan 1, a defined benefit (pension) plan. 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. Non-hazardous duty employees 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. Employees hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2, a defined benefit (pension) plan. 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. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- c. Non-hazardous duty employees hired on or after January 1, 2014 are covered by a combination of a defined benefit (pension) plan and a contribution (retirement savings) plan. Employees covered by this hybrid plan are eligible for full retirement benefits when the normal social security retirement age is reached, and with at least five years of creditable service, or when age and years of service equal 90. Employees may retire with a reduced benefit as early as age 60 with at least five years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.
- d. 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. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least ten years of service credit or at age 55 with five years of service credit.

The VRS defined 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 and the multiplier is 1.7% for non-hazardous duty employees and 1.85% for hazardous duty employees. Under Plan 2, average final compensation is the average of

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the employee's 60 consecutive months of highest compensation and the retirement multiplier for non-hazardous duty employees is 1.65% and 1.85% for hazardous duty employees. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%.

Retirees are eligible for annual cost-of-living adjustment (COLA) beginning July 1 after one full calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 3.00%. During years of no inflation or deflation, there is no COLA. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

Employees covered by the benefit terms of the VRS Local Plans are as follows:

	<u>Primary Government</u>	<u>Component Unit - School Board</u>
Inactive members or their beneficiaries		
currently receiving benefits	2,102	860
Inactive members:		
Vested	559	119
Non-vested	777	332
Active elsewhere in VRS	<u>922</u>	<u>226</u>
Total inactive members	2,258	677
Active members	<u>3,419</u>	<u>790</u>
Total	<u><u>7,779</u></u>	<u><u>2,327</u></u>

VRS issues a publicly available comprehensive annual financial report that includes financial statements, required supplementary information and detailed information about the fiduciary net position of the VRS plans. A copy of that report may be downloaded from their web site at <http://www.varetire.org/pdf/publications/2017-annual-report.pdf> or obtained by writing to VRS at P.O. Box 2500, Richmond, VA, 23218-2500.

## **2. Contributions**

Plan members are required by Title 51.1-145 of the Code of Virginia, as amended, to contribute 5% of their annual salary to the VRS. In addition, the County and School Board make separate actuarially determined contributions to fund participation using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees.

### **a. VRS Local Plans**

Including the 5% member contribution for fiscal year 2018, the County's and School Board's actual contributions of \$33,187,090 and \$2,380,393, representing contribution rates of 18.05% and 14.72% of covered employee compensation, respectively, were equal to contractually required contributions. The contractually required contribution rates were determined as part of the June 30, 2015, actuarial valuation. This rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

### **b. VRS Teachers' Pool**

The School Board's actual contribution, including member contributions, to the VRS Teachers' Pool for fiscal year 2018 was \$63,015,468. The contractually required contribution rate for the year ended June 30, 2018, excluding the 5% member rate, was

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16.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of the June 30, 2015, actuarial valuation adjusted for the transfer in June 2015 of \$192,884,000 as an accelerated payback of the contribution deferred in the 2010-2012 biennium. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

**3. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

**a. VRS Local Plans**

**Primary Government**

At June 30, 2018, the County reported a net pension liability of \$160,431,589, measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017. Pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources related to pensions are allocated to funds based on their proportionate share of projected monthly benefits.

For the year ended June 30, 2018, the County recognized pension expense of \$12,957,100. Deferred outflows of resources and deferred inflows of resources related to the VRS Local Plan were reported from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual earnings on plan investments	\$ -	\$ 12,403,539
Difference between expected and actual experience	-	15,009,150
Contributions subsequent to the measurement date	24,043,420	-
Changes of assumptions	<u>1,539,869</u>	<u>-</u>
Total	<u>\$ 25,583,289</u>	<u>\$ 27,412,689</u>

Deferred outflows of resources resulting from contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ending June 30:</b>	<b>Deferred (Inflows)/Outflows of Resources</b>
2019	\$ (14,684,684)
2020	(1,024,781)
2021	(1,757,196)
2022	<u>(8,406,159)</u>
Total	<u>\$ (25,872,820)</u>



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The following represents net pension liability calculated using the stated discount rate, as well as what the net pension liability would be if it were calculated using a discount rate of 1.0% lower or 1.0% higher than the current discount rate.

	1% Decrease 6%	Current Discount 7%	1% Increase 8%
Net pension liability	\$295,554,345	\$160,431,589	\$48,078,036

**Component Unit - School Board**

At June 30, 2018, the School Board reported a net pension liability of \$17,134,433 measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

For the year ended June 30, 2018, the School Board recognized pension expense of \$239,207. Deferred outflows of resources and deferred inflows of resources related to pensions were reported from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on plan investments	\$ -	\$ 1,233,653
Difference between expected and actual experience	34,668	2,304,029
Contributions subsequent to the measurement date	1,585,511	-
Changes of assumptions	-	234,913
Total	<u>\$ 1,620,179</u>	<u>\$ 3,772,595</u>

Deferred outflows of resources resulting from contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources and deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	Deferred (Inflows)/Outflows of Resources
2019	\$ (2,749,922)
2020	(135,184)
2021	75,002
2022	(927,823)
Total	<u>\$ (3,737,927)</u>

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The following represents net pension liability calculated using the stated discount rate, as well as what the net pension liability would be if it were calculated using a discount rate of 1.0% lower or 1.0% higher than the current discount rate.

	<u>1% Decrease</u> <u>6%</u>	<u>Current Discount</u> <u>7%</u>	<u>1% Increase</u> <u>8%</u>
Net pension liability	\$30,620,518	\$17,134,433	\$5,779,373

**b. VRS Teachers' Pool**

At June 30, 2018, the School Board reported a net pension liability of \$452,768,000 for its proportionate share of the net pension liability in the VRS Teachers' Pool. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as June 30, 2016 and rolled forward to the measurement date of June 30, 2017. The School Board's proportionate share of net pension liability was based on actual contributions made to the plan during the measurement period. At the measurement date, the School Board's proportionate share was 3.68164%, which was an increase of 0.03676% from June 30, 2016.

For the year ended June 30, 2018, the School Board recognized pension expense of \$35,087,000. Deferred outflows of resources and deferred inflows of resources to pensions were reported from the following sources:

	<u>Deferred Outflows</u> <u>of Resources</u>	<u>Deferred Inflows</u> <u>of Resources</u>
Net differences between projected and actual earnings on plan investments	\$ -	\$ 16,449,000
Difference between expected and actual experience	-	32,060,000
Changes in proportionate share of contributions	7,300,000	3,073,000
Contributions subsequent to the measurement date	48,478,812	-
Changes of assumptions	<u>6,607,000</u>	<u>-</u>
Total	<u>\$ 62,385,812</u>	<u>\$ 51,582,000</u>

Deferred outflows of resources resulting from contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources and deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30:</u>	<u>Deferred</u> <u>(Inflows)/Outflows of</u> <u>Resources</u>
2019	\$ (16,102,000)
2020	(127,000)
2021	(5,565,000)
2022	(14,763,000)
2023	<u>(1,118,000)</u>
Total	<u>\$ (37,675,000)</u>

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The following represents the School Board's proportionate share of the net pension liability calculated using the stated discount rate, as well as what the net pension liability would be if it were calculated using a discount rate of 1.0% lower or 1.0% higher than the current discount rate.

	<u>1% Decrease</u> <u>6%</u>	<u>Current</u> <u>Discount</u> <u>7%</u>	<u>1% Increase</u> <u>8%</u>
Net Pension Liability	\$ 676,133,000	\$ 452,768,000	\$ 267,999,000

#### 4. Actuarial Assumptions

Total pension liabilities in the VRS plans were based on an actuarial valuation as of June 30, 2016, using the entry age normal actuarial cost method and the following actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

##### a. VRS Local Plans

##### 1. Non-hazardous Duty

The following assumptions, applied to all periods included in the measure and rolled forward to the measurement date of June 30, 2017, applied to the total pension liabilities for non-hazardous employees in the County and School Board VRS Local Plans:

Inflation .....	2.50%
Salary increases,	
including inflation .....	3.50% - 5.35%
Investment rate of return.....	7.00%, net of pension plan investment expense, including inflation*
Mortality rates:	20% of deaths are assumed to be service related
Pre-retirement.....	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates
Post-retirement.....	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90
Post-disablement.....	RP-2014 Disabled Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates

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

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**2. Hazardous Duty**

The following assumptions, applied to all periods included in the measure and rolled forward to the measurement date of June 30, 2017, applied to the total pension liability for hazardous duty employees in the County VRS Local Plan:

Inflation .....	2.50%
Salary increases,	
including inflation .....	3.50% - 4.75%
Investment rate of return.....	7.00%, net of pension plan investment expense, including inflation*
Mortality rates:	70% of deaths are assumed to be service related
Pre-retirement.....	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year
Post-retirement.....	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1% increase compounded from ages 70 to 90; females set forward 3 years
Post-disablement.....	RP-2014 Disabled Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male

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

**b. VRS Teachers' Pool**

The following assumptions, applied to all periods included in the measure and rolled forward to the measurement date of June 30, 2017, applied to the total pension liability for employees in the School Board VRS Teachers' Pool Plan:

Inflation .....	2.50%
Salary increases,	
including inflation .....	3.50% - 5.95%
Investment rate of return.....	7.00%, net of pension plan investment expense, including inflation*
Mortality rates:	
Pre-retirement.....	RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020
Post-retirement.....	RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 75 and 2.0% increase compounded from ages 75 to 90

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

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

**c. Long-term expected rate of return - VRS Plans**

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

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

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

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that VRS member contributions will be made per the VRS Statutes. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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**5. Changes in Net Pension Liabilities**

**a. VRS Local Plan - Primary Government**

	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability</b>
Balance at June 30, 2016	\$ 993,231,662	\$ 791,285,208	\$ 201,946,454
Changes:			
Service Cost	23,239,284	-	23,239,284
Interest	67,908,912	-	67,908,912
Changes of assumptions	2,022,586	-	2,022,586
Difference between expected and actual experience	(6,527,022)	-	(6,527,022)
Contributions - employer	-	23,642,700	(23,642,700)
Contributions - employee	-	9,245,876	(9,245,876)
Net investment income	-	95,910,844	(95,910,844)
Benefit payments, including refunds of employee contributions	(46,208,684)	(46,208,684)	-
Administrative expense	-	(555,458)	555,458
Other changes	-	(85,337)	85,337
Net changes	<u>40,435,076</u>	<u>81,949,941</u>	<u>(41,514,865)</u>
Balance at June 30, 2017	<u>\$ 1,033,666,738</u>	<u>\$ 873,235,149</u>	<u>\$ 160,431,589</u>

**b. VRS Local Plan - School Board Component Unit**

	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability</b>
Balance at June 30, 2016	\$ 116,997,614	\$ 93,384,426	\$ 23,613,188
Changes:			
Service cost	2,018,689	-	2,018,689
Interest	7,895,142	-	7,895,142
Changes of assumptions	(400,345)	-	(400,345)
Difference between expected and actual experience	(2,853,536)	-	(2,853,536)
Contributions - employer	-	1,485,751	(1,485,751)
Contributions - employee	-	772,643	(772,643)
Net investment income	-	10,957,663	(10,957,663)
Benefit payments, including refunds of employee contributions	(8,419,736)	(8,419,736)	-
Administrative expense	-	(67,765)	67,765
Other changes	-	(9,587)	9,587
Net Changes	<u>(1,759,786)</u>	<u>4,718,969</u>	<u>(6,478,755)</u>
Balance at June 30, 2017	<u>\$ 115,237,828</u>	<u>\$ 98,103,395</u>	<u>\$ 17,134,433</u>

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**6. Payables to the VRS Plans**

At June 30, 2018, the County and the School Board component unit owed the following amounts to the VRS plans due to the timing of when contractually required contributions payments become due.

VRS Local plan - Primary Government	\$1,705,482
VRS Local plan - School Board	147,658
VRS Teachers' Pool - School Board	3,790,707

**B. Supplemental Retirement Plan - Primary Government**

The Chesterfield County Supplemental Retirement Plan (Plan) is a single-employer defined benefit pension plan that covers certain qualified employees in addition to any benefits to be received under the VRS Local Plan or Social Security. The Board of Trustees, appointed by the Board of Supervisors, administers this Plan. The Plan is included within the financial reporting entity as a Pension Trust Fund. The Plan does not issue separately audited financial reports.

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

**2. Plan Description and Membership**

- a) Plan Description: The Plan provides retirement benefits as well as disability benefits for certain qualified full-time County employees. The County pays the entire cost of the Plan. The Plan was closed to new employees effective July 1, 2012.

Benefits begin to vest after five years of service. Employees who retire at or after age 65 with five years of credited service are entitled to an unreduced 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 is the prior year's taxable wage base 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 September immediately preceding the current January 1 and the denominator of which is the CPI-U for the month of September preceding the previous January 1, with the ratio so determined, reduced by 1.00. Employees with ten years of credited service may retire at or after age 55 and receive a reduced retirement benefit.

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The amount of benefits payable to a retired participant whose benefits have been in pay status for a full twelve months as of July 1 shall be increased by the lesser of 5% or the excess over 1.00 of a ratio, the numerator of which is the CPI-U for the month of April preceding the current July 1 and the denominator of which is the CPI-U for the month of April preceding the previous July 1.

- b) Membership: Membership of the Plan consisted of the following at June 30, 2018:

Active members	1,960
Terminated members with vested rights	46
Retired members with benefits in pay status and beneficiaries of deceased members receiving benefits	<u>346</u>
Total	<u>2,352</u>

**3. Contributions**

The Plan provides for annual employer contributions at actuarially determined amounts, 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. The actuarially determined contribution for the fiscal year ended June 30, 2018 was determined as part of the June 30, 2017 actuarial valuation. The County contributed \$1,210,600, which was equal to the actuarially determined contribution.

**4. Rate of Return**

As of June 30, 2018, the annual money-weighted rate of return on cash flows on the plan investments, net of pension plan investment expense, was 6.94%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**5. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows or Resources Related to Pensions**

- a) Pension liabilities: The County reported a net pension liability of \$58,523. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2018. Except for the inflation rate, there were no changes in assumptions or benefit terms since the prior measurement period. Pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources related to pensions are allocated to funds based on their proportionate share of projected monthly benefits.
- b) Pension expense: For the year ended June 30, 2018, the County recognized pension expense of \$446,103.
- c) Deferred outflows of resources and deferred inflows of resources related to pensions: Deferred outflows of resources and deferred inflows of resources related to pensions were reported from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual earnings on plan investments	\$ 248,888	\$ -
Difference between expected and actual experience	<u>303,227</u>	<u>729,801</u>
Total	<u>\$ 552,115</u>	<u>\$ 729,801</u>



**County of Chesterfield, Virginia**  
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Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30:</u>	<u>Deferred (Inflows)/ Outflows of Resources</u>
2019	\$ 117,433
2020	(59,209)
2021	(198,584)
2022	(37,326)
Total	<u>\$ (177,686)</u>

**6. Changes in Net Pension Liability**

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance at June 30, 2017	\$ 36,470,629	\$ 35,688,348	\$ 782,281
Service cost	276,487	-	276,487
Interest	2,328,557	-	2,328,557
Contributions - employer	-	1,210,600	(1,210,600)
Net investment income	-	2,482,713	(2,482,713)
Administrative expenses	-	(92,337)	92,337
Difference between expected and actual experience	272,174	-	272,174
Benefit payments	<u>(1,846,337)</u>	<u>(1,846,337)</u>	<u>-</u>
Net changes	<u>1,030,881</u>	<u>1,754,639</u>	<u>(723,758)</u>
Balance at June 30, 2018	<u>\$ 37,501,510</u>	<u>\$ 37,442,987</u>	<u>\$ 58,523</u>

**7. Actuarial Methods and Significant Assumptions**

- a) Actuarial methods and significant assumptions: The total pension liability was determined as part of the actuarial valuation at the date indicated, using the following actuarial assumptions:

Measurement date .....	June 30, 2018
Actuarial cost method .....	Entry age normal
Valuation date .....	July 1, 2018
Investment rate of return .....	6.5%
Projected salary increases, including inflation .....	3.5%
Inflation rate .....	2.0%
Mortality .....	1994 Group Annuity Mortality Tables for males and females, setback one year, with no projection scale

- b) Discount Rate: Based upon projections and the history of the County's contributions, the Plan's projected fiduciary net position is sufficient to cover all projected future benefit payments for both current active and inactive employees. Thus, the discount rate used for calculating the total pension liability is equal to the long-term expected rate of return of 6.5% and a municipal bond rate was not required.

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
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Sensitivity analysis: The following represents net pension liability calculated using the stated discount rate of 1.0% lower or 1.0% higher than the current discount rate.

	1% Decrease 5.5%	Current Discount 6.5%	1% Increase 7.5%
Net pension liability (asset)	\$ 4,828,875	\$ 58,523	\$ (3,896,927)

**8. Fiduciary Net Position**

As of June 30, 2018, the Plan fiduciary net position of \$37,422,987, as a percentage of the total pension liability, was 99.84%.

**Chesterfield County, Virginia**  
**Supplemental Retirement**  
**Pension Trust**

Assets	
Cash and cash equivalents	\$ 822,991
Accounts receivable	66,825
Investments	36,609,933
Total assets	37,499,749
Liabilities	
Due to broker	56,762
Fiduciary net position	
Restricted for pension benefits	\$ 37,442,987
Additions:	
Contributions	\$ 1,210,600
Investment earnings	2,688,559
Less investment expenses	(205,847)
Net investment income	2,482,712
Total additions, net	3,693,312
Deductions:	
Benefit payments	1,846,336
Administrative expenses	92,337
Total deductions	1,938,673
Increase in net position restricted for pension benefits	1,754,639
Fiduciary net position - July 1, 2017	35,688,348
Fiduciary net position - June 30, 2018	\$ 37,442,987

**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 Local and VRS Teachers' Pool Plans or Social Security. The Program was closed to employees hired or re-hired after June 30, 2013. The Program does not issue separately audited financial statements. The Program was amended effective July 1, 2017.

**County of Chesterfield, Virginia**  
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**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. It is included in the School Board Component Unit reporting entity as a Pension Trust Fund.
- b) Valuation of Investments: Investments are reported at 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. The Program's assets do not include any securities issued by the County.

**2. Program Description and Membership**

- a) Program Description: The School Board's Program is provided for full-time employees covered by the VRS plans with at least twenty years employment by Chesterfield County Public Schools (CCPS). Employees who are age 65 or greater prior to completing their service are eligible with at least fifteen years of service. All eligible employees must complete five years of service with CCPS immediately prior to retirement. Employees must have at least twenty years in VRS and be at least age of 55, or 60 if hired after 2010, and not be retired on disability. 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 shall be made from the Program's assets.

Upon becoming eligible for benefits from the Program, the employee shall provide service to the employer in a temporary, part-time position classification in the same position as when the participant was last employed by the employer as a full-time employee, or in a position no more than two pay grades from the position in which the employee was last employed as a full-time employee. The employee shall receive a retirement benefit, commencing as of the date the employee commences temporary, part-time employment under the provisions of the Plan. In the event the retirement benefit results in a lower payment than the federal minimum wage rate, the employee shall be paid at the federal minimum wage rate while working. The amount of the monthly benefit shall equal one hundred and seventy-five percent (175%) of final annual compensation divided by the number of months in the payout period. 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.

- b) Membership: Membership of the Program consisted of the following at June 30, 2018:

Active participants	3793
Retirees (vested)	763
Retirees (non-vested)	201
Total	<u>4,757</u>

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
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**3. Contributions**

The Program provides for annual employer contributions based on actuarially determined rates. The actuarially determined contribution for the fiscal year ended June 30, 2018, was determined as part of the June 30, 2017 valuation. Actual contributions, by policy, are expected to be the actuarially determined amount or the amount of expected benefit payments, if higher. The School Board contributed \$16,270,315, which was greater than the actuarially determined contribution, to the Program.

**4. Rate of Return**

As of June 30, 2018, the annual money-weighted rate of return on cash flows on the Program investments, net of investment expense, was 6.3%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**5. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows or Resources Related to Pensions**

- a) Pension liabilities: As of June 30, 2018, the School Board reported a net pension liability of \$57,232,038. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by the June 30, 2018 actuarial valuation date.
- b) Pension expense: For the year ended June 30, 2018, the School Board recognized negative pension expense of \$1,210,011 due to the change in plan benefit terms.
- c) Deferred outflows of resources and deferred inflows of resources related to pensions:  
Deferred outflows of resources and deferred inflows of resources related to pensions were reported from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on plan investments	\$ -	\$ 89,014
Difference between expected and actual experience	7,938,326	5,258,378
Change in assumptions	<u>6,816,674</u>	<u>11,484,381</u>
Total	<u>\$ 14,755,000</u>	<u>\$ 16,831,773</u>

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
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Amounts reported as deferred outflows of resources deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	Deferred (Inflows)/ Outflows of Resources
2019	\$ 161,190
2020	(9,648)
2021	(186,957)
2022	(70,183)
2023	(4,146)
Thereafter	(1,967,029)
	<u>\$ (2,076,773)</u>

**6. Changes in Net Pension Liability**

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2017	\$ 107,463,284	\$ 24,278,726	\$ 83,184,558
Service cost	1,000,514	-	1,000,514
Interest	6,582,063	-	6,582,063
Differences between expected and actual experience	(5,915,675)	-	(5,915,675)
Change in assumptions	(2,062,950)	-	(2,062,950)
Change in benefit terms	(7,428,337)	-	(7,428,337)
Contributions - employer	-	16,270,315	(16,270,315)
Net investment income	-	1,965,443	(1,965,443)
Administrative expenses	-	(109,809)	109,809
Other	-	2,186	(2,186)
Benefit payments	(14,402,588)	(14,402,588)	-
Net changes	(22,226,973)	3,725,547	(25,952,520)
Balance at June 30, 2018	<u>\$ 85,236,311</u>	<u>\$ 28,004,273</u>	<u>\$ 57,232,038</u>

**7. Actuarial Method and Significant Assumptions**

- a) Actuarial methods and significant assumptions: The total pension liability was determined as part of the actuarial valuation at June 30, 2018.

Actuarial cost method .....	Entry age normal
Projected salary increase, including inflation .....	3.00-4.5%
Inflation rate .....	2.0%
Mortality .....	RP-2000 Mortality Table for males and females projected to 2020 with Scale AA

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
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- b) Discount Rate: The projection of cash flows used to determine the discount rate assumed that School Board contributions will be made at the current contribution rates. Based on this assumption, the Program's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 6.5% on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity analysis: The following represents net pension liability calculated using the stated discount rate of 1.0% lower or 1.0% higher than the current rate.

	1% Decrease 5.5%	Current Discount 6.5%	1% Increase 7.5%
Net pension liability	\$ 62,692,484	\$ 57,232,038	\$ 52,320,241

## 8. Fiduciary Net Position

As of June 30, 2018, the Plan fiduciary net position of \$ 28,004,273 as a percentage of the pension total liability was 67.2%.

**Chesterfield County, Virginia**  
**Discretely Presented Component Unit**  
**Supplemental Retirement Program**  
**Pension Trust**

Assets	
Cash, cash equivalents and investments	\$ 27,993,838
Interest Receivable	10,435
Total assets	<u>28,004,273</u>
Fiduciary Net Position	
Restricted for pension benefits	<u>\$ 28,004,273</u>
Additions:	
Contributions	\$ 16,270,315
Investment earnings	1,965,441
Total additions	<u>18,235,756</u>
Deductions:	
Benefit payments	14,400,400
Administrative expenses	109,809
Total deductions	<u>14,510,209</u>
Increase in net position restricted for pension benefits	3,725,547
Fiduciary net position - July 1, 2017	<u>24,278,726</u>
Fiduciary net position - June 30, 2018	<u>\$ 28,004,273</u>

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
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**D. Summary of Deferred Outflows of Resources and Deferred Inflows of Resources by Retirement Plan**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	School Board
<b>Deferred Outflows of Resources related to Pensions</b>				
Deferred contributions:				
VRS Local Plan	\$ 23,077,865	\$ 965,555	\$ 24,043,420	\$ 1,585,511
VRS Teachers' Pool	-	-	-	48,478,812
Deferred investment experience:				
Supplemental Retirement Plan	248,888	-	248,888	-
Deferred pension difference between expected and actual:				
VRS Local Plan	-	-	-	34,668
Supplemental Retirement Plan	303,227	-	303,227	7,938,326
Deferred change in assumptions:				
VRS Local Plan	1,478,029	61,840	1,539,869	6,607,000
Supplemental Retirement Plan	-	-	-	6,816,674
Deferred change in proportionate share:				
VRS Teachers' Pool	-	-	-	7,300,000
Total deferred outflows of resources related to pensions	<u>\$ 25,108,009</u>	<u>\$ 1,027,395</u>	<u>\$ 26,135,404</u>	<u>\$ 78,760,991</u>

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	School Board
<b>Deferred Inflows of Resources related to Pensions</b>				
Deferred investment experience:				
VRS Local Plan	\$ 11,905,428	\$ 498,111	\$ 12,403,539	\$ 1,233,653
VRS Teachers' Pool	-	-	-	16,449,000
Supplemental Retirement Plan	-	-	-	89,014
Deferred pension difference between expected and actual:				
VRS Local Plan	14,406,401	602,749	15,009,150	2,304,029
VRS Teachers' Pool	-	-	-	32,060,000
Supplemental Retirement Plan	729,801	-	729,801	5,258,378
Deferred change in assumptions:				
VRS Local Plan	-	-	-	234,913
Supplemental Retirement Plan	-	-	-	11,484,381
Deferred change in proportionate share:				
VRS Teachers' Pool	-	-	-	3,073,000
Total deferred inflows of resources related to pensions	<u>\$ 27,041,630</u>	<u>\$ 1,100,860</u>	<u>\$ 28,142,490</u>	<u>\$ 72,186,368</u>

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
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<b>Enterprise funds</b>	<b>Water</b>	<b>Wastewater</b>	<b>Non-major Airport</b>	<b>Total</b>
<b>Deferred Outflows of Resources related to Pensions</b>				
Deferred contributions: VRS Local Plan	\$ 484,764	\$ 463,168	\$ 17,623	\$ 965,555
Deferred change in assumptions: VRS Local Plan	31,047	29,664	1,129	61,840
Total deferred outflows of resources related to pensions	<u>\$ 515,811</u>	<u>\$ 492,832</u>	<u>\$ 18,752</u>	<u>\$ 1,027,395</u>

<b>Enterprise funds</b>	<b>Water</b>	<b>Wastewater</b>	<b>Non-major Airport</b>	<b>Total</b>
<b>Deferred Inflows of Resources related to Pensions</b>				
Deferred investment experience: VRS Local Plan	\$ 250,080	\$ 238,939	\$ 9,092	\$ 498,111
Deferred pension difference between expected and actual: VRS Local Plan	302,615	289,133	11,001	602,749
Total deferred inflows of resources related to pensions	<u>\$ 552,695</u>	<u>\$ 528,072</u>	<u>\$ 20,093</u>	<u>\$ 1,100,860</u>

<b>Internal Service funds</b>	<b>Vehicle and Communications</b>	<b>Risk Management</b>	<b>Total</b>
<b>Deferred Outflows of Resources related to Pensions</b>			
Deferred change in assumptions: VRS Local Plan	\$ 21,847	\$ 5,769	\$ 27,616
Deferred contributions: VRS Local Plan	341,113	90,073	431,186
Total deferred outflows of resources related to pensions	<u>\$ 362,960</u>	<u>\$ 95,842</u>	<u>\$ 458,802</u>

<b>Internal Service funds</b>	<b>Vehicle and Communications</b>	<b>Risk Management</b>	<b>Total</b>
<b>Deferred Inflows of Resources related to Pensions</b>			
Deferred investment experience: VRS Local Plan	\$ 175,974	\$ 46,467	\$ 222,441
Deferred pension difference between expected and actual: VRS Local Plan	212,940	56,228	269,168
Total deferred inflows of resources related to pensions	<u>\$ 388,914</u>	<u>\$ 102,695</u>	<u>\$ 491,609</u>



**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
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**13. Other Postemployment Benefits Plans**

**A. Postemployment Retiree Healthcare Benefits - Primary Government**

**1. Plan Description**

The 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'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 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 June 30, 2018 are:

<b>Years of Service</b>	<b>Grandfathered</b>	<b>Non-grandfathered</b>
0 to 9	-	-
10 to 14	50%	-
15 to 19	100%*	\$202 per month
20 to 24	100%*	\$302 per month
25+	100%*	\$403 per month

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

Non-grandfathered County contributions are subject to an annual 3% increase 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 \$221 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.

**County of Chesterfield, Virginia**  
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Employees covered by the benefit terms of the Other Postemployment Benefit Plan are as follows:

	<b>Primary Government</b>
Inactive members or their beneficiaries currently receiving benefits	1,211
Active members	<u>3,419</u>
Total	<u><u>4,630</u></u>

**2. Contributions**

As of June 30, 2018, the County has \$29,746,510 in plan fiduciary net position accumulated for payment of future benefits. The County made contributions and paid premiums to the trust totaling \$9,368,195, which was greater than the actuarially determined contribution (ADC) of \$8,534,872. The County intends to fund at least the ADC amount in future fiscal years. Actual contributions to the plan are appropriated 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. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2018, the County reported a net OPEB liability of \$74,384,678, measured as of June 30, 2018. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed as of June 30, 2018. OPEB liabilities, OPEB expense, deferred outflows of resources and deferred inflows of resources related to OPEB are allocated to funds based on their proportionate share of projected monthly benefits.

For the year ended June 30, 2018, the County recognized OPEB expense of \$5,831,332. Deferred outflows of resources and deferred inflows of resources related to the County's OPEB- Retiree Healthcare was reported from the following sources:

	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual earnings on plan investments	\$ 616,506
Difference between expected and actual experience	1,846,567
Change in assumptions or other inputs	<u>11,585,845</u>
Total	<u><u>\$ 14,048,918</u></u>

**County of Chesterfield, Virginia**  
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Amounts reported as deferred inflows of resources related to pensions will be recognized in OPEB expense as follows:

<u>Year ending June 30:</u>	<u>Deferred (Inflows) of Resources</u>
2019	\$ (1,875,685)
2020	(1,875,685)
2021	(1,875,685)
2022	(1,875,687)
2023	(1,721,559)
Thereafter	<u>(4,824,617)</u>
	<u>\$ (14,048,918)</u>

The following represents net OPEB liability calculated using the stated discount rate and stated health care cost trend rates, as well as what the net pension liability would be if it were calculated using a discount rate or health care cost trend rate of 1.0% lower or 1.0% higher than the current rates.

<b>Net OPEB liability</b>			
<b>Discount Rate</b>			
	<b>1% Decrease</b>	<b>Current Discount</b>	<b>1% Increase</b>
	<b>6%</b>	<b>7%</b>	<b>8%</b>
<b>Net OPEB liability</b>	\$ 84,597,632	\$ 74,384,678	\$ 65,605,118

<b>Net OPEB liability</b>			
<b>Health Care Cost Trend</b>			
	<b>1% Decrease</b>	<b>Current Cost Trend</b>	<b>1% Increase</b>
<b>Net OPEB liability</b>	\$ 67,082,256	\$ 74,384,678	\$ 82,950,002

#### **4. Actuarial Assumptions**

Total OPEB liabilities in the OPEB Plan for the Primary Government were based on an actuarial valuation as of June 30, 2018, using census data collected as of February 2018 and health care claims costs for the Calendar Years 2014 through 2017 for current retirees and active employees eligible for coverage under the plan when they retire. The projections are based on GAAP, using the entry age normal actuarial cost method and the following actuarial assumptions based on GAAP. The total OPEB liability was determined as part of the actuarial valuation at the date indicated, using the following actuarial assumptions:

Valuation date .....	June 30, 2018
Investment rate of return .....	7.0%
Projected long-term salary increase .....	2.75%
Healthcare cost trend rates .....	5.50% for 2018 decreasing to and ultimate rate of 3.84% by 2075
Pre-retirement mortality.....	RP-2014 Employee Rates to age 80 , Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males setback 1 year, 85% of rates; females setback 1 year.

**County of Chesterfield, Virginia**  
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Post-retirement mortality ..... RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females setback 1 year with 1.5% increase compounded from ages 70 to 85.

- a) **Discount Rate:** The discount rate used to measure the total OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at current contribution rates. Based on the current and historical commitment of the County to fully fund actuarially determined contribution amounts, the Plan's fiduciary net position combined with future contributions is sufficient to cover all projected future payments. The long-term expected rate of return on plan investments is 7.00% and, when applied to the periods of projected benefit payments, it is not anticipated that the plan's assets will be exhausted; therefore, the expected municipal bond rate was not applied in determining the discount rate.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Real Rate of Return</u>
Total Equity		
Large Cap Equity	26.00%	7.79%
Small Cap Equity	10.00%	9.08%
International Equity	13.00%	8.79%
Emerging Markets Equity	5.00%	10.14%
Private Equity	5.00%	10.43%
Fixed Income		
Core Plus	14.00%	3.07%
Core	7.00%	2.80%
Diversified Hedge Funds	10.00%	6.32%
Real Assets		
Real Estate	7.00%	5.84%
Commodities	3.00%	3.90%
Cash and cash equivalents	<u>0.00%</u>	0.93%
Total	<u>100.00%</u>	6.89%

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
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**5. Changes to Net OPEB Liability**

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balance at July 1, 2017	\$ 118,567,566	\$ 26,597,107	\$ 91,970,459
Service cost	890,903	-	890,903
Interest	8,564,885	-	8,564,885
Change in assumptions	(13,070,740)	-	(13,070,740)
Differences in expected and actual experience	(2,083,231)	-	(2,083,231)
Net investment income	-	2,519,903	(2,519,903)
Administrative expenses	-	(500)	500
Employer contributions	-	9,368,195	(9,368,195)
Benefit payments	<u>(8,738,195)</u>	<u>(8,738,195)</u>	<u>-</u>
Net changes	<u>(14,436,378)</u>	<u>3,149,403</u>	<u>(17,585,781)</u>
Balance at June 30, 2018	<u>\$ 104,131,188</u>	<u>\$ 29,746,510</u>	<u>\$ 74,384,678</u>

**6. OPEB Liability**

Additional note disclosure and related required supplementary information about the Plan's investment performance, total OPEB liability, net OPEB liability and contributions as required under GAAP, are as follows below and in the required supplementary information section. The amounts disclosed are not reflected in the financial statements of County.

- a) Rate of Return: As of June 30, 2018, the annual money-weighted rate of return on cash flows on the plan investments, net of OPEB plan investment expense, was 9.52%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.
- b) Net OPEB Liability: The components of the net OPEB liability as of June 30, 2018 were as follows:

	<u>Net OPEB Liability</u>
Total OPEB liability	\$104,131,188
Plan fiduciary net position	<u>(29,746,510)</u>
Net OPEB liability	<u>\$ 74,384,678</u>
Fiduciary net position as a percent of total OPEB liability	28.57%

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2018**

**Chesterfield County, Virginia**  
**Postemployment Retiree Healthcare**  
**Benefits Trust - County**

Assets	
Cash, investments and receivable	\$ 30,376,510
Liabilities	
Due to broker	<u>630,000</u>
Fiduciary net position	
Restricted for other postemployment benefits	<u>\$ 29,746,510</u>
Additions:	
Contributions	\$ 12,081,987
Investment earnings	2,547,219
Less investment expenses	<u>(27,316)</u>
Net investment income	<u>2,519,903</u>
Total additions, net	<u>14,601,890</u>
Deductions:	
Benefit payments	11,451,987
Administrative expenses	<u>500</u>
Total deductions	<u>11,452,487</u>
Increase in net position restricted for other postemployment benefits	3,149,403
Fiduciary net position - July 1, 2017	<u>26,597,107</u>
Fiduciary net position - June 30, 2018	<u>\$ 29,746,510</u>

**B. Other Postemployment Benefit Plan - Primary Government - Line of Duty**

**1. Plan Description**

The 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 1,517 participants in the program in fiscal year 2018. 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 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, 2018**

**2. Contributions**

As of June 30, 2018, the County has \$8,550,369 in plan fiduciary net position accumulated for payment of future benefits. The County made contributions and paid premiums to the trust totaling \$1,080,950 which was greater than the actuarially determined contribution (ADC) of \$1,011,363. The County intends to fund at least the ADC amount in future fiscal years. Actual contributions to the plan are appropriated on an annual basis.

**3. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2018, the County reported a net OPEB liability of \$3,073,232, measured as of June 30, 2018. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed as of June 30, 2018. OPEB liabilities, OPEB expense, deferred outflows of resources and deferred inflows of resources related to OPEB are allocated to funds based on their proportionate share of projected monthly benefits.

For the year ended June 30, 2018, the County recognized OPEB expense of \$990,061. Deferred outflows of resources and deferred inflows of resources related to the County's OPEB- Retiree Healthcare was reported from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on plan investments	\$ -	\$ 165,410
Difference between expected and actual experience	1,053,023	-
Change in assumptions	-	4,572,945
Total	<u>\$ 1,053,023</u>	<u>\$ 4,738,355</u>

Amounts reported as deferred inflows of resources related to pensions will be recognized in OPEB expense as follows:

<u>Year ending June 30:</u>	<u>Deferred Outflows/ (Inflows) of Resources</u>
2019	\$ (282,899)
2020	(282,899)
2021	(282,899)
2022	(282,901)
2023	(241,547)
Thereafter	<u>(2,312,187)</u>
	<u>\$ (3,685,332)</u>

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2018**

The following represents net OPEB liability calculated using the stated discount rate and stated health care cost trend rates, as well as what the net pension liability would be if it were calculated using a discount rate or health care cost trend rate of 1.0% lower or 1.0% higher than the current rates.

Net OPEB liability			
Discount Rate			
	1% Decrease	Current Discount	1% Increase
	7%	7%	8%
Net OPEB liability	\$ 4,713,673	\$ 3,073,232	\$ 1,711,836

Net OPEB liability			
Health Care Cost Trend			
	1% Decrease	Current Cost Trend	1% Increase
Net OPEB liability	\$ 1,210,346	\$ 3,073,232	\$ 5,444,826

#### 4. Actuarial Assumptions

Total OPEB liabilities in the OPEB Plan for the Primary Government - Line of Duty were based on an actuarial valuation as of June 30, 2018, using census data collected as of February 2018 and per capita costs as developed by the June 30, 2016 VRS LODA Valuation. The projections are based on GAAP, using the entry age normal actuarial cost method and the following actuarial assumptions based on GAAP.

Actuarial Method and Significant Assumptions: The total OPEB liability was determined as part of the actuarial valuation at the date indicated, using the following actuarial assumptions:

Valuation date .....	June 30, 2018
Investment rate of return .....	7.0%
Projected long-term salary increase .....	3.50-4.75% depending on years of service
Healthcare cost trend rates .....	5.50% for 2018 decreasing to and ultimate rate of 3.84% by 2075
Pre-retirement mortality.....	RP-2014 Employee Rates to age 80 , Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males 80% of rates; females set forward 1 year.
Post-retirement mortality .....	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.



**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2018**

- a) Discount Rate: The discount rate used to measure the total OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at current contribution rates. Based on the current and historical commitment of the County to fully fund actuarially determined contribution amounts, the Plan's fiduciary net position combined with future contributions is sufficient to cover all projected future payments. The long-term expected rate of return on plan investments is 7.00% and, when applied to the periods of projected benefit payments, it is not anticipated that the plan's assets will be exhausted; therefore, the expected municipal bond rate was not applied in determining the discount rate.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Real Rate of Return</u>
Total Equity		
Large Cap Equity	26.00%	7.79%
Small Cap Equity	10.00%	9.08%
International Equity	13.00%	8.79%
Emerging Markets Equity	5.00%	10.14%
Private Equity	5.00%	10.43%
Fixed Income		
Core Plus	14.00%	3.07%
Core	7.00%	2.80%
Diversified Hedge Funds	10.00%	6.32%
Real Assets		
Real Estate	7.00%	5.84%
Commodities	3.00%	3.90%
Cash and cash equivalents	<u>0.00%</u>	0.93%
Total	<u>100.00%</u>	6.89%

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2018**

**5. Changes to Net OPEB Liability**

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balance at July 1, 2017	\$ 14,267,433	\$ 7,417,980	\$ 6,849,453
Service cost	792,650	-	792,650
Interest	975,937	-	975,937
Change in assumptions	(4,886,754)	-	(4,886,754)
Differences in expected and actual experience	1,125,285	-	1,125,285
Net investment income	-	702,889	(702,889)
Administrative expenses	-	(500)	500
Employer contributions	-	1,080,950	(1,080,950)
Benefit payments	<u>(650,950)</u>	<u>(650,950)</u>	<u>-</u>
Net changes	<u>(2,643,832)</u>	<u>1,132,389</u>	<u>(3,776,221)</u>
Balance at June 30, 2018	<u>\$ 11,623,601</u>	<u>\$ 8,550,369</u>	<u>\$ 3,073,232</u>

**6. OPEB Liability**

Additional note disclosure and related required supplementary information about the Plan's investment performance, total OPEB liability, net OPEB liability and contributions as required under GAAP, are as follows below and in the required supplementary information section. The amounts disclosed are not reflected in the financial statements of County.

- a) Rate of Return: As of June 30, 2018, the annual money-weighted rate of return on cash flows on the plan investments, net of OPEB plan investment expense, was 9.52%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.
- b) Net OPEB Liability: The components of the net OPEB liability as of June 30, 2018 were as follows:

	<u>Net OPEB Liability</u>
Total OPEB liability	\$11,623,601
Plan fiduciary net position	<u>(8,550,369)</u>
Net OPEB liability	<u>\$ 3,073,232</u>
Fiduciary net position as a percent of total OPEB liability	73.56%

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2018**

**Chesterfield County, Virginia**  
**Postemployment Line of Duty**  
**Benefits Trust - County**

<b>Assets</b>	
Cash, investments and receivable	\$ 8,980,369
<b>Liabilities</b>	
Due to broker	<u>430,000</u>
<b>Fiduciary net position</b>	
Restricted for other postemployment benefits	<u>\$ 8,550,369</u>
<b>Additions:</b>	
Contributions	\$ 1,080,950
Investment earnings	710,139
Less investment expenses	<u>(7,250)</u>
Net investment income	<u>702,889</u>
Total additions, net	<u>1,783,839</u>
<b>Deductions:</b>	
Benefit payments	650,950
Administrative expenses	<u>500</u>
Total deductions	<u>651,450</u>
Increase in net position restricted for other postemployment benefits	1,132,389
Fiduciary net position - July 1, 2017	<u>7,417,980</u>
Fiduciary net position - June 30, 2018	<u>\$ 8,550,369</u>

**C. Other Postemployment Benefit Plan - Retiree Medical - School Board Component Unit**

**1. Plan Description**

The 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'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 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**  
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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, 2016, are:

<b>Years of Service</b>	<b>Grandfathered</b>	<b>Non-grandfathered</b>
0 to 9	-	-
10 to 14	100%*	-
15 to 19	100%*	\$202 per month
20 to 24	100%*	\$303 per month
25+	100%*	\$403 per month

*\* as a percentage of the School Boards contribution, not the total premium*

Non-grandfathered School Board contributions are subject to an annual 3% increase 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 \$221 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. Contributions**

As of June 30, 2018, the School Board has \$16,611,936 in plan fiduciary net position accumulated for payment of future benefits. The School Board made contributions and paid premiums to the trust totaling \$17,279,013 which was greater than the actuarially determined contribution (ADC) of \$15,895,413. The School Board intends to fund at least the ADC amount in future fiscal years. Actual contributions to the plan are appropriated on an annual basis.

## **3. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2018, the School Board reported a net OPEB liability of \$184,351,339, measured as of June 30, 2018. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation performed as of June 30, 2018. OPEB liabilities, OPEB expense, deferred outflows of resources and deferred inflows of resources related to OPEB are allocated to funds based on their proportionate share of projected monthly benefits.

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2018**

For the year ended June 30, 2018, the School Board recognized OPEB expense of \$12,441,936. Deferred outflows of resources and deferred inflows of resources related to the School Board's OPEB - Retiree Healthcare was reported from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on plan investments	\$ -	\$ 313,622
Difference between expected and actual experience	2,359,877	-
Change in assumptions	-	19,283,233
Total	<u>\$ 2,359,877</u>	<u>\$ 19,596,855</u>

Amounts reported as deferred inflows of resources related to pensions will be recognized in OPEB expense as follows:

<u>Year ending June 30:</u>	<u>Deferred Outflows/ (Inflows) of Resources</u>
2019	\$ (2,820,351)
2020	(2,820,351)
2021	(2,820,351)
2022	(2,820,353)
2023	(2,741,946)
Thereafter	<u>(3,213,626)</u>
	<u>\$ (17,236,978)</u>

The following represents net OPEB liability calculated using the stated discount rate and stated health care cost trend rates, as well as what the net pension liability would be if it were calculated using a discount rate or health care cost trend rate of 1.0% lower or 1.0% higher than the current rates.

	<b>Net OPEB liability</b>		
	<b>Discount Rate</b>		
	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
	<u>6%</u>	<u>7%</u>	<u>8%</u>
<b>Net OPEB liability</b>	\$ 204,462,361	\$ 184,351,339	\$ 167,139,782

	<b>Net OPEB liability</b>		
	<b>Health Care Cost Trend</b>		
	<u>1% Decrease</u>	<u>Current Cost Trend</u>	<u>1% Increase</u>
<b>Net OPEB liability</b>	\$ 169,409,198	\$ 184,351,339	\$ 201,739,213

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2018**

**4. Actuarial Assumptions**

Total OPEB liabilities in the OPEB Plan for Retiree Healthcare - School Board were based on an actuarial valuation as of June 30, 2018, using census data collected as of April 2018 and health care claims costs for Calendar Years 2015 through 2017. The projections are based on GAAP, using the entry age normal actuarial cost method and the following actuarial assumptions based on GAAP.

Actuarial Method and Significant Assumptions: The total OPEB liability was determined as part of the actuarial valuation at the date indicated, using the following actuarial assumptions:

Valuation date .....	June 30, 2018
Investment rate of return.....	7.0%
Projected long-term salary increase .....	2.75%
Healthcare cost trend rates.....	5.50% for 2018 decreasing to and ultimate rate of 3.84% by 2075
Pre-retirement mortality .....	RP-2014 Employee Rates to age 80 , Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males setback 1 year, 85% of rates; females setback 1 year.
Post-retirement mortality.....	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2018**

- a) Discount Rate: The discount rate used to measure the total OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at current contribution rates. Based on the current and historical commitment of the School Board to fully fund actuarially determined contribution amounts, the Plan's fiduciary net position combined with future contributions is sufficient to cover all projected future payments. The long-term expected rate of return on plan investments is 7.00% and, when applied to the periods of projected benefit payments, it is not anticipated that the plan's assets will be exhausted; therefore, the expected municipal bond rate was not applied in determining the discount rate.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Real Rate of Return</u>
Total Equity		
Large Cap Equity	26.00%	7.79%
Small Cap Equity	10.00%	9.08%
International Equity	13.00%	8.79%
Emerging Markets Equity	5.00%	10.14%
Private Equity	5.00%	10.43%
Fixed Income		
Core Plus	14.00%	3.07%
Core	7.00%	2.80%
Diversified Hedge Funds	10.00%	6.32%
Real Assets		
Real Estate	7.00%	5.84%
Commodities	3.00%	3.90%
Cash and cash equivalents	<u>0.00%</u>	0.93%
Total	<u>100.00%</u>	6.89%

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2018**

**5. Changes to Net OPEB Liability**

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balance at July 1, 2017	\$ 220,686,356	\$ 14,260,963	\$ 206,425,393
Service cost	1,342,954	-	1,342,954
Interest	14,878,280	-	14,878,280
Change in assumptions	(22,407,529)	-	(22,407,529)
Differences in expected and actual experience	2,742,227	-	2,742,227
Net investment income	-	1,351,473	(1,351,473)
Administrative expenses	-	(500)	500
Employer contributions	-	17,279,013	(17,279,013)
Benefit payments	<u>(16,279,013)</u>	<u>(16,279,013)</u>	<u>-</u>
Net changes	<u>(19,723,081)</u>	<u>2,350,973</u>	<u>(22,074,054)</u>
Balance at June 30, 2018	<u>\$ 200,963,275</u>	<u>\$ 16,611,936</u>	<u>\$ 184,351,339</u>

**6. OPEB Liability**

Additional note disclosure and related required supplementary information about the Plan's investment performance, total OPEB liability, net OPEB liability and contributions as required under GAAP, are as follows below and in the required supplementary information section. The amounts disclosed are not reflected in the financial statements of School Board.

- a) Rate of Return: As of June 30, 2018, the annual money-weighted rate of return on cash flows on the plan investments, net of OPEB plan investment expense, was 9.52%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.
- b) Net OPEB Liability: The components of the net OPEB liability as of June 30, 2018 were as follows:

	<u>Net OPEB Liability</u>
Total OPEB liability	\$200,963,275
Plan fiduciary net position	<u>(16,611,936)</u>
Net OPEB liability	<u>\$ 184,351,339</u>
Fiduciary net position as a percent of total OPEB liability	8.27%



**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
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**Chesterfield County, Virginia**  
**Postemployment Retiree Healthcare**  
**Benefits Trust - Schools**

Assets	
Cash, investments and receivable	\$ 17,611,936
Liabilities	
Due to broker	<u>1,000,000</u>
Fiduciary Net Position	
Restricted for other postemployment benefits	<u>\$ 16,611,936</u>
Additions:	
Contributions	\$ 23,591,245
Investment earnings	1,365,256
Less investment expenses	<u>(13,783)</u>
Net investment income	<u>1,351,473</u>
Total additions, net	<u>24,942,718</u>
Deductions:	
Benefit payments	22,591,245
Administrative expenses	<u>500</u>
Total deductions	<u>22,591,745</u>
Increase in net position restricted for other postemployment benefits	2,350,973
Fiduciary net position - July 1, 2017	<u>14,260,963</u>
Fiduciary net position - June 30, 2018	<u>\$ 16,611,936</u>

**D. Other Postemployment Benefits - Group Life Insurance Program**

**1. Plan Description**

The County and School Board component unit participate in the VRS GLI Program, a multiple employer, cost-sharing defined benefit plan. Upon employment, all full-time, salaried and permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by GLI Program. Coverage ends for employees who leave their positions before retirement eligibility or who take a refund of their member contributions and accrued interest. This plan is administered by VRS along with pensions and other OPEB plans, for public employer groups in the Commonwealth. Detail information about the GLI Program's fiduciary net position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf> or by writing to the VRS system's Chief Financial Officer at P. O. Box 2500, Richmond, VA 23218-2500.

- a) Benefit - The GLI Program is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to the basic natural and accidental death benefits, the program provides benefits provided under specific circumstances that include accidental dismemberment, safety belt,

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
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repatriation and felonious assault benefits and an accelerated death benefit option. The benefit amounts provided are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of creditable service, the minimum benefit payable was set at \$8,000 by statute, increased annually based on the VRS Plan 2 (pension plan) cost of living adjustment and is currently \$8,111.

- b) Contribution - The total contribution rate for the GLI Program was 1.31% of covered employee compensation. This rate was allocated into an employee and an employer component using a 60/40 split. Although not required, the County and School Board component unit elected to pay the employee component, which is separate from the contractually required employer contribution. Each participating employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was determined from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Program for the years ended June 30, 2018 and June 30, 2017 by the County and School Board component unit are as follows:

<u>Description</u>	<u>2018</u>	<u>2017</u>
County	\$ 982,400	\$ 941,000
School Board - non-professional	89,708	79,000
School Board - professional	1,578,983	1,483,000

- c) Liabilities - At June 30, 2018, the County, School Board component unit non-professional and Professional groups reported liabilities of \$15,052,000, \$1,282,000 and \$23,727,000, respectively, for their proportionate shares of the net Group Life Insurance Program OPEB (GLI OPEB) liability. The net GLI OPEB liability was measured as of June 30, 2017 and the total GLI OPEB liability was used to calculate the net GLI OPEB liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the net GLI OPEB liability was based on the covered employer's actuarially determined contributions to the GLI Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion for the County, School Board component unit non-professional and professional groups for the years ended June 30, 2017 and June 30, 2016 were as follows:

<u>Description</u>	<u>2017</u>	<u>2016</u>
County	1.00018%	1.00482%
School Board - non-professional	0.08521%	0.11194%
School Board - professional	1.57670%	1.54669%

For the year ended June 30, 2018, the County and School Board component unit non-professional groups recognized GLI OPEB expense of \$156,000 and \$59,000, respectively, and the School Board component unit professional group recognized GLI OPEB revenue of \$347,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the County, School Board component unit non-professional and professional groups reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
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(i) County:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 334,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	566,000
Change in assumptions	-	775,000
Changes in proportion	-	68,000
Employer contributions subsequent to measurement date	<u>982,400</u>	<u>-</u>
Total	<u>\$ 982,400</u>	<u>\$ 1,743,000</u>

(ii) School Board - non-professional group:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 29,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	48,000
Change in assumptions	-	66,000
Changes in proportion	-	395,000
Employer contributions subsequent to measurement date	<u>89,708</u>	<u>-</u>
Total	<u>\$ 89,708</u>	<u>\$ 538,000</u>

(iii) School Board - professional group:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 526,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	893,000
Change in assumptions	-	1,222,000
Changes in proportion	444,000	-
Employer contributions subsequent to measurement date	<u>1,578,983</u>	<u>-</u>
Total	<u>\$ 2,022,983</u>	<u>\$ 2,641,000</u>

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County, School Board component unit non-professional and Professional contributions of \$982,400, \$89,708 and \$1,578,983, respectively, made subsequent to the measurement date and recognized as deferred outflows of resources related to the GLI OPEB will be recognized as a reduction of the net GLI OPEB liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<b>Year ended June 30</b>	<b>County</b>	<b>School Board Non-Professional</b>	<b>School Board Professional</b>
2019	\$ (358,000)	\$ (102,000)	\$ (463,000)
2020	(358,000)	(102,000)	(463,000)
2021	(358,000)	(102,000)	(463,000)
2022	(358,000)	(102,000)	(463,000)
2023	(216,000)	(90,000)	(240,000)
Thereafter	(95,000)	(40,000)	(105,000)
Total	<u>\$ (1,743,000)</u>	<u>\$ (538,000)</u>	<u>\$ (2,197,000)</u>

- d) Actuarial assumptions - The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016 using the entry age normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation .....	2.5%
Salary increased, including inflation:	
Locality general purpose employees .....	3.5% - 5.35%
Locality hazardous duty employees .....	3.5% - 4.75%
Teachers .....	3.5% - 5.95%
Investment rate of return .....	7%, net of investment expenses, including inflation*

\*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7%. However, since the difference was minimal, and a more conservative 7% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7% to simplify the preparation of the OPEB liabilities.

- 1) Mortality rates - locality general employees (County and School Board - non-professional groups):

Pre-retirement.....	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates
Post-retirement.....	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90

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Post-disablement.....RP-2014 Disabled Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates

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

Mortality rates (all).....Updated to a more current mortality table - RP 2014 projected to 2020  
Retirement rates.....Lowered retirement rates at older ages and extended final retirement age from 70 to 75  
Withdrawal rates .....Adjusted termination rates to better fit experience at each age and service year  
Disability rates.....Lowered disability rates  
Salary scale.....No change

2) Mortality rates - locality hazardous duty employees:

Pre-retirement .....RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward one year  
Post-retirement.....RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward one year with 1% increase compounded from ages 70 to 90; females set forward three years  
Post-disablement .....RP-2014 Disabled Life Mortality Rates projected with scale BB to 2020; males set forward 2 years, unisex using 100% male

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

Mortality rates (all).....Updated to a more current mortality table - RP 2014 projected to 2020  
Retirement rates.....Lowered retirement rates at older ages  
Withdrawal rates .....Adjusted termination rates to better fit experience at each age and service year  
Disability rates.....Increased disability rates  
Salary scale.....No change  
Line of duty disability.....Increased rate from 60% to 70%

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3) Mortality rates - School Board - professional:

Pre-retirement .....	RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020
Post-retirement.....	RP-2014 White Collar Employee Rates to age 49, White collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back three years with 1.5% increase compounded from ages 65 to 70 and 2% increase compounded from ages 75 to 90
Post-disablement .....	RP-2014 Disabled Mortality Rates projected with scale BB to 2020; 115% rates for males and females

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

Mortality rates (all).....	Updated to a more current mortality table - RP 2014 projected to 2020
Retirement rates.....	Lowered retirement rates at older ages and changed final retirement from 70 to 75
Withdrawal rates .....	Adjusted termination rates to better fit experience at each year age and service through 9 years of service
Disability rates.....	Adjusted rates to better match experience
Salary scale.....	No change

- e) Net GLI OPEB Liabilities - The net GLI OPEB liability represents the GLI program's total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of June 30, 2017, the net GLI OPEB liability is as follows:

<b>Total for the Cost-Sharing Employer Plans - GLI (all employers)</b>	<b>Group Life Insurance OPEB Program</b>
Total GLI OPEB Liability	\$ 2,942,426,000
Plan Fiduciary Net Position	<u>1,437,586,000</u>
Employers' Net GLI OPEB Liability	<u>\$ 1,504,840,000</u>
Plan Fiduciary Net Position as a % of the Total GLI OPEB Liability	48.86%

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The total GLI OPEB liability is calculated by the VRS system's actuary and each plan's fiduciary net position is reported in the VRS system's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GAAP in the VRS system's notes to the financial statements and required supplementary information.

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

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

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

- g) Discounts - The discount rate used to measure the total GLI OPEB liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by participating entities for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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- h) Sensitivity - The following presents the employers' proportionate share of the net GLI OPEB liability using the discount rate of 7%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is 1% point lower (6%) or 1% point higher (8%) than the current discount rate.

Employer's proportionate share of the net GLI OPEB liability	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
County	\$ 19,468,000	\$ 15,052,000	\$ 11,472,000
School Board - non-professional	1,658,000	1,282,000	977,000
School Board - professional	30,689,000	23,727,000	18,084,000

- i) Payables - At June 30, 2018, the County and School Board component unit owed the following amounts to the VRS GLI Program due to the timing of when contractually required contribution payments become due.

County	\$81,289
School Board - non-professional	9,631
School Board - professional	144,742

**E. Other Postemployment Benefits - Health Insurance Credits**

**1. Plan Description**

Professional staff of the School Board component unit participate in the VRS Teacher Employee HIC Program, a multiple employer, cost-sharing defined benefit plan. All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee HIC Program. The benefit vests with eligible employees who retire with at least 15 years of service credit. The benefit ends upon the retiree's death. This plan is administered by VRS along with pensions and other OPEB plans, for public employer groups in the Commonwealth. Detail information about the HIC Program's fiduciary net position is available in the separately issued BRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf> or by writing to the VRS system's Chief Financial Officer at P. O. Box 2500, Richmond, VA 23218-2500.

- a) Benefit - Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to the VRS. The HIC is a tax-free reimbursement in an amount set by the Virginia General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering spouses or dependents, and cannot exceed the actual amount of the premium paid. For teacher and other professional school employees who retire, the monthly benefit is \$4 per year of service per month with no cap on the benefit amount. For teachers and other professional employees who retire on disability, the monthly benefit is either \$4 per month multiplied by twice the amount of service credit or \$4 per month multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.
- b) Contribution - Each school division's contractually required employer contribution rate for the year ended June 30, 2018 was 1.23% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the HIC Program were \$3,729,872 and \$3,225,000 for the years ended June 30, 2018 and June 30, 2017, respectively.



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- c) Liabilities - At June 30, 2018, the School Board component unit reported a liability of \$46,693,000 for its proportionate share of the net HIC Program OPEB (HIC OPEB) liability. The net HIC OPEB liability was measured as of June 30, 2017 and the total HIC Program OPEB liability used to calculate the net HIC OPEB liability was determined by an actuarial valuation as of that date. The School Board component unit's proportionate share of the net HIC OPEB liability was based on the school division's actuarially determined employer contributions to the HIC OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the School Board component unit's proportion of the HIC Program was 3.68% compared to 3.64% at June 30, 2016.

For the year ended June 30, 2018, the School Board component unit recognized HIC OPEB expense of \$3,858,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017, a portion of the HIC OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the School Board component unit reported deferred outflows of resources and deferred inflows of resources related to the HIC OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual earnings on HIC OPEB program investments	\$ -	\$ 84,000
Change in assumptions	-	480,000
Changes in proportion	395,000	-
Employer contributions subsequent to measurement date	<u>3,729,872</u>	<u>-</u>
Total	<u>\$ 4,124,872</u>	<u>\$ 564,000</u>

\$3,729,872 reported as deferred outflows of resources related to the HIC OPEB resulting from the School Board component unit's contributions subsequent to the measurement date will be recognized as a reduction of the net HIC OPEB liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

<b>Year ended June 30</b>	<b>School Board Professional</b>
2019	\$ (34,000)
2020	(34,000)
2021	(34,000)
2022	(33,000)
2023	(12,000)
Thereafter	<u>(22,000)</u>
	<u>\$ (169,000)</u>

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- d) Actuarial assumptions - The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2016 using the entry age normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation .....	2.5%
Salary increased, including inflation:	
Teachers .....	3.5% - 5.95%
Investment rate of return .....	7%, net of investment expenses, including inflation*

\*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7%. However, since the difference was minimal, and a more conservative 7% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7% to simplify the preparation of the OPEB liabilities.

Mortality rates:

Pre-retirement.....	RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020
Post-retirement .....	RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back three years with 1.5% increase compounded from ages 65 to 70 and 2% increase compounded from ages 75 to 90
Post-disablement.....	RP-2014 Disabled Mortality Rates projected with scale BB to 2020; 115% rates for males and females

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

Mortality rates (all).....	Updated to a more current mortality table - RP 2014 projected to 2020
Retirement rates.....	Lowered retirement rates at older ages and changed final retirement from 70 to 75
Withdrawal rates .....	Adjusted termination rates to better fit experience at each year age and service through 9 years of service
Disability rates.....	Adjusted rates to better match experience
Salary scale.....	No change

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- e) Net HIC OPEB Liabilities - The net HIC OPEB liability represents the program's total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of June 30, 2017, the net HIC OPEB liability is as follows:

<b>Total for the Cost-Sharing Employer Plans - HIC (all employers)</b>	<b>Teachers' Health Insurance Credit Program</b>
Total HIC OPEB Liability	\$ 1,364,702,000
Plan Fiduciary Net Position	<u>96,091,000</u>
Employers' Net HIC OPEB Liability	<u><u>\$ 1,268,611,000</u></u>
Plan Fiduciary Net Position as a % of the Total HIC OPEB Liability	7.04%

The total HIC OPEB liability is calculated by the VRS system's actuary, and each plan's fiduciary net position is reported in the VRS system's financial statements. The net HIC OPEB liability is disclosed in accordance with the requirements of GAAP in the VRS system's notes to the financial statements and required supplementary information.

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

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

\*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns

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under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

- g) Discounts - The discount rate used to measure the total HIC OPEB liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by participating entities for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's Program's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.
- h) Sensitivity - The following presents the employers proportionate share of the net GLI OPEB liability using the discount rate of 7%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is 1% point lower (6%) or 1% point higher (8%) than the current discount rate.

	<b>1% Decrease (6%)</b>	<b>Current Discount Rate (7%)</b>	<b>1% Increase (8%)</b>
Employer's proportionate share of the net HIC OPEB liability	\$ 52,114,000	\$ 46,693,000	\$ 42,085,000

- i) Payables - At June 30, 2018, the County and School Board component unit owed \$341,727 to the VRS HIC Program due to the timing of when contractually required contribution payments become due.

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**F. Summary of Deferred Outflows of Resources and Deferred Inflows of Resources by OPEB Plan**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	School Board
<b>Deferred Outflows of Resources related to OPEB</b>				
Deferred OPEB difference between expected and actual:				
Other Postemployment Benefit Trust	\$ -	\$ -	\$ -	\$ 2,359,877
Other Postemployment Benefit Trust - Line of Duty	1,053,023	-	1,053,023	-
Deferred change in proportionate share:				
VRS cost-sharing Group Life Insurance Plan - Teachers' Pool	-	-	-	444,000
VRS cost-sharing Teacher Health Insurance Credit Program	-	-	-	395,000
Deferred contributions:				
VRS cost-sharing Teacher Health Insurance Credit Program	-	-	-	3,729,872
VRS cost-sharing Group Life Insurance Plan - Teachers' Pool	-	-	-	1,578,983
VRS cost-sharing Group Life Insurance Plan	910,882	71,518	982,400	89,708
Total deferred outflows of resources related to OPEB	<u>\$ 1,963,905</u>	<u>\$ 71,518</u>	<u>\$ 2,035,423</u>	<u>\$ 8,597,440</u>

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	School Board
<b>Deferred Inflows of Resources related to OPEB</b>				
Deferred investment experience:				
Other Postemployment Benefit Trust	\$ 562,142	\$ 54,364	\$ 616,506	\$ 313,622
Other Postemployment Benefit Trust - Line of Duty	165,410	-	165,410	-
VRS cost-sharing Teacher Health Insurance Credit Program	-	-	-	84,000
VRS cost-sharing Group Life Insurance Plan	524,796	41,204	566,000	48,000
VRS cost-sharing Group Life Insurance Plan - Teachers' Pool	-	-	-	893,000
Deferred pension difference between expected and actual:				
Other Postemployment Benefit Trust	1,683,737	162,830	1,846,567	-
VRS cost-sharing Group Life Insurance Plan	309,684	24,316	334,000	29,000
VRS cost-sharing Group Life Insurance Plan - Teachers' Pool	-	-	-	526,000
Deferred change in assumptions:				
Other Postemployment Benefit Trust	10,564,201	1,021,644	11,585,845	19,283,233
Other Postemployment Benefit Trust - Line of Duty	4,572,945	-	4,572,945	-
VRS cost-sharing Teacher Health Insurance Credit Program	-	-	-	480,000
VRS cost-sharing Group Life Insurance Plan	718,580	56,420	775,000	66,000
VRS cost-sharing Group Life Insurance Plan - Teachers' Pool	-	-	-	1,222,000
Deferred change in proportionate share:				
VRS cost-sharing Group Life Insurance Plan - Teachers' Pool	63,050	4,950	68,000	395,000
Total deferred inflows of resources related to OPEB	<u>\$ 19,164,545</u>	<u>\$ 1,365,728</u>	<u>\$ 20,530,273</u>	<u>\$ 23,339,855</u>

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<b>Enterprise funds</b>	<b>Water</b>	<b>Wastewater</b>	<b>Non-major Airport</b>	<b>Total</b>
<b>Deferred Outflows of Resources related OPEB</b>				
Deferred contributions:				
VRS cost-sharing Group Life Insurance Plan	\$ 29,963	\$ 40,180	\$ 1,375	\$ 71,518

<b>Enterprise funds</b>	<b>Water</b>	<b>Wastewater</b>	<b>Non-major Airport</b>	<b>Total</b>
<b>Deferred Inflows of Resources related to OPEB</b>				
Deferred investment experience:				
Other Postemployment Benefit Trust	\$ 25,113	\$ 28,467	\$ 784	\$ 54,364
VRS cost-sharing Group Life Insurance Plan	17,263	23,149	792	41,204
Deferred pension difference between expected and actual:				
Other Postemployment Benefit Trust	75,218	85,265	2,347	162,830
VRS cost-sharing Group Life Insurance Plan	10,187	13,661	468	24,316
Deferred change in assumptions:				
Other Postemployment Benefit Trust	471,938	534,978	14,728	1,021,644
VRS cost-sharing Group Life Insurance Plan	23,638	31,697	1,085	56,420
Deferred change in proportionate share:				
VRS cost-sharing Group Life Insurance Plan	2,074	2,781	95	4,950
<b>Total deferred inflows of resources related to OPEB</b>	<b>\$ 625,431</b>	<b>\$ 719,998</b>	<b>\$ 20,299</b>	<b>\$ 1,365,728</b>

<b>Internal Service funds</b>	<b>Vehicle and Communications</b>	<b>Risk Management</b>	<b>Total</b>
<b>Deferred Outflows of Resources related to OPEB</b>			
Deferred contributions:			
VRS cost-sharing Group Life Insurance Plan	\$ 19,648	\$ 5,698	\$ 25,346

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Internal Service funds	Vehicle and Communications	Risk Management	Total
<b>Deferred Inflows of Resources related to OPEB</b>			
Deferred investment experience:			
Other Postemployment Benefit Trust	\$ 12,558	\$ 1,514	\$ 14,072
VRS cost-sharing Group Life Insurance Plan	11,320	3,282	14,602
Deferred pension difference between expected and actual:			
Other Postemployment Benefit Trust	37,615	4,536	42,151
VRS cost-sharing Group Life Insurance Plan	6,680	1,937	8,617
Deferred change in assumptions:			
Other Postemployment Benefit Trust	236,009	28,455	264,464
VRS cost-sharing Group Life Insurance Plan	15,500	4,495	19,995
Deferred change in proportionate share:			
VRS cost-sharing Group Life Insurance Plan	1,360	394	1,754
Total deferred inflows of resources related to OPEB	<u>\$ 321,042</u>	<u>\$ 44,613</u>	<u>\$ 365,655</u>

## 14. Tax Abatements

### A. General

Incentive Program for Rehabilitation of Commercial Properties - The County has adopted an ordinance granting a partial tax exemption for certain commercial or industrial structures that have been rehabilitated, renovated or replaced. This program is established under the authority provided by the Code of Virginia §58.1-3221. Upon approval, the partial exemption will be in effect for seven years. The amount of the exemption is based solely on the increase in assessed value and does not change over the seven-year period. Generally, to qualify, the commercial or industrial structures must be no less than 25 years of age, the increase in assessed value must be 15% or more and the taxpayer must apply for the exemption within 12 months after the filing date of the building permit application for the rehabilitation, renovation or replacement structure. Because real property taxes are not abated until after the improvements have been made, there are no provisions for recapturing abated taxes. In fiscal year 2018, tax abatements for the County's incentive program for rehabilitation of commercial properties totaled \$275,303. No other commitments are made by the County as part of these agreements.

### B. Technology Zone Programs

The County has five technology zones, which are distinct geographical areas of the County, that provide a package of incentives designed to encourage business expansion and recruitment. This program is established under the authority provided by the Code of Virginia §58.1-3245.

Machinery and Tools – Any business which after January 1, 2006 either locates in a technology zone or undergoes a facility expansion or renovation which results in an increase of 15% or \$50,000, whichever is greater, in the assessed value of its machinery and tools over the value of its machinery and tools from the previous year can qualify for a 100% rebate of the increase in machinery and tools taxes for five consecutive years. The taxpayer must apply for and access the rebate within one year of start of operations in the technology zone, or within one year of a qualifying facility expansion or renovation in order to receive the rebate. In fiscal year 2018, tax abatements for the County's Technology Zone Programs for Machinery and Tools taxes totaled \$219,071. No other commitments are made by the County as part of these agreements.

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
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Business License – Any business required to obtain a license based on gross receipts or purchases and is located in or makes improvements to a building within a technology zone, on or after the date on which the technology zone was established, may be qualified to receive tax relief of the increase in gross receipts or purchases over the business' gross receipts or purchase during the base year. To qualify for the relief, the business must apply within one year of start of operations in the zone. The tax and fee relief period will begin in the tax year after the business qualifies for the relief and will last for four additional tax years, or for so long as the business remains within any technology zone, whichever period is shorter. In fiscal year 2018, tax abatements for the County's Technology Zone Programs for Business License fees totaled \$174,319. No other commitments are made by the County as part of these agreements.

**C. Sports Tourism and Public Entertainment and Recreation**

Under the authority provided by the Code of Virginia §15.2-4905, the Board may approve, through local resolution, individual incentive packages to encourage growth that provides significant economic benefits to the County in terms of capital investment, sports tourism and/or public entertainment and recreation. Economic Development staff negotiate the terms of these agreements and the County agrees to rebate a portion of agreed upon taxes and, in exchange, the tax payer agrees to meet certain performance measures, which typically include a minimum capital investment and the creation of a minimum number of new, full-time jobs. Each performance agreement specifies the duration of the tax abatement period and other any terms or conditions that apply to the transaction. The County has made no other commitments as part of these agreements other than to reduce taxes. In fiscal year 2018, the County abated \$110,986 in real estate taxes related to the final year of a five-year agreement with a taxpayer who constructed a sports tourism facility in the County.

**D. Tax Increment Financing**

Under the authority of Code of Virginia §58.1-3245.2, the County adopted various tax increment financing agreements with community development authorities that were created by the County for the purpose of financing, planning, acquisition and construction of infrastructure improvements within each authority's designated development district. The authorities have pledged the tax increments to pay debt service on long-term debt issued to finance infrastructure improvements. Based on the individual agreements, the County has agreed to pay a range of 64% to 100% of incremental real estate taxes that exceed base amounts to each authority. For fiscal year 2018, the County paid \$1,609,643 in real property tax increments. The County also agreed to pay from 34% to 100% of its the local portion of sales tax revenue collected each calendar year from retail establishments within the districts to each authority. For fiscal year 2018, the County paid \$840,012 in sales tax revenues related to calendar years 2016 and 2017.

**15. 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.



**County of Chesterfield, Virginia**  
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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, 2018, were \$6,822,458. Complete financial statements for the Water Authority can be obtained from the Water Authority's Office at 21300 Chesdin Road, Petersburg, Virginia 23803.

**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 2018.

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 \$5,757,601 for transient occupancy tax to the Convention Authority during the year ended June 30, 2018.

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2018**

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 \$3,702,631 from the Convention Authority for tax payments made in excess of its allocated share of operating costs during the year ended June 30, 2018.

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 and financial advisory services. In accordance with the terms of the fiscal agent agreement, the Convention Authority made payments of \$114,500 to the County for the year ended June 30, 2018. The agreement is effective until the Convention Authority or the County gives written notice to the other of its desire to terminate the agreement.

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, 2018, there was one fixed GRTC route in the County and a \$193,506 contribution was made by the County in fiscal year 2018. 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, 2018, were \$10,796,840. Complete financial statements for the Jail Authority can be obtained from the Riverside Regional Jail Authority's office at 500 Folar Trail, North Prince George, VA 23860.

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2018**

**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, 2018 were \$745,223. 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.

**16. Related Organizations and Jointly Governed Organizations**

**A. Health Center Commission for the County of Chesterfield**

The Health Center Commission for the County of Chesterfield (Health Center Commission) was created on January 13, 1993 by the County Board, pursuant to Chapter 37, Title 15.1 of the Code of Virginia, for the purpose of operating a long-term care facility and independent living campus (Lucy Corr Village). The seven members of the Health Center Commission are appointed by the Board; however there is no ability of the Board to direct the members of the Health Center Commission with respect to carrying out the Health Center Commission's fiscal and management functions and the Health Center Commission has no significant financial benefit or financial burden relationship with the County. The County provides support services to the Health Center Commission on a cost basis. For fiscal year 2018, the County received \$35,137 from the Health Center Commission for providing support services.

**B. 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, 2018, were \$3,447,552.

**C. 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 \$385,514 for the year ended June 30, 2018.

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2018**

**D. Petersburg Area Regional Tourism Corporation**

The Petersburg Area Regional Tourism Corporation (PART) is comprised of sixteen 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, 2018.

**E. Richmond Region Tourism**

Richmond Region Tourism (RRT), formerly the Richmond Metropolitan Convention and Visitors Bureau, 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 RRT has twenty-three members and the County has two representatives serving on RRT's Board of Directors and contributed \$1,070,934 for the year ended June 30, 2018.

**F. 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 objectives 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 \$220,309 for the year ended June 30, 2018.

**G. Virginia's Gateway Region Board**

Virginia's Gateway Region Board (VGRB) 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-five member board and contributed \$71,920 to VGRB for the year ended June 30, 2018.

**H. Lower Magnolia Green Community Development Authority**

Lower Magnolia Green Community Development Authority (LMGCDA) was established by an ordinance adopted by the County's Board of Supervisors on August 22, 2007 at the request of the owner of the property at that time, and pursuant to the Virginia Water and Waste Authorities Act, Chapter 51, Section 15.2-5152 of the Code of Virginia. The sole purpose of the LMGCD was to finance, construct and maintain certain public improvements within the Lower Magnolia Green Special Assessment District (LMGSAD). The operating revenue of LMGCD is primarily from Special Assessments collected by the County on behalf of LMGCD against the taxable real property in the LMGSAD. The County agreed to manage the construction of road improvements to be paid for by LMGCD. The total cost of the project is estimated to be \$25,000,000. In fiscal year 2018 the County received reimbursements for expenditures relating to the LMGCD road widening project in the amount of \$3,740,211 with an additional \$2,186,841 reported as a receivable at June 30, 2018.

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2018**

**17. Subsequent Events**

On July 12, 2018, the County issued \$51,450,000 of General Obligation Public Improvement Bonds, Series A of 2018. The Bonds are due January 1 in each of the years 2019 through 2038. Interest on these bonds is due semi-annually in January and June with rates ranging from 3-5% beginning January 2019.

On July 1, 2018, the School Board component unit entered into a lease agreement in the amount of \$5,965,705 to purchase equipment. The lease principal is payable in annual installments over the next three years, beginning July 1, 2018, including interest payable at 5.35% of the outstanding principal balance.



## REQUIRED SUPPLEMENTARY INFORMATION

**County of Chesterfield, Virginia**  
**Required Supplementary Information (Unaudited)**  
**Primary Government**  
**(See Accompanying Report of the Independent Auditor)**  
**Virginia Retirement System - Local Plan**

**Schedule of Changes in Net Pension Liability and Related Ratios\***

	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>
<b>Total pension liability</b>				
Service cost	\$ 22,359,979	\$ 22,190,584	\$ 22,272,468	\$ 23,239,284
Interest	60,537,206	63,626,498	65,494,255	67,908,912
Changes of assumptions	-	-	-	2,022,586
Difference between expected and actual experience	-	(17,191,373)	(8,183,531)	(6,527,022)
Benefit payments, including refunds of member contributions	(37,609,453)	(39,919,429)	(43,967,501)	(46,208,684)
Net change in total pension liability	45,287,732	28,706,280	35,615,691	40,435,076
Plan total pension liability - beginning	883,621,959	928,909,691	957,615,971	993,231,662
Plan total pension liability - ending	<u>\$ 928,909,691</u>	<u>\$ 957,615,971</u>	<u>\$ 993,231,662</u>	<u>\$ 1,033,666,738</u>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 26,084,703	\$ 26,685,876	\$ 27,306,288	\$ 23,642,700
Contributions - employee	8,820,383	8,787,349	9,096,346	9,245,876
Net investment income	103,473,934	34,502,076	13,653,023	95,910,844
Benefit payments, including refunds of member contributions	(37,609,453)	(39,919,429)	(43,967,501)	(46,208,684)
Administrative expense	(554,506)	(469,584)	(484,906)	(555,458)
Other changes	5,455	(7,320)	(5,789)	(85,337)
Net change in Plan fiduciary net position	100,220,516	29,578,968	5,597,461	81,949,941
Plan fiduciary net position - beginning	655,888,263	756,108,779	785,687,747	791,285,208
Plan fiduciary net position - ending	<u>\$ 756,108,779</u>	<u>\$ 785,687,747</u>	<u>\$ 791,285,208</u>	<u>\$ 873,235,149</u>
Plan net pension liability - ending	<u>\$ 172,800,912</u>	<u>\$ 171,928,224</u>	<u>\$ 201,946,454</u>	<u>\$ 160,431,589</u>
Plan fiduciary net position as a percentage of the total pension liability	81.40%	82.05%	79.67%	84.48%
Covered payroll	\$ 173,942,815	\$ 175,451,036	\$ 181,566,910	\$ 184,361,751
Plan net pension liability as a percentage of covered payroll	99.34%	97.99%	111.22%	87.02%

Notes to Schedule:

There have been no significant changes to the benefit provisions since the prior actuarial valuation.

Per GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

\* Schedules are intended to show information for 10 years. Since 2014 was the first year of this presentation, no other data is available. Additional years will be included as they become available.



**County of Chesterfield, Virginia**  
**Required Supplementary Information (Unaudited)**  
**School Board Component Unit**  
**(See Accompanying Report of the Independent Auditor)**  
**Virginia Retirement System - Local Plan**

**Schedule of Changes in Net Pension Liability and Related Ratios\***

<b>Total pension liability</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Service cost	\$ 2,949,849	\$ 2,915,998	\$ 2,651,127	\$ 2,018,689
Interest	7,295,839	7,583,876	7,846,485	7,895,142
Difference between expected and actual experience	-	406,101	(1,687,860)	(2,853,536)
Changes of assumptions	-	-	-	(400,345)
Benefit payments, including refunds of member contributions	<u>(5,762,476)</u>	<u>(6,499,271)</u>	<u>(7,809,560)</u>	<u>(8,419,736)</u>
Net change in total pension liability	4,483,212	4,406,704	1,000,192	(1,759,786)
Plan total pension liability - beginning	<u>107,107,506</u>	<u>111,590,718</u>	<u>115,997,422</u>	<u>116,997,614</u>
Plan total pension liability - ending	<u>\$ 111,590,718</u>	<u>\$ 115,997,422</u>	<u>\$ 116,997,614</u>	<u>\$ 115,237,828</u>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 3,168,042	\$ 2,839,204	\$ 2,166,394	\$ 1,485,751
Contributions - employee	1,388,336	1,317,080	994,249	772,643
Net investment income	12,967,640	4,266,413	1,577,265	10,957,663
Benefit payments, including refunds of member contributions	(5,762,476)	(6,499,271)	(7,809,560)	(8,419,736)
Administrative expense	(70,338)	(59,811)	(61,331)	(67,765)
Other changes	<u>683</u>	<u>(897)</u>	<u>(685)</u>	<u>(9,587)</u>
Net change in Plan fiduciary net position	11,691,887	1,862,718	(3,133,668)	4,718,969
Plan fiduciary net position - beginning	<u>82,963,489</u>	<u>94,655,376</u>	<u>96,518,094</u>	<u>93,384,426</u>
Plan fiduciary net position - ending	<u>\$ 94,655,376</u>	<u>\$ 96,518,094</u>	<u>\$ 93,384,426</u>	<u>\$ 98,103,395</u>
Plan net pension liability - ending	<u>\$ 16,935,342</u>	<u>\$ 19,479,328</u>	<u>\$ 23,613,188</u>	<u>\$ 17,134,433</u>
Plan fiduciary net position as a percentage of the total pension liability	84.82%	83.21%	79.82%	85.13%
Covered payroll	\$ 27,158,776	\$ 25,240,789	\$ 19,762,536	\$ 16,006,363
Plan net pension liability as a percentage of covered payroll	62.36%	77.17%	119.48%	107.05%

Notes to Schedule:

There have been no significant changes to the benefit provisions since the prior actuarial valuation.

Per GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

\* Schedules are intended to show information for 10 years. Since 2014 was the first year of this presentation, no other data is available. Additional years will be included as they become available.

**County of Chesterfield, Virginia**  
**Required Supplementary Information (Unaudited)**  
**School Board Component Unit**  
**(See Accompanying Report of the Independent Auditor)**  
**Virginia Retirement System - Teachers' Pool**

**Schedule of School Board's Proportionate Share of the Net Pension Liability\***

	<u>2014</u>		<u>2015</u>		<u>2016</u>		<u>2017</u>
Proportionate Share of the Net Pension Liability	3.65792%		3.68087%		3.64488%		3.38164%
Proportionate Share of the Net Pension Liability	\$ 442,048,000	\$	463,287,000	\$	510,798,000	\$	452,768,000
Covered payroll	267,338,117		273,364,177		277,791,240		290,256,816
Proportionate Share of the Net Pension Liability as a percentage of covered payroll	165.35%		169.48%		183.88%		155.99%
Plan Fiduciary Net Position as percentage of the Total Pension Liability	70.88%		70.68%		68.28%		72.92%

Notes to Schedule:

Per GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

\* Schedules are intended to show information for 10 years. Since 2014 is the first year of this presentation, no other data is available.  
Additional years will be included as they become available.

**County of Chesterfield, Virginia**  
**Required Supplementary Information (Unaudited)**  
**Primary Government & School Board Component Unit**  
**(See Accompanying Report of the Independent Auditor)**  
**Schedule of Employer VRS Contributions**

<b>Date</b>	<b>Contractually Required Contribution</b>	<b>Contributions in Relation to Contractually Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Employer's Covered Payroll</b>	<b>Contributions as a % of Covered Payroll</b>
<b>Primary Government*</b>					
2015	\$ 26,685,876	\$ 26,685,876	\$ -	\$ 175,451,036	15.21%
2016	27,306,288	27,306,288	-	181,566,910	15.04
2017	23,642,700	23,642,700	-	184,361,751	12.82
2018	24,043,420	24,043,420	-	188,275,426	12.77
<b>School Board Component Unit - Non-professional*</b>					
2015	\$ 2,839,204	\$ 2,839,204	\$ -	\$ 25,240,789	11.25%
2016	2,166,394	2,166,394	-	19,762,536	10.96
2017	1,485,751	1,485,751	-	16,006,363	9.28
2018	1,585,511	1,585,511	-	17,133,150	9.25
<b>School Board Component Unit - Professional (Teachers)*</b>					
2015	\$ 39,521,472	\$ 39,521,472	\$ -	\$ 273,364,177	14.46%
2016	38,757,881	38,757,881	-	277,791,240	13.95
2017	41,864,534	41,864,534	-	290,256,816	14.42
2018	48,478,812	48,478,812	-	303,034,105	16.00

\* Schedule is intended to show information for 10 years. Additional years will be included as they become available.

**County of Chesterfield, Virginia**  
**Required Supplementary Information (Unaudited)**  
**Primary Government & School Board Component Unit**  
**(See Accompanying Report of the Independent Auditor)**  
**Virginia Retirement System**  
**Notes to VRS Required Supplemental Information**

**Change in benefit terms -**

**Primary Government and School Board Component Unit Non-professional:**

There have been no actuarially significant changes to the System provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is still a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 is not material.

**Changes of assumptions -**

**Primary Government and School Board Component Unit Non-professional:**

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

**Largest 10 - Non-Hazardous Duty:**

- Updated to a more recent mortality table
- Lowered retirement rates at older ages and changed changed final retirement from 70 to 75
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
- Lowered disability rates
- Increased line of duty disability rate from 14% to 20%

**Largest 10 - Hazardous Duty:**

- Updated to a more recent mortality table
- Lowered retirement rates at older ages
- Adjusted withdrawal rates to better fit experience
- Increased disability rates
- Increased line of duty disability rate from 60% to 70%

**VRS Teachers Pool:**

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

- Updated to a more recent mortality table
- Lowered retirement rates at older ages and changed final retirement from 70 to 75
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
- Adjusted disability rates to better match experience

**Methods and assumptions used to determine contribution rates:**

**Primary Government and School Board Component Unit - Non-professional:**

	<b><u>Non-Hazardous</u></b>	<b><u>Hazardous Duty</u></b>
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level percent closed	Level percent closed
Remaining amortization period	17-26 years	17-26 years
Asset valuation method	5-year smoothed market	5-year smoothed market
Inflation rate	2.5%	2.5%
Projected salary increases	3.5% - 5.35 % per annum, compounded annually	3.5% - 4.75 % per annum, compounded annually
Investment rate of return	7.0% per annum, compounded annually	7.0% per annum, compounded annually

**County of Chesterfield, Virginia**  
**Required Supplementary Information (Unaudited)**  
**Primary Government**  
**(See Accompanying Report of the Independent Auditor)**  
**Supplemental Retirement Plan**

**Schedule of Changes in Net Pension Liability and Related Ratios\***

	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>
<b>Total pension liability</b>					
Service cost	\$ 436,406	\$ 403,634	\$ 389,168	\$ 341,753	\$ 276,487
Interest	2,175,203	2,230,938	2,246,553	2,356,749	2,328,557
Difference between expected and actual experience	(326,029)	(771,910)	314,521	(1,267,047)	272,174
Benefit payments, including refunds of member contributions	<u>(1,380,465)</u>	<u>(1,467,615)</u>	<u>(1,574,809)</u>	<u>(1,753,487)</u>	<u>(1,846,337)</u>
Net change in total pension liability	905,115	395,047	1,375,433	(322,032)	1,030,881
Plan total pension liability - beginning	<u>34,117,066</u>	<u>35,022,181</u>	<u>35,417,228</u>	<u>36,792,661</u>	<u>36,470,629</u>
Plan total pension liability - ending	<u>\$ 35,022,181</u>	<u>\$ 35,417,228</u>	<u>\$ 36,792,661</u>	<u>\$ 36,470,629</u>	<u>\$ 37,501,510</u>
<b>Plan fiduciary net position</b>					
Contributions - employer	\$ 2,400,000	\$ 2,200,000	\$ 1,779,372	\$ 1,614,144	\$ 1,210,600
Net investment income	3,988,515	836,727	(78,505)	3,212,058	2,482,713
Benefit payments, including refunds of member contributions	(1,292,402)	(1,467,615)	(1,574,809)	(1,753,487)	(1,846,337)
Administrative expense	<u>(88,063)</u>	<u>(76,370)</u>	<u>(67,274)</u>	<u>(78,142)</u>	<u>(92,337)</u>
Net change in Plan fiduciary net position	5,008,050	1,492,742	58,784	2,994,573	1,754,639
Plan fiduciary net position - beginning	<u>26,134,199</u>	<u>31,142,249</u>	<u>32,634,991</u>	<u>32,693,775</u>	<u>35,688,348</u>
Plan fiduciary net position - ending	<u>\$ 31,142,249</u>	<u>\$ 32,634,991</u>	<u>\$ 32,693,775</u>	<u>\$ 35,688,348</u>	<u>\$ 37,442,987</u>
Plan net pension liability - ending	<u>\$ 3,879,932</u>	<u>\$ 2,782,237</u>	<u>\$ 4,098,886</u>	<u>\$ 782,281</u>	<u>\$ 58,523</u>
Plan fiduciary net position as a percentage of the total pension liability	88.92%	92.14%	88.86%	97.86%	99.84%
Covered payroll	\$ 152,639,449	\$ 146,058,394	\$ 137,953,101	\$ 127,044,622	\$ 126,065,622
Plan net pension liability as a percentage of covered payroll	2.54%	1.90%	2.97%	0.62%	0.05%

Notes to Schedule:

There were no benefit changes or changes to actuarial assumptions or methods for the 2014-2016 Plan year. In 2017, the inflation rate was changed to 2%.

	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>
Annual money-weighted rate of return	16.08%	3.37%	0.30%	11.34%	6.94%

\* Schedules are intended to show information for 10 years. Since 2014 was the first year of this presentation, no other data is available. Additional years will be included as they become available.

**County of Chesterfield, Virginia**  
**Required Supplementary Information (Unaudited)**  
**School Board Component Unit**  
**(See Accompanying Report of the Independent Auditor)**  
**Supplemental Retirement Program**

**Schedule of Changes in Net Pension Liability and Related Ratios\***

	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>
<b>Total pension liability</b>					
Service cost	\$ 1,938,164	\$ 1,668,165	\$ 1,915,218	\$ 2,888,145	\$ 1,000,514
Interest	6,885,837	5,057,421	4,964,736	5,476,927	6,582,063
Change in benefit terms	-	-	-	-	(7,428,337)
Difference between expected and actual experience	(5,862,476)	-	8,053,289	3,425,955	(5,915,675)
Changes of assumptions	3,954,534	(2,088,417)	10,225,013	(11,095,641)	(2,062,950)
Benefit payments, including refunds of member contributions	<u>(12,252,008)</u>	<u>(12,268,111)</u>	<u>(11,252,201)</u>	<u>(12,270,541)</u>	<u>(14,402,588)</u>
Net change in total pension liability	<u>(5,335,949)</u>	<u>(7,630,942)</u>	<u>13,906,055</u>	<u>(11,575,155)</u>	<u>(22,226,973)</u>
Program total pension liability - beginning	<u>91,811,165</u>	<u>86,475,216</u>	<u>105,132,384</u>	<u>119,038,439</u>	<u>107,463,284</u>
Program total pension liability - ending	<u>\$ 86,475,216</u>	<u>\$ 78,844,274</u>	<u>\$ 119,038,439</u>	<u>\$ 107,463,284</u>	<u>\$ 85,236,311</u>
<b>Program fiduciary net position</b>					
Contributions - employer	\$ 9,386,241	\$ 11,161,699	\$ 10,305,625	\$ 14,840,273	\$ 16,270,315
Net investment income	3,277,353	522,611	72,592	1,954,218	1,965,443
Benefit payments, including refunds of member contributions	<u>(12,252,008)</u>	<u>(12,268,111)</u>	<u>(11,252,201)</u>	<u>(12,270,641)</u>	<u>(14,402,588)</u>
Other	-	-	-	-	2,186
Administrative expense	<u>(63,582)</u>	<u>(84,314)</u>	<u>(73,670)</u>	<u>(85,363)</u>	<u>(109,809)</u>
Net change in Program fiduciary net position	348,004	(668,115)	(947,654)	4,438,487	3,725,547
Program fiduciary net position - beginning	<u>21,108,004</u>	<u>21,456,008</u>	<u>20,787,893</u>	<u>19,840,239</u>	<u>24,278,726</u>
Program fiduciary net position - ending	<u>\$ 21,456,008</u>	<u>\$ 20,787,893</u>	<u>\$ 19,840,239</u>	<u>\$ 24,278,726</u>	<u>\$ 28,004,273</u>
Program net pension liability - ending	<u>\$ 65,019,208</u>	<u>\$ 58,056,381</u>	<u>\$ 99,198,200</u>	<u>\$ 83,184,558</u>	<u>\$ 57,232,038</u>
Program fiduciary net position as a percentage of the total pension liability	24.81%	26.37%	16.67%	22.59%	32.85%
Covered payroll	\$ 258,789,820	\$ 267,847,464	\$ 205,589,540	\$ 212,785,174	\$ 188,769,652
Program net pension liability as a percentage of covered payroll	25.12%	21.68%	48.25%	39.09%	30.32%

Notes to Schedule:

Beginning balance for FY2016 was adjusted to correct for the application of retirement eligibility criteria consistent with the Program.

Changes in assumptions: Projected salary increases were changed from 3.5% to 3.0% effective June 30, 2016.

The increase in assumed contribution as a percentage of the recommended contribution is based on the actual experience over the last five years. Eligibility criteria and benefits were amended July 1, 2018.

	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>
Discount rate used to estimate total pension liability	6.16%	6.60%	4.73%	6.50%	6.50%
Annual money-weighted rate of return	15.75%	2.36%	0.33%	9.63%	6.30%

\* Schedules are intended to show information for 10 years. Since 2014 was the first year of this presentation, no other data is available. Additional years will be included as they become available.

**County of Chesterfield, Virginia**  
**Required Supplementary Information (Unaudited)**  
**Primary Government & School Board Component Unit**  
**(See Accompanying Report of the Independent Auditor)**  
**Schedule of Employer SRP Contributions**

<b>Date</b>	<b>Actuarially Determined Contribution</b>	<b>Contributions in Relation to Actuarially Determined Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Employer's Covered Payroll</b>	<b>Contributions as a % of Covered Payroll</b>
<b>Primary Government*</b>					
2014	\$ 1,850,332	\$ 2,400,000	\$ (549,668)	\$ 152,639,449	1.21%
2015	1,703,209	2,200,000	(496,791)	146,058,394	1.17
2016	1,579,372	1,779,372	(200,000)	137,953,101	1.14
2017	1,614,144	1,614,144	-	127,044,622	1.27
2018	736,003	1,210,600	(474,597)	126,065,622	0.58

Notes to Schedule:

There have been no significant changes to the benefit provisions since the prior actuarial valuation.

<b>School Board Component Unit*</b>					
2014	\$ 14,424,056	\$ 9,386,241	\$ 5,037,815	\$ 258,789,820	5.57%
2015	13,306,271	11,161,699	2,144,572	267,847,464	4.97
2016	13,352,847	10,305,625	3,047,222	205,589,540	6.49
2017	12,367,273	14,840,273	(2,473,000)	212,785,174	5.81
2018	9,965,431	16,270,315	(6,304,884)	188,769,652	5.28

\* Schedule is intended to show information for 10 years. Additional years will be included as they become available.

**County of Chesterfield, Virginia**  
**Required Supplementary Information (Unaudited)**  
**Primary Government & School Board Component Unit**  
**(See Accompanying Report of the Independent Auditor)**  
**Notes to Supplemental Retirement Plan**

**Methods and assumptions used to determine contribution rates:**

The actuarially determined contribution is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

	<u>Primary Government:</u>	<u>School Board Component Unit:</u>
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar	Level dollar
Amortization period	20 years closed - actuarial gains and losses; 40 years closed-other	20 years rolling for actives, 3 year layered for retirees
Asset valuation method	Adjusted Market Value Smoothed over 5 years with a corridor of 80% and 120%	Fair Market Value
Inflation rate	3% (2014-2016); 2% (2017-2018)	No inflation rate assumed
Projected salary increases	3.5% per annum, compounded annually	3.5% (2014-2016); 3.0% (2017); 3.0-4.5% (2018) per annum, compounded annually
Investment rate of return	6.5% per annum, compounded annually	7.5% (2014-2017); 6.5% (2018)
Retirement age	Less than 30 years of service and age 50-70 weighted from 3-100%; more than 30 years of service and age 50-70 weighted from 10-100%	Participants eligible for an unreduced pension from VRS are assumed to retire at higher rates
Post-retirement Mortality	1994 Group Annuity Mortality Tables for males and females, setback one year, with no projection scale	Based on the RP-2000 Mortality Table for males and females projected to 2020 with Scale AA

**Other information:**

The Plan was closed to all Primary Government employees hired or rehired with an effective date on or after July 1, 2012. The Program was closed to all School Board Component Unit employees hired or rehired with an effective date on or after July 1, 2013.



**County of Chesterfield, Virginia**  
**Required Supplementary Information (Unaudited)**  
**Primary Government**  
**(See Accompanying Report of the Independent Auditor)**  
**Other Postemployment Benefits Plan - Retiree Healthcare**  
**Schedule of Changes in Net OPEB Liability and Related Ratios\***

	<u><b>2017</b></u>	<u><b>2018</b></u>
<b>Total OPEB liability</b>		
Service cost	\$ 927,910	\$ 890,903
Interest	8,038,741	8,564,885
Difference between expected and actual experience	-	(2,083,231)
Changes of assumptions	-	(13,070,740)
Benefit payments, including refunds of member contributions	<u>(8,620,676)</u>	<u>(8,738,195)</u>
Net change in total OPEB liability	345,975	(14,436,378)
Plan total OPEB liability - beginning	<u>118,221,591</u>	<u>118,567,566</u>
Plan total OPEB liability - ending	<u><b>\$ 118,567,566</b></u>	<u><b>\$ 104,131,188</b></u>
<b>Plan fiduciary net position</b>		
Contributions - employer	\$ 9,120,677	\$ 9,368,195
Net investment income	2,954,980	2,519,903
Benefit payments, including refunds of member contributions	(8,620,677)	(8,738,195)
Administrative expense	<u>(500)</u>	<u>(500)</u>
Net change in Plan fiduciary net position	3,454,480	3,149,403
Plan fiduciary net position - beginning	<u>23,142,627</u>	<u>26,597,107</u>
Plan fiduciary net position - ending	<u><b>\$ 26,597,107</b></u>	<u><b>\$ 29,746,510</b></u>
Plan net OPEB liability - ending	<u><b>\$ 91,970,459</b></u>	<u><b>\$ 74,384,678</b></u>
Plan fiduciary net position as a percentage of the total OPEB liability	22.43%	28.57%
Covered payroll	\$ 181,884,658	\$ 188,928,493
Plan net OPEB liability as a percentage of covered payroll	50.57%	39.37%

Notes to Schedule:

There have been no significant changes to the benefit provisions since the prior actuarial valuation.

	<u><b>2017</b></u>	<u><b>2018</b></u>
Annual money-weighted rate of return	13.04%	9.52%

\* Schedules are intended to show information for 10 years. Since 2017 was the first year of this presentation, no other data is available. Additional years will be included as they become available.

**County of Chesterfield, Virginia**  
**Required Supplementary Information (Unaudited)**  
**Primary Government**  
**(See Accompanying Report of the Independent Auditor)**  
**Other Postemployment Benefits Plan - Line of Duty**  
**Schedule of Changes in Net OPEB Liability and Related Ratios\***

	<u><b>2017</b></u>	<u><b>2018</b></u>
<b>Total OPEB liability</b>		
Service cost	\$ 601,750	\$ 792,650
Interest	945,421	975,937
Difference between expected and actual experience	-	1,125,285
Changes of assumptions	-	(4,886,754)
Benefit payments, including refunds of member contributions	<u>(368,000)</u>	<u>(650,950)</u>
Net change in total OPEB liability	1,179,171	(2,643,832)
Plan total OPEB liability - beginning	<u>13,088,262</u>	<u>14,267,433</u>
Plan total OPEB liability - ending	<u><b>\$ 14,267,433</b></u>	<u><b>\$ 11,623,601</b></u>
<b>Plan fiduciary net position</b>		
Contributions - employer	\$ 959,000	\$ 1,080,950
Net investment income	779,663	702,889
Benefit payments, including refunds of member contributions	(368,000)	(650,950)
Administrative expense	<u>(7,031)</u>	<u>(500)</u>
Net change in Plan fiduciary net position	1,363,632	1,132,389
Plan fiduciary net position - beginning	<u>6,054,348</u>	<u>7,417,980</u>
Plan fiduciary net position - ending	<u><b>\$ 7,417,980</b></u>	<u><b>\$ 8,550,369</b></u>
Plan net OPEB liability - ending	<u><b>\$ 6,849,453</b></u>	<u><b>\$ 3,073,232</b></u>
Plan fiduciary net position as a percentage of the total OPEB liability	51.99%	73.56%
Covered payroll	\$ 65,181,494	\$ 67,756,971
Plan net OPEB liability as a percentage of covered payroll	10.51%	4.54%

Notes to Schedule:

There have been no significant changes to the benefit provisions since the prior actuarial valuation.

	<u><b>2017</b></u>	<u><b>2018</b></u>
Annual money-weighted rate of return	13.04%	9.52%

\* Schedules are intended to show information for 10 years. Since 2017 was the first year of this presentation, no other data is available. Additional years will be included as they become available.

**County of Chesterfield, Virginia**  
**Required Supplementary Information (Unaudited)**  
**School Board Component Unit**  
**(See Accompanying Report of the Independent Auditor)**  
**Other Postemployment Benefits Plan - Retiree Healthcare**  
**Schedule of Changes in Net OPEB Liability and Related Ratios\***

	<u><b>2017</b></u>	<u><b>2018</b></u>
<b>Total OPEB liability</b>		
Service cost	\$ 1,806,182	\$ 1,342,954
Interest	14,953,724	14,878,280
Difference between expected and actual experience	-	2,742,227
Changes of assumptions	-	(22,407,529)
Benefit payments, including refunds of member contributions	(15,784,000)	(16,279,013)
Net change in total OPEB liability	975,906	(19,723,081)
Plan total OPEB liability - beginning	219,710,450	220,686,356
Plan total OPEB liability - ending	<u>\$ 220,686,356</u>	<u>\$ 200,963,275</u>
<b>Plan fiduciary net position</b>		
Contributions - employer	\$ 17,652,329	\$ 17,279,013
Net investment income	1,403,555	1,351,473
Benefit payments, including refunds of member contributions	(15,784,000)	(16,279,013)
Administrative expense	(500)	(500)
Net change in Plan fiduciary net position	3,271,384	2,350,973
Plan fiduciary net position - beginning	10,989,579	14,260,963
Plan fiduciary net position - ending	<u>\$ 14,260,963</u>	<u>\$ 16,611,936</u>
Plan net OPEB liability - ending	<u>\$ 206,425,393</u>	<u>\$ 184,351,339</u>
Plan fiduciary net position as a percentage of the total OPEB liability	6.46%	8.27%
Covered payroll	\$ 319,003,486	\$ 323,355,357
Plan net OPEB liability as a percentage of covered payroll	64.71%	57.01%

Notes to Schedule:

There have been no significant changes to the benefit provisions since the prior actuarial valuation.

	<u><b>2017</b></u>	<u><b>2018</b></u>
Annual money-weighted rate of return	13.04%	9.52%

\* Schedules are intended to show information for 10 years. Since 2017 was the first year of this presentation, no other data is available. Additional years will be included as they become available.

**County of Chesterfield, Virginia**  
**Required Supplementary Information (Unaudited)**  
**Primary Government & School Board Component Unit**  
**(See Accompanying Report of the Independent Auditor)**  
**Schedule of Employer OPEB Contributions - Retiree Healthcare and Line of Duty**

<b>Date</b>	<b>Actuarially Determined Contribution</b>	<b>Contributions in Relation to Actuarially Determined Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Employer's Covered Payroll</b>	<b>Contributions as a % of Covered Payroll</b>
<b>Primary Government - Retiree Healthcare*</b>					
2017	\$ 8,409,418	\$ 9,120,677	\$ (711,259)	\$ 181,884,658	4.62%
2018	8,534,872	9,368,195	(833,323)	188,928,493	4.52
<b>School Board Component Unit - Retiree Healthcare*</b>					
2017	\$ 15,478,605	\$ 17,652,329	\$ (2,173,724)	\$ 319,003,486	4.85%
2018	15,895,413	17,279,013	(1,383,600)	323,355,357	4.92
<b>Primary Government - Line of Duty*</b>					
2017	\$ 999,464	\$ 959,000	\$ 40,464	\$ 65,181,494	1.53%
2018	1,011,363	1,080,950	(69,587)	67,756,971	1.49

**Notes to Schedule**

There have been no significant changes to the benefit provisions since the prior actuarial valuation.

**Methods and assumptions used to determine contribution rates:**

Actuarial cost method	Entry age normal
Amortization method	Level percent closed
Asset valuation method	Market value
Healthcare cost trend rate	5.80-4.14% (2017) 5.50-3.84% (2018)
Projected long-term salary increases	3.50%
Investment rate of return	7.0% per annum, compounded annually

**Remaining amortization period:**

Primary Government-Retiree Healthcare	16 years
School Board Component Unit-Retiree Healthcare	21 years
Primary Government-Line of Duty	30 years

\* Schedule is intended to show information for 10 years. Additional years will be included as they become available.

**County of Chesterfield, Virginia**  
**Required Supplementary Information (Unaudited)**  
**(See Accompanying Report of the Independent Auditor)**  
**Virginia Retirement System - Group Life Insurance Program**  
**Schedule of Employers' Proportionate Share of the Net OPEB Liability\***

**Primary Government**

	<u><b>2017</b></u>
Proportionate Share of the Net OPEB Liability	1.00018%
Proportionate Share of the Net OPEB Liability	\$ 15,052,000
Covered payroll	\$ 180,961,538
Proportionate Share of the Net OPEB Liability as a percentage of covered payroll	8.32%
Plan Fiduciary Net Position as percentage of the Total OPEB Liability	48.86%

Notes to Schedule:

Per GAAP, net OPEB liabilities are reported using the measurement date, which is one year prior to the reporting date.

**Component Unit - School Board - Non-professional Plan**

	<u><b>2017</b></u>
Proportionate Share of the Net OPEB Liability	0.08521%
Proportionate Share of the Net OPEB Liability	\$ 1,282,000
Covered payroll	\$ 15,192,308
Proportionate Share of the Net OPEB Liability as a percentage of covered payroll	8.44%
Plan Fiduciary Net Position as percentage of the Total OPEB Liability	48.86%

Notes to Schedule:

Per GAAP, net OPEB liabilities are reported using the measurement date, which is one year prior to the reporting date.

**Component Unit - School Board - Professional Plan**

	<u><b>2017</b></u>
Proportionate Share of the Net GLI OPEB Liability	1.57670%
Proportionate Share of the Net GLI OPEB Liability	\$ 23,727,000
Covered payroll	\$ 285,192,308
Proportionate Share of the Net OPEB Liability as a percentage of covered payroll	8.32%
Plan Fiduciary Net Position as percentage of the Total GLI OPEB Liability	48.86%

Notes to Schedule:

Per GAAP, net OPEB liabilities are reported using the measurement date, which is one year prior to the reporting date.

\* Schedules are intended to show information for 10 years. Since 2017 is the first year of this presentation, no other data is available. Additional years will be included as they become available.

**County of Chesterfield, Virginia**  
**Required Supplementary Information (Unaudited)**  
**Primary Government & School Board Component Unit**  
**(See Accompanying Report of the Independent Auditor)**  
**Schedule of Employer OPEB-VRS Group Life Insurance Contributions**

<b>Date</b>	<b>Contractually Required Contribution</b>	<b>Contributions in Relation to Contractually Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Employer's Covered Payroll</b>	<b>Contributions as a % of Covered Payroll</b>
<b>Primary Government*</b>					
2017	\$ 941,000	\$ 941,000	\$ -	\$ 180,961,538	0.52%
2018	982,400	982,400	-	188,275,426	0.52
<b>School Board Component Unit - Non-professional*</b>					
2017	\$ 79,000	\$ 79,000	\$ -	\$ 15,192,308	0.52%
2018	89,708	89,708	-	17,207,641	0.52
<b>School Board Component Unit - Professional (Teachers)*</b>					
2017	\$ 1,483,000	\$ 1,483,000	\$ -	\$ 285,192,308	0.52%
2018	1,578,983	1,578,983	-	303,034,105	0.52

\* Schedule is intended to show information for 10 years. Additional years will be included as they become available. The amounts presented have a measurement date of the prior fiscal year.

**County of Chesterfield, Virginia**  
**Required Supplementary Information (Unaudited)**  
**Primary Government & School Board Component Unit**  
**(See Accompanying Report of the Independent Auditor)**  
**Other Postemployment Benefits - Group Life Insurance Program**  
**Notes to VRS Required Supplemental Information**

**Change in benefit terms -**

**Primary Government and School Board Component Unit:**

There have been no actuarially significant changes to the System benefit provisions since the prior actuarial valuation.

**Changes of assumptions -**

**Primary Government and School Board Component Unit Non-professional:**

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

**Largest 10 - Non-Hazardous Duty:**

- Updated to a more recent mortality table
- Lowered retirement rates at older ages and changed final retirement from 70 to 75
- Adjusted termination rates to better fit experience at each age and service year
- Lowered disability rates
- Increased line of duty disability rate from 14% to 20%

**Largest 10 - Hazardous Duty:**

- Updated to a more recent mortality table
- Lowered retirement rates at older ages
- Adjusted termination rates to better fit experience at each age and service year
- Increased disability rates
- Increased line of duty disability rate from 60% to 70%

**VRS Teachers Pool:**

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

- Updated to a more recent mortality table
- Lowered retirement rates at older ages and changed final retirement from 70 to 75
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
- Adjusted disability rates to better match experience

**County of Chesterfield, Virginia**  
**Required Supplementary Information (Unaudited)**  
**Component Unit - School Board**  
**(See Accompanying Report of the Independent Auditor)**  
**Virginia Retirement System - Teacher Health Insurance Credit Plan**  
**Schedule of School Board's Proportionate Share of the Net OPEB Liability\***

	<b><u>2017</u></b>
Proportionate Share of the Net HIC OPEB Liability	3.68064%
Proportionate Share of the Net HIC OPEB Liability	\$ 46,693,000
Covered payroll	\$ 290,476,847
Proportionate Share of the Net HIC OPEB Liability as a percentage of covered payroll	16.07%
Plan Fiduciary Net Position as percentage of the Total HIC OPEB Liability	7.04%

Notes to Schedule:

Per GAAP, Net HIC OPEB liabilities are reported using the measurement date, which is one year prior to the reporting date. Schedule is intended to show information for 10 years. \*Since 2017 is the first year for this presentation, only one year of data is available. However, additional years will be included as they become available.



**County of Chesterfield, Virginia**  
**Required Supplementary Information (Unaudited)**  
**School Board Component Unit**  
**(See Accompanying Report of the Independent Auditor)**  
**Schedule of Employer VRS Teacher Health Insurance Credit Plan Contributions**

<u>Date</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a % of Covered Payroll</u>
<b>School Board Component Unit</b>					
2017	\$ 3,224,293	\$ 3,224,293	\$ -	\$ 290,476,847	1.11%
2018	3,729,872	3,729,872	-	303,034,105	1.23

\* Schedule is intended to show information for 10 years. Additional years will be included as they become available. The amounts presented have a measurement date of the prior fiscal year.

**County of Chesterfield, Virginia**  
**Required Supplementary Information (Unaudited)**  
**School Board Component Unit**  
**(See Accompanying Report of the Independent Auditor)**  
**Virginia Retirement System - Teacher Health Insurance Credit Plan**  
**Notes to VRS Required Supplemental Information**

**Change in benefit terms -**

There have been no actuarially significant changes to the System benefit provisions since the prior actuarial valuation.

**Changes of assumptions -**

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

**Largest 10 - Non-Hazardous Duty:**

- Updated to a more recent mortality table
- Lowered retirement rates at older ages and changed final retirement from 70 to 75
- Adjusted withdrawal rates to better fit experience at each age and service year
- Adjusted disability rates to better match experience

**Methods and assumptions used to determine contribution rates:**

Actuarial cost method	Entry Age Normal
Inflation rate	2.5%
Projected salary increases	3.5% - 5.95 % per annum, compounded annually
Investment rate of return	7.0% per annum, compounded annually

## SUPPLEMENTARY INFORMATION



# Non-major Governmental Funds

## Special Revenue Funds

Special revenue funds are used to account for and report the proceeds of 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.

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

**Stormwater Fund** - This fund reflects revenues collected from stormwater utility fees and expenditures related to meeting initiatives related to the County's stormwater management program.

**Mental Health Support Services** - This fund reflects the revenues and expenditures of providing services to residents of all ages with a focus on stabilizing acute situations as well as promoting self-sufficiency and successful community living for people with long-term disabilities and a history of substance abuse.

County of Chesterfield, Virginia  
Combining Balance Sheet  
Non-major Governmental Funds  
June 30, 2018

	Special Revenue Funds				Total Non-major Governmental Funds
	Grants	Children's Services	Stormwater	Mental Health	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 9,635,390	\$ 1,681,417	\$ 6,753,532	\$ 6,170,286	\$ 24,240,625
Accounts receivable, net	1,654,405	352,034	128,829	2,422,779	4,558,047
Due from other governments	1,056,059	1,589,503	-	212,614	2,858,176
Total assets	<u>\$ 12,345,854</u>	<u>\$ 3,622,954</u>	<u>\$ 6,882,361</u>	<u>\$ 8,805,679</u>	<u>\$ 31,656,848</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 1,983,113	\$ 1,243,537	\$ 142,487	\$ 420,151	\$ 3,789,288
Due to other governments	79,958	-	-	-	79,958
Accrued liabilities	265,345	22,360	2,869	1,597,981	1,888,555
Unearned revenues	275,516	-	-	-	275,516
Total liabilities	<u>2,603,932</u>	<u>1,265,897</u>	<u>145,356</u>	<u>2,018,132</u>	<u>6,033,317</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenues	888,688	154,041	-	331,877	1,374,606
<b>FUND BALANCES</b>					
Restricted	1,597,500	-	6,737,005	-	8,334,505
Assigned	7,255,734	2,203,016	-	6,455,670	15,914,420
Total fund balances	<u>8,853,234</u>	<u>2,203,016</u>	<u>6,737,005</u>	<u>6,455,670</u>	<u>24,248,925</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 12,345,854</u>	<u>\$ 3,622,954</u>	<u>\$ 6,882,361</u>	<u>\$ 8,805,679</u>	<u>\$ 31,656,848</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, 2018**

	<u>Special Revenue Funds</u>				<u>Total Non-major Governmental Funds</u>
	<u>Grants</u>	<u>Children's Services</u>	<u>Stormwater</u>	<u>Mental Health</u>	
<b>Revenues</b>					
From local sources:					
Use of money and property	\$ 2,937	\$ -	\$ -	\$ -	\$ 2,937
Charges for services	8,373,474	171,943	4,597,004	24,441,549	37,583,970
Miscellaneous	127,607	-	-	40,843	168,450
Recovered costs	64,680	488,056	-	137,079	689,815
Donations and contributions	142,629	-	-	250	142,879
From component unit - School Board	-	3,626,700	-	-	3,626,700
From other governments	7,009,784	8,412,659	-	6,378,794	21,801,237
Total revenues	<u>15,721,111</u>	<u>12,699,358</u>	<u>4,597,004</u>	<u>30,998,515</u>	<u>64,015,988</u>
<b>Expenses</b>					
Administration of justice	572,339	-	-	-	572,339
Public safety	10,872,101	-	-	-	10,872,101
Public works	-	-	647,129	-	647,129
Health and welfare	2,791,135	14,506,410	-	38,518,772	55,816,317
Parks, recreation and cultural	81,998	-	-	-	81,998
Community development	1,444,195	-	-	-	1,444,195
Total expenditures	<u>15,761,768</u>	<u>14,506,410</u>	<u>647,129</u>	<u>38,518,772</u>	<u>69,434,079</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(40,657)</u>	<u>(1,807,052)</u>	<u>3,949,875</u>	<u>(7,520,257)</u>	<u>(5,418,091)</u>
<b>Other financing sources (uses)</b>					
Transfers in	1,535,680	2,367,800	647,129	14,743,589	19,294,198
Transfers out	(1,414,528)	-	-	(767,662)	(2,182,190)
Total other financing sources, net	<u>121,152</u>	<u>2,367,800</u>	<u>647,129</u>	<u>13,975,927</u>	<u>17,112,008</u>
Net change in fund balances	80,495	560,748	4,597,004	6,455,670	11,693,917
Total fund balances, July 1, 2017	8,772,739	1,642,268	2,140,001	-	12,555,008
Total fund balances, June 30, 2018	<u>\$ 8,853,234</u>	<u>\$ 2,203,016</u>	<u>\$ 6,737,005</u>	<u>\$ 6,455,670</u>	<u>\$ 24,248,925</u>

See accompanying independent auditors' report.





# **Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**

## **General Fund**

This fund reflects the general operations of the government and is used to account for all financial resources except those required to be accounted for in another fund.

## **Children's Services Fund**

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

**County of Chesterfield, Virginia**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>				
From local sources:				
General property taxes:				
Real property taxes	\$ 339,089,200	\$ 339,089,200	\$ 342,996,966	\$ 3,907,766
Real and personal public service corporation taxes	12,850,000	12,850,000	14,610,625	1,760,625
Personal property taxes	67,897,900	67,897,900	74,196,918	6,299,018
Machinery and tools taxes	4,797,500	4,797,500	5,039,046	241,546
Penalties and interest	3,050,000	3,050,000	3,719,982	669,982
Special assessments and service districts	4,637,900	5,005,150	6,032,778	1,027,628
Total general property taxes	432,322,500	432,689,750	446,596,315	13,906,565
Other local taxes:				
Bank stock tax	2,024,600	2,024,600	2,459,990	435,390
Business license taxes	18,836,900	18,836,900	21,539,767	2,702,867
Consumer utility taxes	8,090,500	8,090,500	8,216,114	125,614
Incremental sales tax	1,153,600	1,153,600	841,815	(311,785)
Local sales and use taxes	48,532,800	48,594,865	50,014,870	1,420,005
Motor vehicle licenses	14,851,700	14,851,700	15,210,404	358,704
Recordation tax	6,666,700	6,666,700	6,383,590	(283,110)
Short-term rental tax	536,800	536,800	540,605	3,805
Telecommunications tax	13,413,200	13,413,200	13,354,333	(58,867)
Transient occupancy tax	5,592,000	6,242,000	5,757,601	(484,399)
Total other local taxes	119,698,800	120,410,865	124,319,089	3,908,224
Permits, privilege fees and regulatory licenses:				
Animal licenses	65,000	65,000	49,519	(15,481)
Building permits	4,742,700	5,220,285	5,771,293	551,008
DMV stop fees	550,000	550,000	587,608	37,608
Erosion control fees	102,500	102,500	117,400	14,900
Permits and other licenses	492,300	610,300	634,744	24,444
Plan review fees	265,000	265,000	318,089	53,089
Planning fees	853,600	853,600	933,287	79,687
Total permits, privilege fees and regulatory licenses	7,071,100	7,666,685	8,411,940	745,255
Fines and forfeitures	1,768,900	2,284,631	2,245,952	(38,679)
Use of money and property:				
Use of money	565,000	2,101,980	1,838,832	(263,148)
Use of property	998,800	1,017,804	839,080	(178,724)
Total use of money and property	1,563,800	3,119,784	2,677,912	(441,872)
Charges for services:				
Annual recycling fees	1,925,000	1,925,000	1,889,977	(35,023)
Building inspection administrative fee	45,800	45,800	42,442	(3,358)
Building rental	356,400	356,400	182,509	(173,891)
Courthouse maintenance fees	70,000	70,000	72,108	2,108
Employee Medical Center	587,500	587,500	677,713	90,213
False alarm charges	100,000	100,000	98,851	(1,149)
Juvenile Detention Home fees	165,000	165,000	52,250	(112,750)
Landfill fees	1,636,400	1,729,770	1,737,955	8,185
Law Library	111,400	111,400	126,992	15,592
Library fines and services	302,500	302,500	195,552	(106,948)
Med-flight services	442,400	442,400	433,550	(8,850)

**County of Chesterfield, Virginia**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2018**

	<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)				
Parks and Recreation fees	\$ 750,100	\$ 824,483	\$ 961,911	\$ 137,428
Police miscellaneous fees	99,400	99,400	113,397	13,997
Police officers fees	1,079,100	1,079,100	1,071,549	(7,551)
Recycling proceeds	92,100	173,730	196,616	22,886
Sale of publications and maps	6,700	6,700	3,829	(2,871)
Sheriff fees	716,900	716,900	708,862	(8,038)
Traffic offenses	455,000	455,000	391,381	(63,619)
Treasurer's administrative fees	1,210,000	1,560,000	1,556,063	(3,937)
Other	2,632,900	2,710,881	2,714,109	3,228
Total charges for services	12,784,600	13,461,964	13,227,616	(234,348)
Miscellaneous:				
Public phone commission	55,000	55,000	93,115	38,115
Other miscellaneous	919,586	2,294,772	3,395,138	1,100,366
Total miscellaneous	974,586	2,349,772	3,488,253	1,138,481
Recovered costs:				
Interfund reimbursements	1,373,000	1,478,232	1,599,173	120,941
Reimbursed by other localities	814,300	1,139,300	1,111,694	(27,606)
Other	2,571,600	2,571,600	3,714,882	1,143,282
Total recovered costs	4,758,900	5,189,132	6,425,749	1,236,617
Donations and contributions	18,600	21,014	75,800	54,786
Total revenues from local sources	580,961,786	587,193,597	607,468,626	20,275,029
From other governments:				
From the Commonwealth:				
Non-categorical aid:				
Clerk's excess fees	365,000	407,900	445,504	37,604
Mobile home sales tax	55,000	55,000	56,773	1,773
Personal property tax relief	41,092,000	41,092,000	41,092,048	48
Rolling stock tax	125,000	125,000	109,997	(15,003)
State recordation tax	1,779,900	1,779,900	1,977,269	197,369
Vehicle rental tax	1,234,000	1,234,000	1,455,391	221,391
Total non-categorical aid	44,650,900	44,693,800	45,136,982	443,182
Shared expenditures:				
Clerk of Circuit Court	1,150,200	1,150,200	1,174,418	24,218
Commissioner of the Revenue	443,300	443,300	519,444	76,144
Commonwealth's Attorney	1,965,900	2,278,086	2,283,841	5,755
Sheriff	3,058,400	3,284,922	3,540,132	255,210
Treasurer	405,900	405,900	467,432	61,532
Other	71,000	71,000	76,626	5,626
Total shared expenditures	7,094,700	7,633,408	8,061,893	428,485
From other governments:				
From the Commonwealth:				
Categorical aid:				
Annexation House Bill 599	7,698,900	7,698,900	7,698,932	32
Chesterfield County Jail	494,000	494,000	612,013	118,013
Education-state sales tax	63,219,400	63,507,800	63,621,478	113,678
Emergency medical services	314,000	314,000	331,437	17,437

County of Chesterfield, Virginia  
 Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
 General Fund  
 For the Year Ended June 30, 2018

	<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	\$ 1,000,000	\$ 1,043,454	\$ 1,057,221	\$ 13,767
Juvenile Detention Home	1,810,000	1,810,000	1,924,864	114,864
Library	201,800	201,800	150,932	(50,868)
Sheriff programs	2,056,000	1,829,478	1,925,931	96,453
Welfare	4,448,400	4,448,400	4,742,879	294,479
Other	2,985,700	3,090,355	4,298,187	1,207,832
Total categorical aid	<u>84,228,200</u>	<u>84,438,187</u>	<u>86,363,874</u>	<u>1,925,687</u>
Total from the Commonwealth	<u>135,973,800</u>	<u>136,765,395</u>	<u>139,562,749</u>	<u>2,797,354</u>
From the federal government:				
Categorical aid:				
Public safety	26,400	26,400	26,409	9
Welfare	7,993,400	8,993,400	9,380,558	387,158
Other	81,000	81,000	5,287	(75,713)
Total from the federal government	<u>8,100,800</u>	<u>9,100,800</u>	<u>9,412,254</u>	<u>311,454</u>
Total revenues from other governments	<u>144,074,600</u>	<u>145,866,195</u>	<u>148,975,003</u>	<u>3,108,808</u>
Total revenues	<u>725,036,386</u>	<u>733,059,792</u>	<u>756,443,629</u>	<u>23,383,837</u>
<b>Expenditures</b>				
General government:				
Accounting	3,944,547	3,988,247	3,873,541	114,706
Board of Supervisors	348,900	354,800	337,122	17,678
Budget and Management	950,256	1,043,756	1,034,588	9,168
Clerk to the Board	272,800	249,800	227,488	22,312
Commissioner of the Revenue	3,174,945	3,029,945	2,889,995	139,950
Communications and Media	857,629	922,129	894,788	27,341
County Administration	3,009,400	3,074,400	2,962,910	111,490
County Attorney	1,745,301	1,865,301	1,826,334	38,967
Document Services	923,300	941,300	906,232	35,068
Employee benefits	10,932,100	8,109,100	7,596,188	512,912
General Services	446,200	474,200	463,438	10,762
Human Resource Management	3,356,506	3,375,811	3,340,373	35,438
Information Systems Technology	15,260,302	15,910,302	14,643,477	1,266,825
Interest paid on tax refunds	47,700	47,700	38,040	9,660
Internal Audit	918,300	853,300	848,657	4,643
Learning and Performance Center	1,314,633	1,251,953	1,198,153	53,800
Non-departmental	-	3,853,532	3,770,896	82,636
Purchasing	1,897,565	1,990,565	1,913,013	77,552
Real Estate Assessments	2,906,300	2,662,300	2,596,362	65,938
Registrar	924,700	1,294,700	1,239,656	55,044
Treasurer	3,716,124	3,866,124	3,676,342	189,782
Total general government	<u>56,947,508</u>	<u>59,159,265</u>	<u>56,277,593</u>	<u>2,881,672</u>

**County of Chesterfield, Virginia**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2018**

	<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 Clerk	\$ 3,716,800	\$ 3,791,800	\$ 3,768,879	\$ 22,921
Circuit Court Judges	707,100	789,100	769,753	19,347
Commonwealth's Attorney	4,563,968	4,804,240	4,746,784	57,456
General District Court	201,298	265,718	238,920	26,798
Juvenile and Domestic Relations Court	114,548	173,548	124,279	49,269
Law Library	119,771	119,771	99,119	20,652
Magistrate	6,400	6,400	6,340	60
Total administration of justice	<u>9,429,885</u>	<u>9,950,577</u>	<u>9,754,074</u>	<u>196,503</u>
Public safety:				
Building Inspections	4,936,439	4,568,939	4,535,781	33,158
Community Corrections	3,031,133	3,042,406	3,025,925	16,481
Emergency Communications Center	7,135,621	6,923,759	6,744,838	178,921
Fire and EMS	56,122,749	57,794,945	55,313,309	2,481,636
Juvenile Detention Home	5,178,229	5,254,069	5,186,824	67,245
Juvenile Probation	102,200	102,200	82,148	20,052
Police	65,647,434	66,276,601	65,030,361	1,246,240
Regional Jail	11,300,000	11,300,000	10,796,840	503,160
Sheriff and Jail	21,886,596	22,293,596	21,701,971	591,625
Total public safety	<u>175,340,401</u>	<u>177,556,515</u>	<u>172,417,997</u>	<u>5,138,518</u>
Public works:				
Buildings and Grounds	6,932,038	7,055,038	6,773,583	281,455
Capital Projects Management	662,100	707,100	681,505	25,595
Environmental Engineering	5,189,674	5,667,675	5,394,053	273,622
Right of Way	45,000	68,100	68,015	85
Street lights and road improvements	848,393	904,586	888,380	16,206
Waste and Resource Recovery	5,084,300	5,659,300	5,383,429	275,871
Total public works	<u>18,761,505</u>	<u>20,061,799</u>	<u>19,188,965</u>	<u>872,834</u>
Health and welfare:				
Health	2,811,132	2,744,632	2,648,250	96,382
Human Services Administration	1,862,500	1,924,500	1,909,102	15,398
Social Services	18,236,458	19,331,458	19,305,906	25,552
Tax relief for the elderly	6,009,200	7,609,200	7,451,824	157,376
Youth Planning and Development	319,000	319,000	297,355	21,645
Total health and welfare	<u>29,238,290</u>	<u>31,928,790</u>	<u>31,612,437</u>	<u>316,353</u>
Parks, recreation and cultural:				
Community Contracts	778,800	783,300	757,008	26,292
District Improvements Funds	167,500	66,995	-	66,995
Library	9,143,825	9,446,475	9,347,750	98,725
Parks and Recreation	11,658,312	11,596,317	11,448,146	148,171
Total parks, recreation and cultural	<u>21,748,437</u>	<u>21,893,087</u>	<u>21,552,904</u>	<u>340,183</u>

**County of Chesterfield, Virginia**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
Community development:				
Community Enhancement	\$ 1,313,488	\$ 1,492,057	\$ 1,488,894	\$ 3,163
Convention Center	5,592,000	6,242,000	5,757,601	484,399
Cooperative Extension	376,187	378,687	376,144	2,543
Economic Development	3,137,667	3,487,701	3,394,883	92,818
Economic development incentives	277,500	327,500	295,986	31,514
Planning	3,690,000	3,842,000	3,805,412	36,588
Tax increment financing payments	5,568,800	5,936,050	5,670,199	265,851
Transportation	1,417,874	1,435,874	1,405,702	30,172
Total community development	21,373,516	23,141,869	22,194,821	947,048
Non-departmental	612,400	173,057	-	173,057
Debt service:				
Retirement of principal	15,972,100	15,872,100	15,789,851	82,249
Interest	7,385,400	6,385,400	6,324,333	61,067
Other	925,245	588,745	482,871	105,874
Total debt service	24,282,745	22,846,245	22,597,055	249,190
Total expenditures	357,734,687	366,711,204	355,595,846	11,115,358
Excess of revenues over expenditures	367,301,699	366,348,588	400,847,783	34,499,195
<b>Other financing sources (uses)</b>				
Transfers in:				
Grants Fund	1,447,900	1,447,900	1,414,528	(33,372)
Capital Projects Management Fund	-	212,706	212,706	-
Mental Health Fund	446,900	446,900	353,863	(93,037)
Vehicle and Communications Maintenance Fund	7,200	7,200	7,200	-
Water Fund	1,900	1,900	1,888	(12)
Wastewater Fund	1,300	1,300	1,258	(42)
Total transfers in	1,905,200	2,117,906	1,991,443	(126,463)
Transfers out:				
County Capital Projects Fund	(28,945,700)	(111,767,957)	(30,061,454)	81,706,503
Stormwater Fund	-	(5,403,402)	(647,129)	4,756,273
School Capital Projects Fund	-	(974,830)	(576,982)	397,848
Grants Fund	(877,100)	(1,178,515)	(1,019,048)	159,467
Children's Services Fund	(1,922,600)	(1,922,600)	(1,922,600)	-
Mental Health Fund	(11,873,000)	(14,743,589)	(14,743,589)	-
Airport Fund	-	(817,325)	(119,736)	697,589
School Operating Fund	(345,263,200)	(347,598,455)	(339,438,034)	8,160,421
Total transfers out	(388,881,600)	(484,406,673)	(388,528,572)	95,878,101
Premium on bonds issued	-	-	130,461	130,461
Total other financing uses, net	(386,976,400)	(482,288,767)	(386,406,668)	95,882,099
Net change in fund balance	(19,674,701)	(115,940,179)	14,441,115	130,381,294
Fund balance, July 1, 2017	343,200,886	343,200,886	343,200,886	-
Fund balance, June 30, 2018	\$ 323,526,185	\$ 227,260,707	\$ 357,642,001	\$ 130,381,294

See accompanying independent auditors' report.

County of Chesterfield, Virginia  
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
Children's Services Fund  
For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Charges for services	\$ -	\$ -	\$ 171,943	\$ 171,943
Recovered costs	469,500	708,235	488,056	(220,179)
From the Commonwealth	8,663,900	9,903,551	8,244,135	(1,659,416)
From the federal government	-	-	168,524	168,524
Total revenues	9,133,400	10,611,786	9,072,658	(1,539,128)
<b>Expenditures</b>				
Health and welfare	15,694,800	17,162,286	14,506,410	2,655,876
Deficiency of revenues under expenditures	(6,561,400)	(6,550,500)	(5,433,752)	1,116,748
<b>Other financing sources</b>				
Transfers in	2,367,800	2,367,800	2,367,800	-
Transfers from component unit - School Board	3,637,600	3,626,700	3,626,700	-
Total other financing sources	6,005,400	5,994,500	5,994,500	-
Net change in fund balance	(556,000)	(556,000)	560,748	1,116,748
Fund balance, July 1, 2017	1,642,268	1,642,268	1,642,268	-
Fund balance, June 30, 2018	\$ 1,086,268	\$ 1,086,268	\$ 2,203,016	\$ 1,116,748

**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.	\$ 9,072,658
Transfers from the School Board component unit are revenues for financial reporting purposes.	3,626,700
Total revenues on the Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-major Governmental Funds.	\$ 12,699,358

**Other financing sources**

Total other financing sources, net, on the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual.	\$ 5,994,500
Transfers from the School Board component unit are revenues for financial reporting purposes.	(3,626,700)
Total other financing sources, net, on the Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-major Governmental Funds.	\$ 2,367,800

*See accompanying independent auditors' report.*





## Non-major Enterprise Funds

Enterprise Funds are used to account for the County's ongoing organizations and activities similar to those often found in the private sector.

**Economic Development Authority of the County of Chesterfield (EDA)** - This fund reflects the operations of the EDA, a blended component unit of the County. The EDA was created to, among other activities, issue tax-exempt bonds on behalf of bond issuers so that they may acquire, improve, maintain, equip, own, lease or dispose of properties by inducing manufacturing and industrial enterprises to locate or remain in the Commonwealth of Virginia.

**Airport Fund** - This fund reflects the operations of the County's Airport.

**County of Chesterfield, Virginia**  
**Combining Statement of Net Position**  
**Non-major Enterprise Funds**  
**June 30, 2018**

	<b>Enterprise Funds</b>		
	<b>Economic Development Authority</b>	<b>Airport</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 869,674	\$ 555,867	\$ 1,425,541
Restricted cash equivalents with trustees	6,552,703	-	6,552,703
Receivables	-	44,708	44,708
Due from other governments	-	18,023	18,023
Due from other funds	29,245	32,050	61,295
Total current assets	7,451,622	650,648	8,102,270
Non-current assets:			
Capital assets:			
Land and land improvements	11,077,161	1,894,240	12,971,401
Buildings	-	7,576,782	7,576,782
Improvements other than buildings	1,936,873	27,236,002	29,172,875
Infrastructure	6,159,269	-	6,159,269
Machinery and equipment	-	2,216,342	2,216,342
Construction in progress	-	278,625	278,625
Total capital assets	19,173,303	39,201,991	58,375,294
Less accumulated depreciation	(1,272,581)	(23,665,206)	(24,937,787)
Net capital assets	17,900,722	15,536,785	33,437,507
Total assets	25,352,344	16,187,433	41,539,777
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	-	18,207	18,207
Deferred outflows related to pensions	-	18,752	18,752
Deferred outflows related to other postemployment benefits	-	1,375	1,375
Total deferred outflows of resources	-	38,334	38,334
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	207,673	35,565	243,238
Due to other funds	6,443,480	-	6,443,480
Accrued liabilities	114,502	19,072	133,574
Compensated absences	-	4,060	4,060
Certificates of participation, net	-	101,670	101,670
Revenue bonds payable, net	-	6,283	6,283
Total current liabilities	6,765,655	166,650	6,932,305
Non-current liabilities:			
Retainages payable	5,000	-	5,000
Compensated absences	-	15,710	15,710
Net pension liabilities	-	99,649	99,649
Net other postemployment benefit liabilities	-	115,635	115,635
Certificates of participation, net	-	708,769	708,769
Revenue bond payable, net	-	42,119	42,119
Total non-current liabilities	5,000	981,882	986,882
Total liabilities	6,770,655	1,148,532	7,919,187
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	-	20,093	20,093
Deferred inflows related to other postemployment benefits	-	20,299	20,299
Total deferred inflows of resources	-	40,392	40,392
<b>NET POSITION</b>			
Net investment in capital assets	17,900,722	14,696,151	32,596,873
Unrestricted	680,967	340,692	1,021,659
Total net position	\$ 18,581,689	\$ 15,036,843	\$ 33,618,532

See accompanying independent auditors' report.

County of Chesterfield, Virginia  
Combining Statement of Revenues, Expenses and Changes in Net Position  
Non-major Enterprise Funds  
For the Year Ended June 30, 2018

	Enterprise Funds		
	Economic Development Authority	Airport	Total
<b>Operating revenues</b>			
Charges for services	\$ 415,555	\$ 784,657	\$ 1,200,212
From the Commonwealth	-	25,009	25,009
Other	33,754	10,910	44,664
Total operating revenues	449,309	820,576	1,269,885
<b>Operating expenses</b>			
Salaries and wages	-	251,631	251,631
Contractual services	311,940	288,195	600,135
Materials and supplies	-	10,061	10,061
Heat, light and power	-	78,702	78,702
Depreciation	373,546	1,231,388	1,604,934
Repairs and maintenance	-	58,757	58,757
Other	670,306	7,290	677,596
Total operating expenses	1,355,792	1,926,024	3,281,816
Operating loss	(906,483)	(1,105,448)	(2,011,931)
<b>Non-operating revenues (expenses)</b>			
Interest and dividend income	645	-	645
Interest expense	-	(21,590)	(21,590)
Loss on disposal of capital assets	-	(21,572)	(21,572)
Other	(764,978)	(46,000)	(810,978)
Total non-operating expenses, net	(764,333)	(89,162)	(853,495)
Loss before capital contributions and transfers	(1,670,816)	(1,194,610)	(2,865,426)
Capital contributions	-	197,741	197,741
Transfers in	295,986	119,736	415,722
Change in net position	(1,374,830)	(877,133)	(2,251,963)
Total net position - July 1, 2017, restated	19,956,519	15,913,976	35,870,495
Total net position - June 30, 2018	\$ 18,581,689	\$ 15,036,843	\$ 33,618,532

See accompanying independent auditors' report.

County of Chesterfield, Virginia  
Combining Statement of Cash Flows  
Non-major Enterprise Funds  
For the Year Ended June 30, 2018

	Enterprise Funds		
	Economic Development Authority	Airport	Total
<b>Cash flows from operating activities</b>			
Receipts from customers	\$ 432,194	\$ 819,225	\$ 1,251,419
Payments to suppliers	(811,562)	(442,217)	(1,253,779)
Payments to employees	-	(270,466)	(270,466)
Net cash provided by (used in) operating activities	(379,368)	106,542	(272,826)
<b>Cash flows from non-capital financing activities</b>			
Transfers in	295,986	-	295,986
<b>Cash flows from capital and related financing activities</b>			
Transfers in	-	87,686	87,686
Purchase of capital assets	(775,267)	(343,716)	(1,118,983)
Capital contributions	-	153,393	153,393
Debt issuance paid	-	(46,000)	(46,000)
Proceeds from revolving loan	-	259,715	259,715
Interest paid on certificates of participation and revenue bonds	-	(29,188)	(29,188)
Principal paid on certificates of participation and revenue bonds	-	(91,331)	(91,331)
Net cash used in capital and related financing activities	(775,267)	(9,441)	(784,708)
<b>Cash flows from investing activities</b>			
Interest received	3,214	-	3,214
Net increase (decrease) in cash and cash equivalents	(855,435)	97,101	(758,334)
Cash and cash equivalents, July 1, 2017	8,277,812	458,766	8,736,578
Cash and cash equivalents, June 30, 2018	\$ 7,422,377	\$ 555,867	\$ 7,978,244
<b>Reconciliation of operating loss to net cash provided by (used in) operating activities:</b>			
Operating loss	\$ (906,483)	\$ (1,105,448)	\$ (2,011,931)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation	373,546	1,231,388	1,604,934
Changes in assets and liabilities:			
Receivables, net	(17,115)	(1,351)	(18,466)
Accounts and other payables	170,684	(18,047)	152,637
Net cash provided by (used in) operating activities	\$ (379,368)	\$ 106,542	\$ (272,826)
<b>Noncash transactions related to financing, capital and investing activities:</b>			
Contributions of capital assets	\$ -	\$ 56,500	\$ 56,500

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.

**Healthcare Fund** - This fund reflects operations of the County's self-insured healthcare function, which provides services to the County and School Board. The fund's major sources of revenue are charges for services used to pay medical claims and administrative fees.

**County of Chesterfield, Virginia**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**June 30, 2018**

	<b>Vehicle and Communications Maintenance</b>	<b>Risk Management</b>	<b>Healthcare</b>	<b>Total</b>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 16,122,774	\$ 19,525,022	\$ 8,082,780	\$ 43,730,576
Receivables	67,916	7,875	-	75,791
Inventories	769,463	-	-	769,463
Total current assets	<u>16,960,153</u>	<u>19,532,897</u>	<u>8,082,780</u>	<u>44,575,830</u>
Non-current assets:				
Capital assets:				
Land	-	193,685	-	193,685
Buildings	2,148,017	123,832	-	2,271,849
Improvements other than buildings	311,805	-	-	311,805
Machinery and equipment	16,950,385	444,609	-	17,394,994
Total capital assets	19,410,207	762,126	-	20,172,333
Less accumulated depreciation	(11,857,723)	(207,261)	-	(12,064,984)
Net capital assets	7,552,484	554,865	-	8,107,349
Total assets	<u>24,512,637</u>	<u>20,087,762</u>	<u>8,082,780</u>	<u>52,683,179</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pensions	362,960	95,842	-	458,802
Deferred outflows related to other postemployment benefits	19,648	5,698	-	25,346
Total deferred outflows of resources	<u>382,608</u>	<u>101,540</u>	<u>-</u>	<u>484,148</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	1,133,709	136,633	2,066,577	3,336,919
Accrued liabilities	314,135	78,827	-	392,962
Compensated absences	78,303	13,411	-	91,714
Judgments and claims	10,926	2,126,685	8,378,000	10,515,611
Total current liabilities	<u>1,537,073</u>	<u>2,355,556</u>	<u>10,444,577</u>	<u>14,337,206</u>
Non-current liabilities:				
Compensated absences	310,694	59,131	-	369,825
Judgments and claims	20,416	106,335	-	126,751
Net pension liabilities	2,534,055	293,355	-	2,827,410
Net other postemployment benefit obligations	1,816,290	269,995	-	2,086,285
Total non-current liabilities	4,681,455	728,816	-	5,410,271
Total liabilities	<u>6,218,528</u>	<u>3,084,372</u>	<u>10,444,577</u>	<u>19,747,477</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pensions	388,914	102,695	-	491,609
Deferred inflows related to other postemployment benefits	321,042	44,613	-	365,655
Total deferred inflows of resources	<u>709,956</u>	<u>147,308</u>	<u>-</u>	<u>857,264</u>
<b>NET POSITION</b>				
Investment in capital assets	7,552,484	554,865	-	8,107,349
Unrestricted (deficit)	10,414,277	16,402,757	(2,361,797)	24,455,237
Total net position	<u>\$ 17,966,761</u>	<u>\$ 16,957,622</u>	<u>\$ (2,361,797)</u>	<u>\$ 32,562,586</u>

See accompanying independent auditors' report.

**County of Chesterfield, Virginia**  
**Combining Statement of Revenues, Expenses and Changes in Net Position**  
**Internal Service Funds**  
**For the Year Ended June 30, 2018**

	<b>Vehicle and Communications Maintenance</b>	<b>Risk Management</b>	<b>Capital Projects Management</b>	<b>Healthcare</b>	<b>Total</b>
<b>Operating revenues</b>					
Charges for services	\$ 19,732,910	\$ 8,939,000	\$ -	\$ 111,804,813	\$ 140,476,723
Change in actuarial estimate of claims	-	1,955,941	-	-	1,955,941
Other	33,716	259,893	-	-	293,609
Total operating revenues	19,766,626	11,154,834	-	111,804,813	142,726,273
<b>Operating expenses</b>					
Salaries and wages	5,430,178	1,355,077	-	-	6,785,255
Contractual services	720,206	1,116,940	-	-	1,837,146
Materials and supplies	8,831,323	33,611	-	-	8,864,934
Heat, light and power	60,076	3,364	-	-	63,440
Depreciation	1,688,159	62,841	-	-	1,751,000
Repairs and maintenance	1,186,282	69,229	-	-	1,255,511
Insurance	-	3,243,837	-	-	3,243,837
Claims	-	2,455,526	-	108,184,854	110,640,380
Other	16,627	17,537	-	-	34,164
Total operating expenses	17,932,851	8,357,962	-	108,184,854	134,475,667
Operating income	1,833,775	2,796,872	-	3,619,959	8,250,606
<b>Non-operating revenues (expenses)</b>					
Interest and dividend income	37,172	86,713	-	-	123,885
Gain (loss) on disposal of capital assets	203,440	-	(3,686)	-	199,754
Other	-	-	422,324	-	422,324
Total non-operating revenues, net	240,612	86,713	418,638	-	745,963
Income before capital contributions and transfers	2,074,387	2,883,585	418,638	3,619,959	8,996,569
Capital contributions	161,297	-	-	-	161,297
Transfers out	(7,200)	-	(212,706)	-	(219,906)
Change in net position	2,228,484	2,883,585	205,932	3,619,959	8,937,960
Total net position - July 1, 2017, restated	15,738,277	14,074,037	(205,932)	(5,981,756)	23,624,626
Total net position - June 30, 2018	\$ 17,966,761	\$ 16,957,622	\$ -	\$ (2,361,797)	\$ 32,562,586

See accompanying independent auditors' report.

**County of Chesterfield, Virginia**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2018**

	<b>Vehicle and Communications Maintenance</b>	<b>Risk Management</b>	<b>Capital Projects Management</b>	<b>Healthcare</b>	<b>Total</b>
<b>Cash flows from operating activities</b>					
Receipts from customers	\$ 19,758,935	\$ 9,198,893	\$ -	\$ 111,804,813	\$ 140,762,641
Payments to suppliers	(10,589,477)	(4,534,827)	(36,325)	-	(15,160,629)
Payments to employees	(5,656,145)	(1,469,367)	-	-	(7,125,512)
Claims paid	-	(3,411,572)	-	(105,301,345)	(108,712,917)
Net cash provided by (used in) operating activities	<u>3,513,313</u>	<u>(216,873)</u>	<u>(36,325)</u>	<u>6,503,468</u>	<u>9,763,583</u>
<b>Cash flows from non-capital financing activities</b>					
Transfers out	(7,200)	-	(212,706)	-	(219,906)
Net cash used in non-capital financing activities	<u>(7,200)</u>	<u>-</u>	<u>(212,706)</u>	<u>-</u>	<u>(219,906)</u>
<b>Cash flows from capital and related financing activities</b>					
Purchase of capital assets	(1,530,175)	(174,930)	-	-	(1,705,105)
Proceeds from sale of capital assets	308,905	-	-	-	308,905
Net cash used in capital and related financing activities	<u>(1,221,270)</u>	<u>(174,930)</u>	<u>-</u>	<u>-</u>	<u>(1,396,200)</u>
<b>Cash flows from investing activities</b>					
Interest received	<u>37,172</u>	<u>86,713</u>	<u>-</u>	<u>-</u>	<u>123,885</u>
Net increase (decrease) in cash and cash equivalents	2,322,015	(305,090)	(249,031)	6,503,468	8,271,362
Cash and cash equivalents, July 1, 2017	<u>13,800,759</u>	<u>19,830,112</u>	<u>249,031</u>	<u>1,579,312</u>	<u>35,459,214</u>
Cash and cash equivalents, June 30, 2018	<u>\$ 16,122,774</u>	<u>\$ 19,525,022</u>	<u>\$ -</u>	<u>\$ 8,082,780</u>	<u>\$ 43,730,576</u>
<b>Reconciliation of operating income to net cash provided by (used in) operating activities:</b>					
Operating income	\$ 1,833,775	\$ 2,796,872	\$ -	\$ 3,619,959	\$ 8,250,606
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:					
Depreciation	1,688,159	62,841	-	-	1,751,000
Changes in assets and liabilities:					
Receivables, net	(7,691)	23,329	-	-	15,638
Inventories	(42,593)	-	-	-	(42,593)
Accounts and other payables	41,663	(3,099,915)	(36,325)	2,883,509	(211,068)
Net cash provided by (used in) operating activities	<u>\$ 3,513,313</u>	<u>\$ (216,873)</u>	<u>\$ (36,325)</u>	<u>\$ 6,503,468</u>	<u>\$ 9,763,583</u>
<b>Noncash transactions related to financing, capital and investing activities are as follows:</b>					
Contributions of capital assets	\$ 161,297	\$ -	\$ -	\$ -	\$ 161,297

See accompanying independent auditors' report.



# Fiduciary Funds

## Trust Funds

**Supplemental Retirement Plan Pension Trust - County** - This fund reflects the funds held in trust to pay benefits for the County's Supplemental Retirement Plan.

**Pooled Postemployment Retiree Healthcare Benefits Trust - County** - This fund reflects the funds held in trust to pay benefits for the County's OPEB plan for healthcare benefits.

**Pooled Postemployment Retiree Healthcare Benefits Trust - Schools** - This fund reflects the funds held in trust to pay benefits for the School's OPEB plan for healthcare benefits.

**Pooled Postemployment Line of Duty Benefits Trust - County** - This fund reflects the funds held in trust to pay benefits for the County's OPEB plan for line of duty benefits.

## 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 and other disability 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 Statement of Fiduciary Net Position  
Trust Funds  
June 30, 2018

	Supplemental Retirement Plan Pension Trust County	Pooled Postemployment Retiree Healthcare Benefits Trust County	Pooled Postemployment Retiree Healthcare Benefits Trust Schools	Pooled Postemployment Line of Duty Benefits Trust County	Total Trust Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 822,991	\$ 630,000	\$ 1,000,000	\$ 430,000	\$ 2,882,991
Accounts receivable	66,825	-	-	-	66,825
Investments:					
Mutual funds	5,638,717	-	-	-	5,638,717
Common and preferred stocks	11,036,093	-	-	-	11,036,093
Corporate bonds	4,917,648	-	-	-	4,917,648
U. S. government and agency securities	3,690,864	-	-	-	3,690,864
Exchange traded funds	5,764,732	-	-	-	5,764,732
Collateralized mortgage backed securities	128,313	-	-	-	128,313
Fund of funds	5,433,566	-	-	-	5,433,566
Pooled funds	-	29,746,510	16,611,936	8,550,369	54,908,815
Total investments	36,609,933	29,746,510	16,611,936	8,550,369	91,518,748
Total assets	37,499,749	30,376,510	17,611,936	8,980,369	94,468,564
<b>LIABILITIES</b>					
Due to broker	56,762	630,000	1,000,000	430,000	2,116,762
Total liabilities	56,762	630,000	1,000,000	430,000	2,116,762
<b>FIDUCIARY NET POSITION</b>					
Restricted for pension/other postemployment benefits	\$ 37,442,987	\$ 29,746,510	\$ 16,611,936	\$ 8,550,369	\$ 92,351,802

See accompanying independent auditors' report.

**County of Chesterfield, Virginia**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Trust Funds**  
**For the Year Ended June 30, 2018**

	<b>Supplemental Retirement Plan Pension Trust County</b>	<b>Pooled Postemployment Retiree Healthcare Benefits Trust County</b>	<b>Pooled Postemployment Retiree Healthcare Benefits Trust Schools</b>	<b>Pooled Postemployment Line of Duty Benefits Trust County</b>	<b>Total Trust Funds</b>
<b>Additions:</b>					
Contributions					
Employer	\$ 1,210,600	\$ 9,368,195	\$ 17,279,013	\$ 1,080,950	\$ 28,938,758
Employee	-	2,713,792	6,312,232	-	9,026,024
Investment earnings:					
Interest and dividends	1,268,896	10,451	4,307	2,163	1,285,817
Net increase in the fair value of investments	<u>1,419,663</u>	<u>2,536,768</u>	<u>1,360,949</u>	<u>707,976</u>	<u>6,025,356</u>
Total investment income	2,688,559	2,547,219	1,365,256	710,139	7,311,173
Less investment expenses	<u>(205,847)</u>	<u>(27,316)</u>	<u>(13,783)</u>	<u>(7,250)</u>	<u>(254,196)</u>
Net investment earnings	<u>2,482,712</u>	<u>2,519,903</u>	<u>1,351,473</u>	<u>702,889</u>	<u>7,056,977</u>
Total additions, net	<u>3,693,312</u>	<u>14,601,890</u>	<u>24,942,718</u>	<u>1,783,839</u>	<u>45,021,759</u>
<b>Deductions:</b>					
Benefit payments	1,846,336	11,451,987	22,591,245	650,950	36,540,518
Administrative expenses	<u>92,337</u>	<u>500</u>	<u>500</u>	<u>500</u>	<u>93,837</u>
Total deductions	<u>1,938,673</u>	<u>11,452,487</u>	<u>22,591,745</u>	<u>651,450</u>	<u>36,634,355</u>
Increase in net position restricted for pensions/other postemployment benefits	1,754,639	3,149,403	2,350,973	1,132,389	8,387,404
Fiduciary net position - July 1, 2017	<u>35,688,348</u>	<u>26,597,107</u>	<u>14,260,963</u>	<u>7,417,980</u>	<u>83,964,398</u>
Fiduciary net position - June 30, 2018	<u>\$ 37,442,987</u>	<u>\$ 29,746,510</u>	<u>\$ 16,611,936</u>	<u>\$ 8,550,369</u>	<u>\$ 92,351,802</u>

*See accompanying independent auditors' report.*

County of Chesterfield, Virginia  
Combining Statement of Assets and Liabilities  
Agency Funds  
June 30, 2018

	Greater Richmond Convention Center Authority	Special Welfare	MHSS SSA	Police Safekeeping	Inmate Trust	Jail Canteen	Appomattox Regional Governor's School	Total
<b>ASSETS</b>								
Cash and cash equivalents	\$ 12,905,344	\$ 48,066	\$ 118,830	\$ 1,097,674	\$ 32,115	\$ 243,961	\$ 1,747,088	\$ 16,193,078
Accounts receivable	384,286	-	-	-	-	9,046	8,144	401,476
Prepays	-	-	-	-	-	5,000	-	5,000
Due from other governments	-	-	-	-	-	-	26,000	26,000
Restricted assets:								
Cash and cash equivalents	4,552,703	-	-	-	-	-	-	4,552,703
Investments	22,745,283	-	-	-	-	-	-	22,745,283
Cash, cash equivalents and investments with trustee	2,539,238	-	-	-	-	-	-	2,539,238
Due from other governments	2,778,386	-	-	-	-	-	-	2,778,386
Interest receivable	5,550	-	-	-	-	-	-	5,550
Total restricted assets	32,621,160	-	-	-	-	-	-	32,621,160
Total assets	\$ 45,910,790	\$ 48,066	\$ 118,830	\$ 1,097,674	\$ 32,115	\$ 258,007	\$ 1,781,232	\$ 49,246,714
<b>LIABILITIES</b>								
Amounts held for others	\$ 45,910,790	\$ 48,066	\$ 118,830	\$ 1,097,674	\$ 32,115	\$ 258,007	\$ 1,781,232	\$ 49,246,714

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, 2018

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2018</u>
<b>GREATER RICHMOND CONVENTION CENTER AUTHORITY</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 11,315,086	\$ 15,028,643	\$ 13,438,385	\$ 12,905,344
Accounts receivable	521,347	384,286	521,347	384,286
Restricted assets:				
Cash and cash equivalents	7,067,237	10,886,457	13,400,991	4,552,703
Investments	18,330,256	9,448,400	5,033,373	22,745,283
Cash, cash equivalents and investments with trustee	2,598,617	24,809,430	24,868,809	2,539,238
Due from other governments	2,511,659	2,778,386	2,511,659	2,778,386
Interest receivable	1,841	5,550	1,841	5,550
Total restricted assets	<u>30,509,610</u>	<u>47,928,223</u>	<u>45,816,673</u>	<u>32,621,160</u>
 Total assets	 <u>\$ 42,346,043</u>	 <u>\$ 63,341,152</u>	 <u>\$ 59,776,405</u>	 <u>\$ 45,910,790</u>
 <b>Liabilities</b>				
Amounts held for others	<u>\$ 42,346,043</u>	<u>\$ 63,341,152</u>	<u>\$ 59,776,405</u>	<u>\$ 45,910,790</u>
<b>SPECIAL WELFARE</b>				
<b>Assets</b>				
Cash and cash equivalents	<u>\$ 58,909</u>	<u>\$ 126,337</u>	<u>\$ 137,180</u>	<u>\$ 48,066</u>
 <b>Liabilities</b>				
Amounts held for others	<u>\$ 58,909</u>	<u>\$ 126,337</u>	<u>\$ 137,180</u>	<u>\$ 48,066</u>
<b>MENTAL HEALTH SUPPORT SERVICES SOCIAL SECURITY ADMINISTRATION</b>				
<b>Assets</b>				
Cash and cash equivalents	<u>\$ 116,258</u>	<u>\$ 709,717</u>	<u>\$ 707,145</u>	<u>\$ 118,830</u>
 <b>Liabilities</b>				
Amounts held for others	<u>\$ 116,258</u>	<u>\$ 709,717</u>	<u>\$ 707,145</u>	<u>\$ 118,830</u>
<b>POLICE SAFEKEEPING</b>				
<b>Assets</b>				
Cash and cash equivalents	<u>\$ 435,986</u>	<u>\$ 1,290,578</u>	<u>\$ 628,890</u>	<u>\$ 1,097,674</u>
 <b>Liabilities</b>				
Amounts held for others	<u>\$ 435,986</u>	<u>\$ 1,290,578</u>	<u>\$ 628,890</u>	<u>\$ 1,097,674</u>

(Continued)

County of Chesterfield, Virginia  
Combining Statement of Changes in Assets and Liabilities  
Agency Funds  
For the Year Ended June 30, 2018

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
<b>INMATE TRUST FUND</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 31,503	\$ 818,492	\$ 817,880	\$ 32,115
<b>Liabilities</b>				
Amounts held for inmates	\$ 31,503	\$ 818,492	\$ 817,880	\$ 32,115
<b>JAIL CANTEEN FUND</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 235,824	\$ 112,326	\$ 104,189	\$ 243,961
Accounts receivable	9,585	9,046	9,585	9,046
Prepays	-	5,000	-	5,000
Total assets	\$ 245,409	\$ 126,372	\$ 113,774	\$ 258,007
<b>Liabilities</b>				
Amounts held for others	\$ 245,409	\$ 126,372	\$ 113,774	\$ 258,007
<b>APPOMATTOX REGIONAL GOVERNOR'S SCHOOL</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 1,726,436	\$ 4,063,518	\$ 4,042,866	\$ 1,747,088
Accounts receivable	117	8,144	117	8,144
Due from other governments	25,741	26,000	25,741	26,000
Total assets	\$ 1,752,294	\$ 4,097,662	\$ 4,068,724	\$ 1,781,232
<b>Liabilities</b>				
Amounts held for others	\$ 1,752,294	\$ 4,097,662	\$ 4,068,724	\$ 1,781,232
<b>TOTAL AGENCY FUNDS</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 13,920,002	\$ 22,149,611	\$ 19,876,535	\$ 16,193,078
Accounts receivable	531,049	401,476	531,049	401,476
Prepays	-	5,000	-	5,000
Due from other governments	25,741	26,000	25,741	26,000
Restricted assets:				
Cash and cash equivalents	7,067,237	10,886,457	13,400,991	4,552,703
Investments	18,330,256	9,448,400	5,033,373	22,745,283
Cash, cash equivalents and investments with trustees	2,598,617	24,809,430	24,868,809	2,539,238
Due from other governments	2,511,659	2,778,386	2,511,659	2,778,386
Interest receivable	1,841	5,550	1,841	5,550
Total restricted assets	30,509,610	47,928,223	45,816,673	32,621,160
Total assets	\$ 44,986,402	\$ 70,505,310	\$ 66,249,998	\$ 49,246,714
<b>Liabilities</b>				
Amounts held for others	\$ 44,986,402	\$ 70,510,310	\$ 66,249,998	\$ 49,246,714

See accompanying independent auditors' report.

## **Non-major Discretely Presented Component Units**

**Watkins Centre Community Development Authority** - The Watkins Centre CDA was created for the purpose of financing a portion of the transportation infrastructure improvements within the Watkins Centre District, a site located in the northwest quadrant at the intersection of State Route 288 and State Route 60 within the County.

**Chippenham Place Community Development Authority** - The Chippenham Place CDA was created to fund public infrastructure improvements at the former Cloverleaf Mall site owned by the County.

County of Chesterfield, Virginia  
Combining Statement of Net Position  
Non-major Discretely Presented Component Units  
June 30, 2018

	Watkins Centre Community Development <u>Authority</u>	Chippenham Place Community Development <u>Authority</u>	Total Non-major Component <u>Units</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,131,662	\$ 1,266,934	\$ 3,398,596
Receivables	2,953	-	2,953
Prepays	440	-	440
Total assets	<u>2,135,055</u>	<u>1,266,934</u>	<u>3,401,989</u>
<b>LIABILITIES</b>			
Accounts payable and other liabilities	113,041	81,147	194,188
Non-current liabilities:			
Due within one year	2,776,332	655,076	3,431,408
Due in more than one year	<u>3,030,000</u>	<u>10,454,716</u>	<u>13,484,716</u>
Total liabilities	<u>5,919,373</u>	<u>11,190,939</u>	<u>17,110,312</u>
<b>NET POSITION</b>			
Unrestricted (deficit)	<u>(3,784,318)</u>	<u>(9,924,005)</u>	<u>(13,708,323)</u>
Total net position (deficit)	<u>\$ (3,784,318)</u>	<u>\$ (9,924,005)</u>	<u>\$ (13,708,323)</u>

*See accompanying independent auditors' report.*



County of Chesterfield, Virginia  
Combining Statement of Activities  
Non-major Discretely Presented Component Units  
For the Year Ended June 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Net (Expenses) Revenues and Changes in Position</u>		
		<u>Watkins Centre Community Development Authority</u>	<u>Chippenham Place Community Development Authority</u>	<u>Total Non-major Component Units</u>
Watkins Centre Community Development Authority	\$ 446,161	\$ (446,161)	\$ -	\$ (446,161)
Chippenham Place Community Development Authority	357,901	-	(357,901)	(357,901)
Total non-major component units	<u>\$ 804,062</u>	<u>(446,161)</u>	<u>(357,901)</u>	<u>(804,062)</u>
General revenues:				
Payment from County of Chesterfield		2,993,405	1,146,250	4,139,655
Investment earnings		46,364	733	47,097
Total general revenues		<u>3,039,769</u>	<u>1,146,983</u>	<u>4,186,752</u>
Change in net position		2,593,608	789,082	3,382,690
Total net position (deficit) - July 1, 2017, restated		<u>(6,377,926)</u>	<u>(10,713,087)</u>	<u>(17,091,013)</u>
Total net position (deficit) - June 30, 2018		<u>\$ (3,784,318)</u>	<u>\$ (9,924,005)</u>	<u>\$ (13,708,323)</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, 2018**

	<u>Total</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements other than Buildings</u>	<u>Machinery and Equipment</u>	<u>Infrastructure</u>
<b>General government:</b>						
Accounting	\$ 29,955	\$ -	\$ -	\$ -	\$ 29,955	\$ -
Board of Supervisors	7,933	-	-	-	7,933	-
Budget and Management	9,600	-	-	-	9,600	-
Capital Projects Management	30,440	-	14,992	-	15,448	-
Commissioner of the Revenue	43,437	-	-	-	43,437	-
County Administration	1,130,415	-	-	-	1,130,415	-
General Services	12,963,272	584,668	11,631,239	-	747,365	-
Human Resource Management	51,965	-	-	-	51,965	-
Information Systems Technology	28,492,741	129,800	5,994,920	162,719	22,205,302	-
Internal Audit	313,695	150,000	151,006	-	12,689	-
Learning and Performance Center	125,104	-	-	-	125,104	-
License Inspector	35,393	-	-	-	35,393	-
Purchasing	55,000	-	-	-	55,000	-
Real Estate Assessments	559,071	85,500	442,144	-	31,427	-
Registrar	543,156	-	-	-	543,156	-
Treasurer	7,369,660	-	-	-	7,369,660	-
Total general government	51,760,837	949,968	18,234,301	162,719	32,413,849	-
<b>Administration of justice:</b>						
Circuit Court Clerk	345,851	-	-	-	345,851	-
Circuit Court Judges	270,016	-	-	-	270,016	-
Commonwealth's Attorney	260,440	-	114,474	-	145,966	-
Community Corrections	1,594,771	336,091	1,172,854	-	85,826	-
General District Court	33,428,005	22,441	32,503,462	118,080	784,022	-
Juvenile and Domestic Relations Court	17,366,944	53,173	17,250,223	-	63,548	-
Total administration of justice	53,266,027	411,705	51,041,013	118,080	1,695,229	-
<b>Public safety:</b>						
Animal Control	3,947,107	181,324	3,234,631	41,304	489,848	-
Building Inspections	2,182,533	105,932	110,100	-	1,966,501	-
Emergency Communications Center	29,645,782	71,740	63,857	-	29,510,185	-
Fire and EMS	105,835,273	3,049,656	45,423,552	1,980,297	55,381,768	-
Jail	32,285,699	19,950	31,145,693	-	1,120,056	-
Juvenile Detention Home	17,250,814	14,000	16,976,192	-	260,622	-
Juvenile Probation	41,884	-	-	-	41,884	-
Police	67,983,451	1,607,606	40,802,144	143,790	25,429,911	-
Sheriff	4,525,794	-	-	-	4,525,794	-
Youth Group Home	889,111	-	799,600	-	89,511	-
Total public safety	264,587,448	5,050,208	138,555,769	2,165,391	118,816,080	-
<b>Public works:</b>						
Buildings and Grounds	31,817,914	17,281,074	9,437,725	2,614,642	2,484,473	-
Environmental Engineering	41,795,003	1,100	355,951	-	2,492,694	38,945,258
Waste and Resource Recovery	10,933,805	800,254	688,185	8,259,834	1,185,532	-
Total public works	84,546,722	18,082,428	10,481,861	10,874,476	6,162,699	38,945,258
<b>Health and welfare:</b>						
Health	809,734	-	329,123	-	480,611	-
Mental Health Support Services	13,302,351	28,000	11,579,270	-	1,695,081	-
Social Services	24,744,760	297,200	22,383,546	-	2,064,014	-
Youth Planning & Development	45,933	-	-	-	45,933	-
Total health and welfare	38,902,778	325,200	34,291,939	-	4,285,639	-

(Continued)

County of Chesterfield, Virginia  
 Schedule of Capital Assets Used in the Operation of Governmental Funds  
 by Function and Activity  
 June 30, 2018

	<u>Total</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements other than Buildings</u>	<u>Machinery and Equipment</u>	<u>Infrastructure</u>
<b>Parks, recreation and cultural:</b>						
Library	\$ 49,347,829	\$ 3,568,393	\$ 42,465,714	\$ 111,744	\$ 3,201,978	\$ -
Parks and Recreation	98,174,797	19,433,531	16,245,806	57,758,558	4,381,623	355,279
Total parks, recreation and cultural	<u>147,522,626</u>	<u>23,001,924</u>	<u>58,711,520</u>	<u>57,870,302</u>	<u>7,583,601</u>	<u>355,279</u>
<b>Education:</b>						
School Board	<u>1,013,826,268</u>	<u>31,842,204</u>	<u>960,637,643</u>	<u>21,346,421</u>	<u>-</u>	<u>-</u>
<b>Community development:</b>						
Community Development	<u>28,478,860</u>	<u>7,368,104</u>	<u>18,712,365</u>	<u>-</u>	<u>2,398,391</u>	<u>-</u>
Total governmental funds' capital assets allocated by function	1,682,891,566	<u>\$ 87,031,741</u>	<u>\$ 1,290,666,411</u>	<u>\$ 92,537,389</u>	<u>\$ 173,355,488</u>	<u>\$ 39,300,537</u>
<b>Construction in progress</b>	<u>77,821,009</u>					
Total governmental funds' capital assets	<u>\$ 1,760,712,575</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 Position.

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, 2018**

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2018</u>
<b>General government:</b>				
Accounting	\$ 20,956	\$ 8,999	\$ -	\$ 29,955
Board of Supervisors	7,933	-	-	7,933
Budget and Management	9,600	-	-	9,600
Capital Projects Management	-	30,440	-	30,440
Commissioner of the Revenue	43,437	-	-	43,437
County Administration	1,120,033	10,382	-	1,130,415
General Services	11,545,061	1,418,211	-	12,963,272
Human Resource Management	51,965	-	-	51,965
Information Systems Technology	27,944,557	548,184	-	28,492,741
Internal Audit	313,695	-	-	313,695
Learning and Performance Center	125,104	-	-	125,104
License Inspector	35,393	-	-	35,393
Purchasing	-	55,000	-	55,000
Real Estate Assessments	559,071	-	-	559,071
Registrar	543,156	-	-	543,156
Treasurer	6,829,784	539,876	-	7,369,660
Total general government	<u>49,149,745</u>	<u>2,611,092</u>	<u>-</u>	<u>51,760,837</u>
<b>Administration of justice:</b>				
Circuit Court Clerk	330,644	36,933	21,726	345,851
Circuit Court Judges	270,016	-	-	270,016
Commonwealth's Attorney	135,011	125,429	-	260,440
Community Corrections	1,586,131	8,640	-	1,594,771
General District Court	33,428,005	-	-	33,428,005
Juvenile and Domestic Relations Court	17,366,944	-	-	17,366,944
Total administration of justice	<u>53,116,751</u>	<u>171,002</u>	<u>21,726</u>	<u>53,266,027</u>
<b>Public safety:</b>				
Animal Control	3,796,523	150,584	-	3,947,107
Building Inspections	2,214,745	-	32,212	2,182,533
Emergency Communications Center	29,548,094	97,688	-	29,645,782
Fire and EMS	95,659,994	11,850,168	1,674,889	105,835,273
Jail	31,935,331	350,368	-	32,285,699
Juvenile Detention Home	17,144,315	106,499	-	17,250,814
Juvenile Probation	41,884	-	-	41,884
Police	66,870,191	3,981,930	2,868,670	67,983,451
Sheriff	4,543,568	13,639	31,413	4,525,794
Youth Group Home	889,111	-	-	889,111
Total public safety	<u>252,643,756</u>	<u>16,550,876</u>	<u>4,607,184</u>	<u>264,587,448</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, 2018**

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2018</u>
<b>Public works:</b>				
Buildings and Grounds	\$ 27,254,840	\$ 4,571,011	\$ 7,937	\$ 31,817,914
Environmental Engineering	40,759,214	1,035,789	-	41,795,003
Waste and Resource Recovery	10,654,577	363,026	83,798	10,933,805
Total public works	<u>78,668,631</u>	<u>5,969,826</u>	<u>91,735</u>	<u>84,546,722</u>
 <b>Health and welfare:</b>				
Health	28,197	781,537	-	809,734
Mental Health Support Services	13,178,132	124,219	-	13,302,351
Social Services	18,929,700	5,815,060	-	24,744,760
Youth Planning and Development	-	45,933	-	45,933
Total health and welfare	<u>32,136,029</u>	<u>6,766,749</u>	<u>-</u>	<u>38,902,778</u>
 <b>Parks, recreation and cultural:</b>				
Library	48,365,201	982,628	-	49,347,829
Parks and Recreation	87,621,235	10,730,991	177,429	98,174,797
Total parks, recreation and cultural	<u>135,986,436</u>	<u>11,713,619</u>	<u>177,429</u>	<u>147,522,626</u>
 <b>Education:</b>				
School Board	<u>995,246,691</u>	<u>24,595,877</u>	<u>6,016,300</u>	<u>1,013,826,268</u>
 <b>Community development:</b>				
Community Development	<u>28,456,385</u>	<u>22,475</u>	<u>-</u>	<u>28,478,860</u>
 <b>Construction in progress</b>	<u>41,932,741</u>	<u>87,786,555</u>	<u>51,898,287</u>	<u>77,821,009</u>
Total governmental funds' capital assets	<u>\$ 1,667,337,165</u>	<u>\$ 156,188,071</u>	<u>\$ 62,812,661</u>	<u>\$ 1,760,712,575</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 Position.

*See accompanying independent auditors' report.*

**County of Chesterfield, Virginia**  
**Schedule of Capital Assets Used in the Operation of Governmental Funds**  
**by Source**  
**June 30, 2018**

**Governmental funds' capital assets:**

Land	\$ 87,031,741
Buildings	1,290,666,411
Improvements other than buildings	92,537,389
Machinery and equipment	173,355,488
Infrastructure	39,300,537
Construction in progress	77,821,009
Total governmental funds' capital assets	<u>\$ 1,760,712,575</u>

**Investment in governmental funds' capital assets by source:**

General obligation bonds	\$ 1,192,178,484
General government revenues	394,927,830
Federal and State grants	29,756,043
Capital lease purchases	66,026,722
Special Revenue Fund revenues	7,923,207
Contributions from public	69,900,289
Total investment in governmental funds' capital assets	<u>\$ 1,760,712,575</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 Position.

*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, 2018

	<u>Special Revenue Fund</u>	
	<u>School Operating</u>	
<b>ASSETS</b>		
Cash and cash equivalents	\$ 17,753,722	
Accounts receivable	483,283	
Due from other governments	7,345,762	
Due from primary government	76,179,243	
Inventories	307,316	
Total assets	<u>\$ 102,069,326</u>	
<b>LIABILITIES</b>		
Accounts payable	\$ 7,965,258	
Accrued liabilities	44,205,593	
Unearned revenues	1,059,424	
Total liabilities	<u>53,230,275</u>	
<b>FUND BALANCE</b>		
Nonspendable	307,316	
Restricted	8,631,393	
Assigned	39,900,342	
Total fund balance	<u>48,839,051</u>	
Total liabilities and fund balance	<u>\$ 102,069,326</u>	
<b>Reconciliation of total fund balances for governmental funds to total net position of governmental activities:</b>		
Total fund balance for School Operating Fund		\$ 48,839,051
Amounts reported for the School Board's governmental activities in the Statement of Net Position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
		39,852,727
Deferred outflows of resources used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Deferred outflows related to pensions	\$ 78,760,991	
Deferred outflows related to other postemployment benefits	<u>8,597,440</u>	87,358,431
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:		
Capital lease obligations	(8,925,548)	
Compensated absences	(18,617,578)	
Judgments and claims	(8,617,454)	
Net pension liabilities	(527,134,471)	
Net other postemployment benefits obligation liabilities	(256,053,339)	
Interest payable	<u>(160,904)</u>	<u>(819,509,294)</u>
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds:		
Deferred inflows related to pensions	(72,186,368)	
Deferred inflows related to other postemployment benefits	<u>(23,339,855)</u>	<u>(95,526,223)</u>
Total net position of the School Board's governmental activities		<u>\$ (738,985,308)</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, 2018

	<u>Special Revenue Fund</u>
	<u>School Operating</u>
<b>Revenues</b>	
From local sources:	
Use of money and property	\$ 771,926
Charges for services	13,515,147
Donations	711,255
Miscellaneous	1,600,523
Payment from primary government	294,272,019
From other governments	<u>313,212,984</u>
Total revenues	<u>624,083,854</u>
<b>Expenditures</b>	
Current:	
Education	608,022,133
Debt service	4,218,603
Payment to primary government	<u>11,329,125</u>
Total expenditures	<u>623,569,861</u>
Excess of revenues over expenditures	513,993
<b>Other financing sources</b>	
Proceeds from lease purchase	<u>4,408,730</u>
Net change in fund balance	4,922,723
Total fund balance, July 1, 2017	<u>43,916,328</u>
Total fund balance, June 30, 2018	<u><u>\$ 48,839,051</u></u>

(Continued)

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, 2018

**Reconciliation of Fund Balance of Governmental Funds to the Statement of Activities:**

Net change in fund balance	\$	4,922,723
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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:

Capitalized assets	\$ 8,897,854	
Depreciation	<u>(9,998,281)</u>	(1,100,427)

The net effect of miscellaneous transactions involving capital assets (prepayments, trade-ins, donations, and disposals) increased net position.

3,284,010

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:

Payments	4,056,883	
Proceeds	<u>(4,408,730)</u>	(351,847)

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	(373,087)	
Judgments and claims	731,076	
Other postemployment benefits obligation	6,089,640	
Pension expense	32,243,981	
Interest payable	<u>(99,546)</u>	<u>38,592,064</u>

Change in net position of governmental activities	\$	<u>45,346,523</u>
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*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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>				
From local sources:				
Use of money and property	\$ 1,722,000	\$ 1,722,000	\$ 1,502,027	\$ (219,973)
Charges for services	14,626,100	14,614,982	14,037,139	(577,843)
Donations	621,000	801,921	711,255	(90,666)
Miscellaneous	1,663,500	1,662,901	1,600,523	(62,378)
Recovered costs	2,290,600	2,290,600	3,862,473	1,571,873
From the Commonwealth	268,743,500	271,356,607	271,425,346	68,739
From the federal government	37,893,940	43,326,639	41,787,638	(1,539,001)
Total revenues	<u>327,560,640</u>	<u>335,775,650</u>	<u>334,926,401</u>	<u>(849,249)</u>
<b>Expenditures</b>				
Current:				
Education:				
Instruction	463,100,028	481,768,438	468,649,068	13,119,370
Administration, attendance and health	20,835,308	21,656,729	19,987,834	1,668,895
Pupil transportation	35,584,343	38,655,894	32,192,224	6,463,670
Operations and maintenance	48,783,985	48,913,139	45,825,193	3,087,946
Technology	13,221,039	23,269,070	19,603,646	3,665,424
Food service	28,108,606	28,229,983	26,878,734	1,351,249
Debt service	50,293,500	49,857,737	49,458,618	399,119
Total expenditures	<u>659,926,809</u>	<u>692,350,990</u>	<u>662,595,317</u>	<u>29,755,673</u>
Deficiency of revenues under expenditures	<u>(332,366,169)</u>	<u>(356,575,340)</u>	<u>(327,668,916)</u>	<u>28,906,424</u>
<b>Other financing sources (uses)</b>				
Transfers in:				
General Fund	336,263,200	347,598,455	339,438,034	(8,160,421)
School Capital Projects Fund	74,000	74,000	74,000	-
Total transfers in	<u>336,337,200</u>	<u>347,672,455</u>	<u>339,512,034</u>	<u>(8,160,421)</u>
Transfers out:				
School Capital Projects Fund	(9,292,400)	(24,467,852)	(7,702,425)	16,765,427
Children's Services Fund	(3,171,000)	(3,626,700)	(3,626,700)	-
Total transfers out	<u>(12,463,400)</u>	<u>(28,094,552)</u>	<u>(11,329,125)</u>	<u>16,765,427</u>
Lease purchase issued	-	4,408,730	4,408,730	-
Total other financing sources, net	<u>323,873,800</u>	<u>323,986,633</u>	<u>332,591,639</u>	<u>8,605,006</u>
Net change in fund balance	<u>(8,492,369)</u>	<u>(32,588,707)</u>	<u>4,922,723</u>	<u>37,511,430</u>
Fund balance, July 1, 2017	<u>43,916,328</u>	<u>43,916,328</u>	<u>43,916,328</u>	<u>-</u>
Fund balance, June 30, 2018	<u>\$ 35,423,959</u>	<u>\$ 11,327,621</u>	<u>\$ 48,839,051</u>	<u>\$ 37,511,430</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, 2018**

**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.	\$ 334,926,401
For budgetary purposes, intrafund reimbursements and recovered costs are accounted for as revenues and expenditures but are eliminated for financial reporting purposes.	(5,114,566)
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>294,272,019</u>
Total revenues on the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund.	<u>\$ 624,083,854</u>

**Expenditures**

Total expenditures on the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual.	\$ 662,595,317
For budgetary purposes, intrafund reimbursements and recovered costs are accounted for as revenues and expenditures but are eliminated for financial reporting purposes.	(5,114,566)
Budgetary transfers to the primary government are expenditures for financial reporting purposes.	11,329,125
Payments of debt "on behalf" of the School Board are eliminated for financial reporting purposes.	<u>(45,240,015)</u>
Total expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund.	<u>\$ 623,569,861</u>

**Other financing sources (uses)**

Total other financing sources on the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual.	\$ 332,591,639
Budgetary transfers from the primary government are revenues for financial reporting purposes.	(339,512,034)
Budgetary transfers to the primary government are expenditures for financial reporting purposes.	<u>11,329,125</u>
Total other financing sources on the Statement of Revenue, Expenditures and Changes in Fund Balance - Governmental Fund.	<u>\$ 4,408,730</u>

*See accompanying independent auditors' report.*

County of Chesterfield, Virginia  
Discretely Presented Component Unit - School Board  
Statement of Net Position  
Fiduciary Funds  
June 30, 2018

	<u>Pension Trust Fund</u>	<u>Agency Funds</u>
	<u>Supplemental Retirement Program Fund</u>	<u>School Activities Fund</u>
<b>ASSETS</b>		
Cash and cash equivalents with trustee	\$ 1,330,384	\$ 6,405,476
Investments with trustee	26,663,454	-
Interest receivable	10,435	-
Total assets	<u>28,004,273</u>	<u>6,405,476</u>
<b>LIABILITIES</b>		
Amounts held for others	<u>-</u>	<u>\$ 6,405,476</u>
<b>NET POSITION</b>		
Restricted for pension benefits	<u>\$ 28,004,273</u>	

*See accompanying independent auditors' report.*

County of Chesterfield, Virginia  
Discretely Presented Component Unit - School Board  
Statement of Changes in Net Position  
Fiduciary Funds  
For the Year Ended June 30, 2018

	<u>Pension Trust Fund</u>
	<u>Supplemental Retirement Program</u>
<b>Additions</b>	
Contributions	\$ 16,270,315
Investment earnings:	
Interest and dividends	537,693
Net increase in the fair value of investments	<u>1,427,748</u>
Net investment earnings	<u>1,965,441</u>
Total additions	<u>18,235,756</u>
 <b>Deductions</b>	
Benefit payments	14,400,400
Administrative expenses	<u>109,809</u>
Total deductions	<u>14,510,209</u>
 Increase in net position	 3,725,547
 Net position - July 1, 2017	 <u>24,278,726</u>
Net position - June 30, 2018	<u>\$ 28,004,273</u>

*See accompanying independent auditors' report.*



## **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND NOTES**

County of Chesterfield, Virginia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2018

Federal Granting Agency/Recipient State Agency/Grant Program/(Grant ID)	CFDA#	Total Federal Expenditures
<b>Department of Agriculture</b>		
Pass-through payments:		
Department of Agriculture & Consumer Services:		
National School Lunch Program (181VA347N2535)	10.555 <sup>(1)</sup>	\$ 1,559,313
Department of Education:		
National School Lunch Program (201616N109941) (201717N109941)	10.555 <sup>(1)</sup>	9,525,026
Department of Juvenile Justice:		
National School Lunch Program (Commodities)	10.555 <sup>(1)</sup>	62,884
Department of Education:		
School Breakfast Program (201616N109941) (201717N109941)	10.553	3,287,982
Summer Food Service Program for Children 201818N109941	10.559	<u>1,240</u>
Total Child Nutrition Cluster - 10.553/10.555/10.559		\$ 14,436,445
Department of Education:		
Fresh Fruit and Vegetable Program (201615L160341) (201717L160341)	10.582	154,149
State Administrative Expenses for Child Nutrition (201717N-253341)	10.560	521
Child and Adult Care Food Program (59431)	10.558 <sup>(2)</sup>	4,396
Department of Health:		
Child and Adult Care Food Program (59431)	10.558 <sup>(2)</sup>	102,550
Department of Social Services:		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (0010118)	10.561	<u>2,057,988</u>
Total Supplemental Nutrition Assistance Program Cluster - 10.561		<u>2,057,988</u>
<b>Total Department of Agriculture</b>		<b><u>16,756,049</u></b>
<b>Department of Defense</b>		
Direct payments:		
JROTC	12.xxx	<u>313,583</u>
<b>Total Department of Defense</b>		<b><u>313,583</u></b>
<b>Department of Education</b>		
Direct payments:		
Impact Aid	84.041	29,530
<sup>(1)</sup> CFDA 10.555 Total \$11,147,223		
<sup>(2)</sup> CFDA 10.558 Total \$106,946		

County of Chesterfield, Virginia  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2018

Federal Granting Agency/Recipient State Agency/Grant Program/(Grant ID)	CFDA#	Total Federal Expenditures
<b>Department of Education (<i>continued</i>)</b>		
Pass-through payments:		
City of Richmond School Board:		
Adult Education - Basic Grants to States (AEFLA-42801-123-1718-ReA) (IELCE-61380-123-1718)	84.002	\$ 453,074
Education for Homeless Children and Youth (S196A170048)	84.196	14,422
Pass-through payments:		
Department of Education:		
Career and Technical Education - Basic Grants to States (V048A160046) (V048A160046)	84.048	520,898
English Language Acquisition State Grants (S365A150046) (S365A160046) (S365A170046) (S365A160044-CCPS-EXCELL-021)	84.365	377,294
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants) (S367A150044) (S367A160044) (S367A170044)	84.367	1,310,174
Preschool Development Grants (S419B150010) (S419B150010-16-40003-021) (S419B150010-17-APE40255-021)	84.419	1,699,866
Special Education Grants to States (021-APE60180-H027A150107) (021-APE60180-H027A160107) (021-DOE88106-H027A150107) (021-DOE88129-H027A160107) (DOE870040, DOE870042) (H027A150107) (H027A160107) (H027A170107)	84.027	\$ 11,777,612
Special Education Preschool Grants (H173A150112) (H173A160112)	84.173	<u>201,392</u>
Total Special Ed Cluster - 84.027 and 84.173		11,979,004
Special Education - Grants for Infants and Families (H181A170017)	84.181	309,118

County of Chesterfield, Virginia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2018

Federal Granting Agency/Recipient State Agency/Grant Program/ (Grant ID)	CFDA#	Total Federal Expenditures
<b>Department of Education (continued)</b>		
Student Support and Academic Enrichment Program (S424A170048)	84.424	\$ 36,835
Teacher Quality Partnership Grants (to VCU to CCPS)	84.336	115,413
Title I Grants to Local Educational Agencies (S010A150046) (S010A160046) (S010A170046) (42999-021-S010S150046)	84.010	7,900,534
Title I State Agency Program for Neglected and (S013A160046)	84.013	32,024
Twenty-First Century Community Learning Centers (021-60565-S287C150047) (00021-60565-S287C160047) (00021-APE60565-S287C170047)	84.287	869,687
<b>Total Department of Education</b>		<b><u>25,647,873</u></b>
<b>Department of Health and Human Services</b>		
Direct payments:		
Head Start (03CH3427-03-00) (03CH3427-04-00) (03CH3427-05-00) (03CH3427-05-01) (03CH3427-04-01)	93.600	1,397,133
Pass-through payments:		
Department of Behavioral Health and Development Service:		
Block Grants for Community Mental Health Services (50125)	93.958	93,239
Substance Abuse and Mental Health Services Projects of Regional and National Significance (No grant ID available)	93.243	108,281
Block Grants for Prevention and Treatment of Substance Abuse (50165) (50195)	93.959	756,256
Department of Health:		
Assistance Programs for Chronic Disease Prevention and Control (NU58DP004832-05-00)	93.945	6,776
Department of Social Services:		
Temporary Assistance for Needy Families (FAM-15-084-01) (0400118)	93.558	<u>\$ 1,445,250</u>
Total Temporary Assistance for Needy Families Cluster - 93.558		1,445,250

County of Chesterfield, Virginia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2018

Federal Granting Agency/Recipient State Agency/Grant Program/(Grant ID)	CFDA#	Total Federal Expenditures
<b>Department of Health and Human Services (continued)</b>		
Adoption Assistance (1120118)	93.659	\$ 1,058,976
Chafee Education and Training Vouchers Program (ETV) (9160118)	93.599	1,713
Chafee Foster Care Independence Program (9150118)	93.674	17,345
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (0760118)	93.596	\$ 179,921
Total Child Care Development Fund Cluster - 93.596		179,921
Children's Health Insurance Program (0540118)	93.767	81,700
Foster Care Title IV-E (1100118)	93.658	1,451,919
Low-Income Home Energy Assistance (0600418)	93.568	142,082
Medical Assistance Program (1200118)	93.778	2,085,772
Total Medicaid Cluster - 93.778		2,085,772
Pass-through payments:		
Department of Social Services:		
Promoting Safe and Stable Families (0950118)	93.556	111,101
Refugee and Entrant Assistance State/Replacement Designee Administered Programs (0500117)	93.566	4,060
Department of Behavioral Health and Development Service:		
Opioid STR (1H79T1080220)	93.788	204,554
Social Services Block Grant (1000118)	93.667	971,459
Stephanie Tubbs Jones Child Welfare Services Program (0900118)	93.645	3,085
<b>Total Department of Health and Human Services</b>		<b>10,120,622</b>
<b>Department of Homeland Security</b>		
Pass-through payments:		
Department of Emergency Management:		
Emergency Management Performance Grants (7141) (6927) (7437)	97.042	87,417

County of Chesterfield, Virginia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2018

Federal Granting Agency/Recipient State Agency/Grant Program/ (Grant ID)	CFDA#	Total Federal Expenditures
<b>Department of Homeland Security (continued)</b>		
Homeland Security Grant Program	97.067	\$ 613,938
(6791)		
(7198)		
(7065)		
(7301)		
(7305)		
(7309)		
(7310)		
(7560)		
(7561)		
(15VA-HSGP-0344)		
(15VA-HSGP-0346)		
(15VA-HSGP-0359&0337)		
(15VA-HSGP-0435)		
<b>Total Department of Homeland Security</b>		<b>701,355</b>
<b>Department of Housing and Urban Development</b>		
Direct payments:		
Community Development Block Grants/Entitlement Grants	14.218 <sup>(3)</sup>	\$ 989,658
(B15UC510004)		
(B16UC510004)		
(B17UC510004)		
Total Community Development Block Grants		
Entitlement Grants Cluster - 14.218		989,658
<b>Department of Housing and Urban Development</b>		
Direct payments:		
Home Investment Partnerships Program	14.239 <sup>(4)</sup>	391,344
(M12UC510212)		
(M13UC510212)		
(M14UC510212)		
(M15UC510212)		
(M16UC510212)		
(M17UC510212)		
Section 8 Housing Choice Vouchers	14.871	198,902
Total Housing Voucher Cluster - 14.871		198,902
<b>Total Department of Housing and Urban Development</b>		<b>1,579,904</b>

<sup>(3)</sup>Total Payments to Subrecipients CFDA #14.218 was \$463,213

<sup>(4)</sup>Total Payments to Subrecipients CFDA #14.239 was \$391,344

County of Chesterfield, Virginia  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2018

Federal Granting Agency/Recipient State Agency/Grant Program/(Grant ID)	CFDA#	Total Federal Expenditures
<b>Department of Justice</b>		
Direct payments:		
CAC CYC2018 Expansion Grant	16.758	\$ 1,703
Drug Court Discretionary Grant Program	16.585	98,697
Edward Byrne Memorial Justice Assistance Grant Program	16.738	55,163
Equitable Sharing Program	16.922	107,245
Public Safety Partnership and Community Policing Grants	16.710	193,732
Pass-through payments:		
Department of Criminal Justice Services:		
Crime Victim Assistance (17-W8587VW15) (18-X8587VW16)	16.575	520,223
Juvenile Justice and Delinquency Prevention (17-B3226JJ15) (18-C3226JJ16)	16.540	30,134
Violence Against Women Formula Grants (16-T9370VA15) (16-T9371VA15) (17-T9845VA16) (17-U9370VA16) (17-U9371VA16) (18-V9371VA17)	16.588	142,213
Edward Byrne Memorial Justice Assistance Grant Program (17-A4027AD15) (18-B4027AD15) (18-A4209AD11) (18-A4278AD12)	16.738	65,955
<b>Total Department of Justice</b>		<b><u>1,215,065</u></b>
<b>Department of the Interior</b>		
Direct payments:		
National Wildlife Refuge Fund	15.659	5,287
Chesapeake Bay Gateways Network	15.930	<u>150,000</u>
<b>Total Department of the Interior</b>		<b><u>155,287</u></b>
<b>Department of Transportation</b>		
Direct payments:		
Airport Improvement Program	20.106	105,864
Pass-through payments:		
Department of Motor Vehicles:		
State and Community Highway Safety (SC-2017-57009-6658) (AL-2017-57008-6657) (18-V9370VA17) (18-X9204020VA18)	20.600	\$ <u>253,223</u>
Total Highway Safety Cluster - 20.600		253,223

County of Chesterfield, Virginia  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2018

Federal Granting Agency/Recipient State Agency/Grant Program/(Grant ID)	CFDA#	Total Federal Expenditures
<b>Department of Transportation (continued)</b>		
Department of Transportation:		
Highway Planning and Construction	20.205	\$ 4,200,825
(097687)		
(101020)		
(101028)		
(102952)		
(104886)		
(104889)		
(104890)		
(105132)		
(106201)		
(107536)		
(108978)		
(109082)		
(109191)		
(109322)		
(111105)		
(111467)		
Total Highway Planning and Construction Cluster - 20.205		\$ 4,200,825
<b>Total Department of Transportation</b>		<b>4,559,912</b>
<b>Grand Total</b>		<b>\$ 61,049,650</b>



**County of Chesterfield, Virginia**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2018**

**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, which is described in Note 1 to the County's basic financial statements. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. 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 County's basic financial statements as follows:

<u>Fund</u>	<u>Federal Expenditures</u>
<b><u>Primary Government</u></b>	
<b>Governmental Activities</b>	
General Fund	\$ 9,519,499
County Capital Projects Fund	4,299,428
Non-major - Children's Services Fund	168,524
Non-major - Grants Fund	4,322,460
Non-major - Mental Health Fund	<u>860,920</u>
Total Governmental Activities	19,170,831
<b>Business-type Activities</b>	
Non-major - Airport Fund	<u>105,864</u>
Total Primary Government	19,276,695
<b><u>Component Unit</u></b>	
<b>Governmental Activities</b>	
School Operating Fund	<u>41,772,955</u>
Total	<u>\$ 61,049,650</u>

**4. Use of Indirect Cost Rate**

The County did not elect to use the 10% de minimus cost rate.



## 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 County's overall financial position.

	<u>Pages</u>
<b>Financial Trends .....</b>	<b>243-247</b>
<i>These schedules contain trend information to help the reader understand how Chesterfield's financial performance and well-being have changed over time.</i>	
<b>Revenue Capacity .....</b>	<b>248-252</b>
<i>These schedules contain information to help the reader assess Chesterfield's most significant local revenue source, property tax.</i>	
<b>Debt Capacity .....</b>	<b>253-255</b>
<i>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.</i>	
<b>Demographic and Economic Information .....</b>	<b>256-257</b>
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which Chesterfield operates.</i>	
<b>Operating Information .....</b>	<b>258-260</b>
<i>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.</i>	

**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 Position By Component**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**  
**(unaudited)**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Governmental activities <sup>(4)</sup></b>										
Net investment in capital assets	\$ 530,702,086	\$ 552,032,799	\$ 574,885,562	\$ 599,754,295	\$ 627,400,224	\$ 645,911,815	\$ 655,698,497	\$ 689,654,404	\$ 735,341,966	\$ 780,470,955
Restricted	42,099,392	52,160,770	58,812,683	61,519,784	51,154,743	58,156,804	67,370,966	70,554,116	56,082,770	50,759,262
Unrestricted <sup>(3)</sup>	149,288,745	160,465,007	187,964,641	188,996,281	185,082,324	12,913,401	31,322,429	87,873,727	28,288,647	83,769,679
Total governmental activities net position <sup>(1)(2)</sup>	\$ 722,090,223	\$ 764,658,576	\$ 821,662,886	\$ 850,270,360	\$ 863,637,291	\$ 716,982,020	\$ 754,391,892	\$ 848,082,247	\$ 819,713,383	\$ 914,998,896
<b>Business-type activities <sup>(4)</sup></b>										
Net investment in capital assets	\$ 714,330,054	\$ 741,730,464	\$ 765,410,845	\$ 770,297,665	\$ 785,112,123	\$ 787,859,447	\$ 795,520,705	\$ 809,352,317	\$ 821,397,739	\$ 823,755,861
Restricted	25,002,197	25,417,498	15,637,228	15,815,265	16,559,193	15,838,389	16,053,703	9,237,200	9,423,700	9,650,000
Unrestricted <sup>(3)</sup>	114,292,930	117,421,774	130,992,671	140,426,616	159,659,711	178,869,952	204,092,283	236,886,193	270,950,710	323,244,774
Total business-type activities net position <sup>(2)</sup>	\$ 853,625,181	\$ 884,569,736	\$ 912,040,744	\$ 926,539,546	\$ 961,331,027	\$ 982,567,788	\$ 1,015,666,691	\$ 1,055,475,710	\$ 1,101,772,149	\$ 1,156,650,635
<b>Primary government <sup>(4)</sup></b>										
Net investment in capital assets	\$ 1,245,032,140	\$ 1,293,763,263	\$ 1,340,296,407	\$ 1,370,051,960	\$ 1,412,512,347	\$ 1,433,771,262	\$ 1,451,219,202	\$ 1,499,006,721	\$ 1,556,739,705	\$ 1,604,226,816
Restricted	67,101,589	77,578,268	74,449,911	77,335,049	67,713,936	73,995,193	83,424,669	79,791,316	65,506,470	60,408,262
Unrestricted <sup>(3)</sup>	263,581,675	277,886,781	318,957,312	329,422,897	344,742,035	191,783,353	235,414,712	324,759,920	299,239,357	407,014,453
Total primary government net position <sup>(1)(2)</sup>	\$ 1,575,715,404	\$ 1,649,228,312	\$ 1,733,703,630	\$ 1,776,809,906	\$ 1,824,968,318	\$ 1,699,549,808	\$ 1,770,058,583	\$ 1,903,557,957	\$ 1,921,485,532	\$ 2,071,649,531

(1) Due to implementation of GASB Statement 61 in 2013, the Economic Development Authority is reflected as a blended component unit in the business-type activity of the primary government. Historical data was not restated.

(2) Due to implementation of GASB Statement 63 in 2013, all references to net assets were changed to net position.

(3) Due to implementation of GASB Statement 65 in 2014, deferred bond issuance costs are no longer reported as an asset on the Statement of Net Position and total net position at the beginning of the year was restated.

(4) 2014 net position was restated to reflect the adoption of GASB Statement 68. 2017 net position was restated to reflect the adoption of GASB Statement 75.

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Expenses</b>										
<b>Governmental activities:</b>										
General government	\$ 64,753,892	\$ 59,652,475	\$ 58,141,077	\$ 63,848,744	\$ 61,583,107	\$ 96,779,940	\$ 117,197,913	\$ 125,427,912	\$ 126,708,814	\$ 125,580,003
Administration of justice	10,165,647	9,689,658	9,838,076	10,074,871	9,672,405	11,684,376	10,653,019	11,101,741	10,896,810	10,957,857
Public safety	158,317,621	154,703,866	159,738,182	164,335,666	176,821,834	176,699,204	175,196,278	173,299,691	183,370,852	178,417,303
Public works	32,749,415	31,583,528	28,851,217	38,710,140	41,785,217	31,041,438	42,172,196	40,504,952	45,072,932	53,275,901
Health and welfare	73,645,385	70,707,991	72,416,110	72,359,200	73,067,353	74,100,466	76,361,327	80,438,889	84,390,086	89,977,088
Parks, recreation and cultural	26,279,170	23,871,068	21,531,768	24,969,646	22,970,560	23,224,544	23,582,693	24,321,586	26,351,945	27,912,496
Education - School Board	337,123,894	308,669,193	310,962,247	262,561,566	277,126,087	278,232,715	303,960,336	291,984,801	308,043,018	321,030,368
Community development	19,839,416	17,316,286	18,143,396	26,219,996	18,844,043	19,393,334	20,536,333	19,903,410	21,062,911	23,234,184
Interest on long-term debt	20,554,873	24,463,742	21,600,283	19,825,526	19,285,140	16,870,029	16,000,836	14,212,999	14,269,395	15,326,987
Total governmental activities expenses	743,429,313	700,657,807	701,222,356	682,905,355	701,155,746	728,026,046	785,660,931	781,195,981	820,166,763	845,712,187
<b>Business-type activities:</b>										
Water	34,499,851	36,788,760	36,717,857	37,959,144	40,454,185	38,375,432	38,754,527	40,998,118	40,873,429	41,633,594
Wastewater	28,938,778	28,892,927	30,679,018	36,165,218	41,534,715	39,090,012	38,114,324	39,897,750	39,030,892	40,566,705
Non-major funds	2,033,079	1,894,870	1,892,830	2,083,379	9,369,149	4,055,728	10,335,478	2,850,847	5,561,422	4,135,956
Total business-type activities expenses	65,471,708	67,576,557	69,289,705	76,207,741	91,358,049	81,521,172	87,204,329	83,746,715	85,465,743	86,336,255
Total primary government expenses	\$ 808,901,021	\$ 768,234,364	\$ 770,512,061	\$ 759,113,096	\$ 792,513,795	\$ 809,547,218	\$ 872,865,260	\$ 864,942,696	\$ 905,632,506	\$ 932,048,442
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
Charges for services:										
General government <sup>(5)</sup>	\$ 24,291,925	\$ 24,296,030	\$ 25,073,965	\$ 25,626,551	\$ 26,076,591	\$ 66,075,291	\$ 74,618,852	\$ 87,579,064	\$ 89,880,633	\$ 92,966,265
Public safety	15,444,515	13,374,815	14,615,801	14,839,567	16,973,314	16,485,692	18,371,561	18,657,124	19,565,438	18,588,424
Health and welfare	20,718,939	21,580,964	22,551,628	21,210,460	22,239,975	22,804,250	23,781,553	22,882,370	24,742,209	30,813,568
Other activities <sup>(6)</sup>	11,831,679	11,385,840	13,727,131	14,101,549	14,594,343	14,743,719	17,153,696	16,427,067	20,830,090	14,807,815
Operating grants and contributions	96,146,925	90,963,621	94,216,649	96,081,067	96,078,901	98,916,691	102,888,009	124,992,376	119,088,730	120,872,849
Capital grants and contributions	8,057,210	7,117,695	19,507,591	19,066,565	23,441,463	21,062,977	25,298,534	22,966,675	33,389,320	38,957,791
Total governmental activities program revenues	176,491,193	168,718,965	189,692,765	190,925,759	199,404,587	240,088,620	262,112,205	293,504,676	307,496,420	317,006,712
<b>Business-type activities:</b>										
Charges for services:										
Water	33,557,269	35,294,123	34,918,515	35,354,772	38,354,424	38,445,173	42,259,584	43,582,483	47,735,250	50,258,066
Wastewater	31,135,811	32,991,772	34,197,043	35,363,104	37,315,136	38,392,347	41,235,104	43,742,327	46,868,841	49,402,056
Non-major funds	626,602	614,093	651,579	612,878	2,029,452	994,995	1,310,723	1,010,202	1,592,940	1,269,885
Operating grants and contributions	-	-	-	-	-	-	5,500,000	-	-	-
Capital grants and contributions	33,860,040	31,029,526	26,705,648	19,399,060	24,777,852	29,325,331	28,249,364	33,153,748	39,834,148	37,817,134
Total business-type activities program revenues	99,179,722	99,929,514	96,472,785	90,729,814	102,476,864	107,157,846	118,554,775	121,488,760	136,031,179	138,747,141
Total primary government program revenues	\$ 275,670,915	\$ 268,648,479	\$ 286,165,550	\$ 281,655,573	\$ 301,881,451	\$ 347,246,466	\$ 380,666,980	\$ 414,993,436	\$ 443,527,599	\$ 455,753,853

(Continued)

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (566,938,120)	\$ (531,938,842)	\$ (511,529,591)	\$ (491,979,596)	\$ (501,751,159)	\$ (487,937,426)	\$ (523,548,726)	\$ (487,691,305)	\$ (512,670,343)	\$ (528,705,475)
Business-type activities	33,708,014	32,352,957	27,183,080	14,522,073	11,118,815	25,636,674	31,350,446	37,742,045	50,565,436	52,410,886
Total primary government net expense	<u>\$ (533,230,106)</u>	<u>\$ (499,585,885)</u>	<u>\$ (484,346,511)</u>	<u>\$ (477,457,523)</u>	<u>\$ (490,632,344)</u>	<u>\$ (462,300,752)</u>	<u>\$ (492,198,280)</u>	<u>\$ (449,949,260)</u>	<u>\$ (462,104,907)</u>	<u>\$ (476,294,589)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes: <sup>(1)</sup>										
Property taxes, levied for general purposes	953,614	940,457	1,025,519	1,083,691	1,633,193	1,951,192	1,881,961	2,667,960	3,224,211	3,221,313
Property taxes, levied for special purposes	19,760,114	7,510,925	7,676,851	7,513,492	7,692,460	7,802,992	7,927,826	7,867,528	8,043,759	8,216,114
Utility taxes	38,465,858	37,775,437	39,951,936	40,411,325	42,293,047	42,924,462	44,938,389	45,306,831	47,915,376	50,014,870
Sales taxes	7,386,980	6,698,408	6,813,084	6,872,589	7,097,823	12,194,196	14,167,545	14,275,048	13,944,691	15,210,404
Motor vehicle licenses	16,949,861	15,163,683	16,139,259	17,332,709	17,250,726	18,351,123	19,756,323	20,742,026	20,580,987	21,217,270
Business license taxes	13,019,147	9,259,788	9,240,961	10,508,806	10,662,930	10,261,244	11,315,246	13,122,548	13,777,956	15,141,786
Other	74,630,044	55,662,221	61,378,052	10,243,723	7,988,893	5,375,603	10,293,109	9,427,230	-	-
Payment from School Board	51,746,112	66,053,783	66,236,099	65,404,091	65,943,441	66,119,764	65,959,716	65,104,169	65,462,954	65,744,743
Unrestricted grants and contributions <sup>(2)</sup>	5,823,371	1,517,603	1,096,015	730,507	633,538	540,383	322,164	1,121,270	1,549,802	4,422,305
Miscellaneous	1,425,727	713,621	607,932	6,239,952	814,327	15,663	859,804	603,354	260,951	1,454,046
Special item - Meadowville Support Agreement	-	-	(8,345,000)	-	-	-	-	-	-	-
Transfers	1,528,448	3,126,266	700,079	608,273	(2,154,078)	(183,577)	(997,797)	(714,882)	(749,313)	(222,238)
Total governmental activities	<u>607,638,891</u>	<u>574,507,195</u>	<u>568,533,901</u>	<u>520,587,070</u>	<u>517,392,314</u>	<u>535,500,243</u>	<u>560,958,598</u>	<u>581,381,660</u>	<u>595,239,071</u>	<u>623,990,988</u>
<b>Business-type activities:</b>										
Investment earnings	3,915,192	1,717,864	988,007	585,002	264,515	463,468	750,660	1,352,092	974,328	2,245,362
Miscellaneous	-	-	-	-	-	3,866,638	-	-	3,328,675	-
Transfers	(1,528,448)	(3,126,266)	(700,079)	(608,273)	2,154,078	183,577	997,797	714,882	749,313	222,238
Total business-type activities	<u>2,386,744</u>	<u>(1,408,402)</u>	<u>287,928</u>	<u>(23,271)</u>	<u>2,418,593</u>	<u>4,513,663</u>	<u>1,748,457</u>	<u>2,066,974</u>	<u>5,052,316</u>	<u>2,467,600</u>
Total primary government	<u>\$ 610,025,635</u>	<u>\$ 573,098,793</u>	<u>\$ 568,821,829</u>	<u>\$ 520,563,799</u>	<u>\$ 519,810,907</u>	<u>\$ 540,013,926</u>	<u>\$ 562,707,055</u>	<u>\$ 583,448,634</u>	<u>\$ 600,291,387</u>	<u>\$ 626,458,588</u>
<b>Change in Net Position <sup>(3)(4)</sup></b>										
Governmental activities	\$ 40,700,771	\$ 42,568,353	\$ 57,004,310	\$ 28,607,474	\$ 15,641,155	\$ 47,562,817	\$ 37,409,872	\$ 93,690,355	\$ 82,568,728	\$ 95,285,513
Business-type activities	36,094,758	30,944,555	27,471,008	14,498,802	13,537,408	30,150,357	33,098,903	39,809,019	55,617,752	54,878,486
Total primary government	<u>\$ 76,795,529</u>	<u>\$ 73,512,908</u>	<u>\$ 84,475,318</u>	<u>\$ 43,106,276</u>	<u>\$ 29,178,563</u>	<u>\$ 77,713,174</u>	<u>\$ 70,508,775</u>	<u>\$ 133,499,374</u>	<u>\$ 138,186,480</u>	<u>\$ 150,163,999</u>

<sup>(1)</sup> Some years' tax categories have been restated for comparability between years.

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

<sup>(3)</sup> Due to implementation of GASB 61 in 2013, the Economic Development Authority is reflected as a blended component unit in the business-type activity of the primary government. Historical data was not restated.

<sup>(4)</sup> Due to implementation of GASB 63 in 2013, all references to net assets have been changed to net position.

<sup>(5)</sup> The Healthcare Fund, an internal service fund reported in the general government function of governmental activities on the Statement of Net Position, was established in 2014 to reflect the operations of the County's self-funded healthcare functions.

<sup>(6)</sup> Other activities: Administration of Justice, Public Works, Parks, Recreation and Cultural, Education and Community development.

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

	2009 <sup>(1)</sup>	2010 <sup>(1)</sup>	2011	2012	2013	2014	2015	2016	2017	2018
<b>General Fund</b>										
Reserved	\$ 67,004,317	\$ 68,057,843	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved:										
Designated	94,647,808	108,860,017	-	-	-	-	-	-	-	-
Undesignated	53,495,000	53,495,000	-	-	-	-	-	-	-	-
Total unreserved	148,142,808	162,355,017	-	-	-	-	-	-	-	-
Restricted	-	-	11,486,173	13,461,857	13,554,070	14,600,770	16,031,238	19,074,127	18,168,690	19,209,996
Committed	-	-	690,074	736,367	755,493	710,785	725,267	1,484,040	1,468,131	1,680,987
Assigned	-	-	182,374,682	190,269,268	186,350,588	198,068,805	197,476,873	233,819,201	263,559,665	276,746,618
Unassigned	-	-	53,495,000	53,495,000	53,495,000	55,000,000	58,000,000	58,668,400	60,004,400	60,004,400
Total General Fund	\$ 215,147,125	\$ 230,412,860	\$ 248,045,929	\$ 257,962,492	\$ 254,155,151	\$ 268,380,360	\$ 272,233,378	\$ 313,045,768	\$ 343,200,886	\$ 357,642,001
<b>All Other Governmental Funds</b>										
Reserved	\$ 161,454,879	\$ 128,379,230	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special Revenue Funds	2,782,267	3,118,649	-	-	-	-	-	-	-	-
Nonspendable	-	-	5,000	5,000	5,000	5,000	5,000	5,000	-	-
Restricted	-	-	120,021,503	137,170,899	112,858,827	95,619,953	78,588,171	149,020,985	205,384,023	154,872,844
Assigned, reported in:										
School Capital Projects Fund	-	-	215,000	215,000	215,671	153,848	228,029	150,352	-	-
Special Revenue Funds	-	-	6,086,966	5,989,380	6,332,718	4,609,034	6,049,972	5,432,814	10,813,637	15,914,420
Total all other governmental funds	\$ 164,237,146	\$ 131,497,879	\$ 126,328,469	\$ 143,380,279	\$ 119,412,216	\$ 100,387,835	\$ 84,871,172	\$ 154,609,151	\$ 216,197,660	\$ 170,787,264

Note: 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)**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Revenues</b>										
General property taxes	\$ 375,887,861	\$ 370,358,546	\$ 370,513,296	\$ 358,569,311	\$ 360,929,869	\$ 371,300,388	\$ 387,980,769	\$ 403,863,868	\$ 422,283,775	\$ 446,596,315
Other local taxes <sup>(1)</sup>	95,581,960	76,551,062	80,008,276	82,831,721	85,392,248	92,145,704	98,580,358	102,101,705	105,016,089	110,964,756
Permits, fees and licenses	4,542,125	3,984,902	3,586,770	3,864,896	5,208,451	4,760,670	6,821,163	6,764,863	7,425,213	7,824,332
Fines and forfeitures	2,097,014	2,119,362	2,296,228	2,301,977	2,278,991	3,204,800	2,496,443	1,811,841	2,171,101	2,245,952
Use of money and property	6,344,978	2,055,073	1,652,694	1,351,053	1,313,194	1,262,769	866,562	1,818,019	2,280,980	5,174,673
Charges for services	34,623,544	34,833,624	38,623,262	36,850,784	38,355,482	37,172,314	39,271,152	41,805,240	46,833,619	51,553,451
Donations and miscellaneous	7,782,805	6,499,504	8,559,883	16,211,413	12,774,759	19,100,597	11,069,175	10,402,779	14,796,966	9,195,955
Recovered costs	15,339,867	13,760,783	13,140,128	11,371,267	12,239,642	12,440,763	12,988,894	10,892,720	7,115,564	7,115,564
From component unit - School Board	74,630,044	55,662,221	61,378,052	10,243,723	7,988,893	5,375,603	10,293,109	9,427,230	12,945,526	11,329,125
From component unit - Other <sup>(2)</sup>	-	-	168,557,560	2,769,593	-	177,141,197	552,324	-	-	-
From other governments <sup>(1)</sup>	149,519,290	157,456,277	169,439,273	695,805,011	699,899,931	723,619,341	754,867,570	786,915,502	816,001,421	857,072,997
Total revenues	766,349,488	723,281,354	748,316,149	695,805,011	699,899,931	723,619,341	754,867,570	786,915,502	816,001,421	857,072,997
<b>Expenditures</b>										
General government	45,833,201	43,215,375	42,636,365	46,315,295	44,647,030	46,364,334	45,747,255	46,519,517	47,014,959	56,277,595
Administration of justice	8,966,363	8,756,089	9,152,233	9,195,838	9,278,278	9,448,941	9,511,417	10,195,274	9,739,559	10,217,442
Public safety	150,999,210	151,122,446	156,223,287	156,149,460	168,719,717	172,409,410	174,546,991	177,339,678	180,405,571	183,280,257
Public works	19,849,499	18,365,860	17,330,421	18,329,261	19,045,092	16,660,840	16,707,503	17,329,618	18,210,063	19,836,094
Health and welfare	72,934,960	69,919,248	72,668,435	71,807,826	72,032,431	73,968,332	76,045,471	81,622,971	83,973,130	86,974,554
Parks, recreation and cultural	21,505,518	19,681,201	22,374,211	18,012,985	18,126,307	18,635,571	18,352,707	19,258,487	20,747,230	21,634,902
Education - School Board	316,956,577	286,137,953	286,952,462	237,812,405	250,493,166	251,029,300	271,952,519	288,106,031	282,418,123	294,272,019
Community development	18,177,218	15,893,983	16,956,080	25,316,409	17,854,792	18,567,487	20,104,987	19,727,695	20,882,779	23,343,007
Debt service:										
Principal	43,910,171	44,075,601	45,453,298	43,650,523	44,454,795	45,917,114	49,466,021	41,579,430	42,473,914	47,879,070
Interest	23,992,255	23,841,263	23,687,589	22,493,861	21,155,270	20,734,214	18,269,647	17,737,591	17,730,105	19,373,255
Other	565,906	85,997	667,429	1,318,521	261,685	427,758	110,342	1,275,819	683,442	584,745
Capital outlay	99,877,943	62,797,936	59,272,863	66,143,705	80,530,541	73,868,935	69,836,981	76,490,074	93,304,435	135,661,606
Total expenditures	823,568,821	743,892,952	753,374,673	716,546,089	746,599,104	748,032,236	770,651,841	777,182,185	817,583,310	899,334,546
Excess of expenditures over (under) revenues	(57,219,333)	(20,611,598)	(5,058,524)	(20,741,078)	(46,699,173)	(24,412,895)	(15,784,271)	9,733,317	(1,581,889)	(42,261,549)
<b>Other Financing Sources (Uses)</b>										
Transfers in	32,521,513	26,765,458	21,388,162	22,438,998	27,079,327	24,769,872	30,229,920	24,801,835	28,874,860	54,709,089
Transfers out	(30,981,265)	(23,627,392)	(20,625,300)	(21,433,578)	(29,169,767)	(24,824,689)	(31,214,517)	(25,194,469)	(34,467,073)	(54,654,921)
Certificates of participation issued	7,371,199	-	-	-	-	-	-	-	-	-
Bonds issued	74,043,219	-	16,822,749	40,385,607	21,014,209	16,157,318	-	100,910,386	98,917,642	11,238,100
Refunding bonds and certificates of participation issued	-	-	7,399,075	82,654,235	-	51,645,470	-	134,941,531	20,224,000	-
Payments to escrow agent	(22,425,825)	-	(7,462,503)	(82,086,894)	-	(51,587,953)	-	(134,642,231)	(20,223,913)	-
Sale of redevelopment asset	-	-	-	5,751,083	-	3,453,705	5,105,223	-	-	-
Total other financing sources, net	82,976,111	3,138,066	17,522,183	47,709,451	18,923,769	19,613,723	4,120,626	100,817,052	93,325,516	11,292,268
Net change in fund balances	\$ 25,756,778	\$ (17,473,532)	\$ 12,463,659	\$ 26,968,373	\$ (27,775,404)	\$ (4,799,172)	\$ (11,663,645)	\$ 110,550,369	\$ 91,743,627	\$ (30,969,281)
Debt service as a percentage of noncapital expenditures	9.20%	9.71%	9.70%	9.74%	9.46%	9.57%	9.18%	8.14%	7.98%	8.41%

**Notes:**

(1) Beginning in 2010, telecommunications taxes were reported as revenues from other governments due to changes in State Code.  
(2) Due to implementation of GASB 61 in 2013, the Economic Development Authority is reflected as a blended component unit in the business-type activity of the primary government, historical balances have not been restated.

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Real property taxes	\$ 310,906,883	\$ 303,352,142	\$ 295,381,760	\$ 285,653,410	\$ 282,586,919	\$ 289,899,514	\$ 302,662,551	\$ 313,731,924	\$ 325,839,487	\$ 342,996,966
Property taxes for special purposes	953,614	1,357,751	2,196,240	2,632,222	2,970,251	3,184,749	3,331,972	3,865,636	5,336,834	6,032,778
Personal property taxes <sup>(1)</sup>	87,280,037	86,882,112	93,145,764	90,652,518	95,133,946	98,447,249	102,263,777	106,926,822	109,572,215	115,288,966
Real and personal public service corporation taxes	11,462,397	12,475,064	12,646,051	12,612,667	13,243,578	12,709,368	12,681,584	12,861,027	13,885,590	14,610,625
Machinery and tools taxes	4,333,848	4,339,276	4,281,381	4,725,416	4,769,060	4,773,224	4,912,750	4,564,090	5,372,984	5,039,046
Local sales and use tax <sup>(2)</sup>	38,465,858	37,918,258	40,138,121	40,604,124	42,688,309	43,536,148	45,413,418	46,094,554	48,668,697	50,014,870
Business license taxes	16,949,861	15,163,683	16,139,258	17,332,709	17,250,726	18,351,123	19,756,323	20,742,026	20,580,987	21,539,767
Consumer utility tax <sup>(3)</sup>	7,499,495	7,510,925	7,676,851	7,513,492	7,692,460	7,802,992	7,927,826	7,867,528	8,043,759	8,216,114
Motor vehicle licenses	7,386,980	6,698,408	6,813,084	6,872,589	7,097,823	12,194,196	14,167,545	14,275,048	13,944,691	15,210,404
Recordation tax	4,306,611	3,905,500	3,479,084	4,048,619	4,630,333	4,209,707	4,715,219	5,655,737	5,892,181	6,383,590
Transient occupancy tax	3,960,301	3,503,222	3,727,095	4,081,220	4,202,868	4,072,726	4,463,850	4,931,324	5,186,616	5,757,601
Cable franchise fees <sup>(3)</sup>	3,332,022	-	-	-	-	-	-	-	-	-
Other taxes <sup>(3) (4)</sup>	16,677,576	4,895,315	5,960,726	5,792,299	5,147,892	5,357,144	5,356,360	5,541,905	6,067,871	6,720,577
Total	\$ 513,515,483	\$ 488,001,656	\$ 491,585,415	\$ 482,521,285	\$ 487,414,165	\$ 504,538,140	\$ 527,653,175	\$ 547,057,621	\$ 568,391,912	\$ 597,811,304

<sup>(1)</sup> 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 as non-categorical aid from the Commonwealth in the financial statements.

<sup>(2)</sup> Includes Watkins Centre and Chippenham Place Community Development Authorities incremental sales tax.

<sup>(3)</sup> 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.

<sup>(4)</sup> Includes penalties and interest on property taxes.

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

<b>Fiscal Year</b>	<b>Assessed Values</b>					<b>Total</b>
	<b>Real Estate <sup>(2)</sup></b>		<b>Personal property</b>	<b>Machinery and tools</b>	<b>Public service</b>	
	<b>Residential</b>	<b>Commercial/ Industrial</b>				
<b>2009</b>	\$ 26,444,495,499	\$ 6,538,019,297	\$ 3,147,719,082	\$ 438,809,420	\$ 1,198,254,238	\$ 37,767,297,536
<b>2010</b>	25,404,972,139	6,199,204,274	3,047,498,874	435,428,490	1,294,938,309	36,382,042,086
<b>2011</b>	24,371,644,507	6,209,724,943	3,167,813,011	436,491,890	1,323,381,861	35,509,056,212
<b>2012</b>	23,297,692,124	6,377,907,210	3,291,845,888	471,584,010	1,314,798,015	34,753,827,247
<b>2013</b>	23,270,154,936	6,549,579,765	3,483,680,323	477,379,120	1,388,250,675	35,169,044,819
<b>2014</b>	24,137,868,679	6,750,914,605	3,495,271,898	478,934,270	1,326,654,615	36,189,644,067
<b>2015</b>	25,216,056,226	6,978,880,525	3,678,673,795	492,208,390	1,306,718,575	37,672,537,511
<b>2016</b>	26,301,749,013	7,275,677,327	3,825,378,513	464,611,380	1,346,367,453	39,213,783,686
<b>2017</b>	27,654,285,819	7,404,623,041	3,990,515,453	524,819,940	1,450,194,577	41,024,438,830
<b>2018</b>	29,253,035,058	7,736,277,161	4,146,470,073	501,803,911	1,529,828,157	43,167,414,360

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.

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

Fiscal Year	Personal Property										Total <sup>(6)</sup> direct tax rate
	Real estate <sup>(5)</sup>	Airplanes	Motor vehicles clean special fuels	Motor <sup>(1)</sup> vehicles of voluntary personnel	Wild or exotic animals	Special equipped motor vehicles physically handicap	Vehicle <sup>(2)</sup> trailer and semi-trailer	All <sup>(3)</sup> others	Machinery and tools		
2009	\$ 0.95	\$ 0.50	\$ 3.24	\$ 0.96	\$ 0.01	\$ 0.01	\$ 0.96	\$ 3.60	\$ 1.00	\$ 1.17	
2010	0.95	0.50	3.24	0.96	0.01	0.01	0.96	3.60	1.00	1.17	
2011	0.95	0.50	3.24	0.96	0.01	0.01	0.96	3.60	1.00	1.19	
2012	0.95	0.50	3.24	0.96	0.01	0.01	0.96	3.60	1.00	1.20	
2013	0.95	0.50	3.24	0.96	0.01	0.01	0.96	3.60	1.00	1.21	
2014	0.95/0.96 <sup>(4)</sup>	0.50	3.24	0.96	0.01	0.01	0.96	3.60	1.00	1.21	
2015	0.96	0.50	3.24	0.96	0.01	0.01	0.96	3.60	1.00	1.22	
2016	0.96	0.50	3.24	0.96	0.01	0.01	0.96	3.60	1.00	1.22	
2017	0.96	0.50	3.24	0.96	0.01	0.01	0.96	3.60	1.00	1.22	
2018	0.96/0.95 <sup>(4)</sup>	0.50	3.24	0.96	0.01	0.01	0.96	3.60	1.00	1.21	

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 a supplemental tax rate of \$0.15 per \$100 in addition to the real estate rate.
- (6) The total direct tax rate for each fiscal year is per \$100 of assessed value and is calculated on a weighted average basis with no adjustment for prorated personal property tax valuations.

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

	2018			2009		
	<u>Taxpayer</u>	<u>Assessed value<sup>(1)</sup></u>	<u>Percentage of total assessed valuation</u>	<u>Rank</u>	<u>Assessed value<sup>(2)</sup></u>	<u>Percentage of total assessed valuation</u>
		\$ 1,038,542,245	2.41 %	1	\$ 747,273,958	1.98 %
	Dominion Virginia Power	198,084,725	0.46	2	216,448,629	0.57
	Verizon Communications	141,318,600	0.33	3	100,911,700	0.27
	Bon Secours St. Francis Medical Center	128,022,400	0.30	4		
	RPI Chesterfield, LLC	98,911,080	0.23	5	58,456,494	0.15
	Columbia Gas of Virginia, Inc.	94,354,100	0.22	6		
	PFI VPN Portfolio Fee Owner, LLC	83,411,400	0.19	7		
	Capital One, NA	82,985,100	0.19	8		
	Zaremba Metropolitan Mid LLC	74,108,200	0.17	9		
	AERC Belvedere/AERC River LLC	68,342,700	0.16	10	113,360,800	0.30
	Philip Morris USA				236,495,590	0.63
	E. I. duPont De Nemours and Company				90,595,020	0.24
	C. J. W. Medical Center				144,362,400	0.38
	Brandywine Operating Partnership				117,480,100	0.31
	Macerich Partnership				68,096,500	0.18
	Wal-Mart Stores, Inc.				\$ 1,893,481,191	5.01%
		\$ 2,008,080,550	4.63%			

Source: Assessor and Commissioner of Revenue, Chesterfield County

(1) Includes real estate and public service assessed value.

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

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

Fiscal year	Taxes levied for the fiscal year (original levy)	Net Adjustments & Supplemental Billings <sup>(1)</sup>	Total adjusted levy	Collected within the fiscal year of the levy		Collections in subsequent years	Total collections to date	
				Amount	Percentage of original levy		Amount	Percentage of adjusted levy
2009	\$ 418,267,041	\$ (2,586,887)	\$ 415,680,154	\$ 400,440,812	95.74 %	\$ 13,575,264	\$ 414,116,031	99.60 %
2010	413,886,463	(3,146,845)	410,739,618	395,328,026	95.52	13,905,272	409,682,554	99.74
2011	405,337,481	(3,225,128)	402,112,353	386,437,915	95.34	12,646,256	401,000,086	99.72
2012	399,214,675	(2,546,047)	396,668,628	380,070,636	95.20	12,572,376	396,076,381	99.85
2013	401,085,271	(2,479,808)	398,605,463	381,522,800	95.12	12,222,507	398,001,376	99.85
2014	409,264,558	(1,960,891)	407,303,667	391,757,210	95.72	11,650,602	406,242,410	99.74
2015	426,586,417	(1,673,149)	424,913,268	408,501,369	95.76	11,080,626	423,162,575	99.59
2016	444,012,047	(1,533,094)	442,478,953	424,981,948	95.71	10,636,476	440,123,931	99.47
2017	461,670,403	6,520,820	468,191,223	438,733,745	95.03	18,100,594	456,842,083	97.58
2018	474,416,085	-	474,416,085	461,398,602	97.26	-	461,398,602	97.26

Source: Chesterfield County Treasurer's Office

Includes taxes levied on real estate, personal property, mobile homes and machinery and tools. Includes the supplemental property taxes in the Powhite-Charter Colony Parkway Interchange Service District, Chesterfield Towne Center - Southport Area Service District, Eastern Midlothian Turnpike Corridor Service District and the reimbursement to the County by the Commonwealth of Virginia for personal property tax relief.

(1) Beginning July 1, 2017, due to a system conversion, supplemental tax billings are accounted for by tax year (calendar year). Accordingly, supplemental billings are recorded in the tax year billed. Previous to July 1, 2017, supplemental tax billings were accounted for by fiscal year.

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

Fiscal year	Governmental Activities					Business-type Activities							Debt per capita
	General obligation bonds	Other <sup>(1)(5)</sup>	Support Agreement	Public facility lease revenue bonds	Certificates of participation <sup>(2)</sup>	Capital leases	Revenue bonds <sup>(3)</sup>	Certificates of participation	Other <sup>(4)</sup>	Total primary government	Percentage of personal income	Population	
2009	\$ 505,891,876	\$ 55,218	\$ 14,860,000	\$ 8,855,000	\$ 87,229,897	\$ 1,321,452	\$ 103,468,860	\$ 1,465,225	\$ -	\$ 723,147,528	5.48 %	314,000	
2010	466,949,639	-	14,020,000	8,050,000	82,191,233	1,124,886	98,111,156	1,374,043	-	671,820,957	5.00	316,000	
2011	443,933,544	-	21,090,000	7,181,908	77,164,671	965,406	89,839,438	1,282,861	-	641,457,828	4.57	318,000	
2012	445,807,265	-	19,810,000	6,472,548	72,355,642	843,702	86,186,985	1,186,678	-	632,662,820	4.28	319,000	
2013	427,213,319	-	18,515,000	5,783,123	66,976,004	713,211	82,394,135	1,074,955	-	602,669,747	4.04	323,000	
2014	411,873,615	-	17,205,000	5,070,833	59,505,802	573,493	78,486,034	1,014,588	-	573,729,365	3.72	328,000	
2015	371,651,300	-	15,890,000	4,169,249	48,468,654	424,086	74,452,824	901,665	-	515,957,778	3.15	332,000	
2016	423,290,121	30,422,731	14,560,000	3,292,722	29,079,233	263,624	63,872,739	742,019	-	565,523,189	3.37	336,000	
2017	472,910,798	36,586,858	13,220,000	2,441,134	25,039,681	90,613	57,155,952	654,194	-	608,099,230	3.51	339,000	
2018	411,408,111	67,355,041	11,865,000	1,614,369	14,073,959	-	50,802,534	550,724	259,715	557,929,453	3.11	344,000	

(1) Includes state literary loans, subfund revenue bonds, revenue bonds and direct borrowings.

(2) Includes a taxable redevelopment facility note.

(3) Includes subfund revenue bonds.

(4) Includes Airport Revolving Loan Fund.

(5) In FY2018, the County early implemented GASB 88. Some outstanding amounts were reclassified however historical information was not restated.

**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 are found on Table XIII.

N/A = not available

**County of Chesterfield, Virginia**  
**Ratios of General Obligation Bonded Debt Outstanding**  
**Last Ten Fiscal Years**  
**(unaudited)**

<u>Fiscal year</u>	<u>General obligation bonds outstanding <sup>(1)</sup></u>	<u>Estimated population <sup>(2)</sup></u>	<u>Per capita</u>	<u>Assessed value of taxable property <sup>(3)</sup></u>	<u>Ratio to assessed value</u>
2009	\$505,891,876	314,000	\$1,567	\$37,767,297,536	1.34%
2010	466,949,639	316,000	1,439	36,382,042,086	1.28
2011	443,933,544	317,000	1,359	35,509,056,212	1.25
2012	445,807,265	320,000	1,339	34,753,827,247	1.28
2013	427,213,319	324,000	1,263	35,169,044,819	1.21
2014	411,873,615	328,000	1,174	36,189,644,067	1.14
2015	371,651,300	332,000	1,050	37,672,537,511	0.99
2016	423,290,121	335,000	1,264	39,213,783,686	1.08
2017	472,910,798	339,000	1,395	41,024,438,830	1.15
2018	425,704,111	344,000	1,238	43,167,414,360	0.99

*Source:*

(1) Includes 2017A General Obligation Refunding Bond.

(2) Population - Chesterfield County Planning Department estimates.

(3) Assessed value of taxable property - Chesterfield County Assessor's office.



**County of Chesterfield, Virginia**  
**Pledged Revenue Coverage**  
**Last Ten Fiscal Years**  
**(unaudited)**

<b>Water and Sewer Revenue Bonds</b>									
<b>Fiscal Year</b>	<b>Gross revenues<sup>(1)</sup></b>	<b>Less operating expenses<sup>(2)</sup></b>	<b>Net revenues available for debt service</b>	<b>Debt Service</b>		<b>Coverage</b>			
				<b>Principal</b>	<b>Interest</b>				
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			
2013	86,156,434	45,591,945	40,564,489	3,685,000	3,242,180	586			
2014	96,431,708	43,675,137	52,756,571	3,805,000	3,115,606	762			
2015	97,137,443	43,572,048	53,565,395	3,935,000	2,979,931	775			
2016	105,244,822	45,358,971	59,885,851	4,080,000	2,844,330	865			
2017	114,862,024	46,368,663	68,493,361	4,855,000	2,130,832	980			
2018	122,754,614	47,481,191	75,273,423	4,665,000	2,325,375	1,077			

(1) Operating revenues, interest and connection fees as described in Note.

(2) Net of depreciation and 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 revenues, 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> <sup>(1)</sup>	<u>Personal income</u> <sup>(2)</sup> <u>(\$000)</u>	<u>Per capita income</u> <sup>(2)</sup>	<u>Unemployment rate</u> <sup>(3)</sup>	<u>Median age</u> <sup>(1)</sup>
2009	314,000	\$ 13,207,921	\$ 42,063	6.6 %	36.0
2010	316,000	13,445,152	42,548	7.3	35.9
2011	317,000	14,034,086	44,272	6.8	37.6
2012	320,000	14,775,617	46,174	6.1	37.6
2013	324,000	14,913,720	46,030	5.7	37.0
2014	328,000	15,432,850	47,051	5.1	37.5
2015	332,000	16,358,793	49,273	4.3	37.9
2016	335,000	16,796,517	50,139	3.9	38.0
2017	339,000	17,339,268	51,148	3.6	38.2
2018	344,000	17,942,252	52,158	2.8	38.6

## Sources:

(1) U. S. Census Bureau.

(2) U. S. Bureau of Economic Analysis (BEA) (prior years' estimates are updated periodically). Per Capita Income for 2017 and 2018 is based on a trend average of 2009 - 2016. Personal Income amounts for 2017 and 2018 are calculated by multiplying the population estimates by the Per Capita Personal Income estimates for each year.

(3) Virginia Employment Commission (prior years' rates are updated periodically).

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

	2018 <sup>(1)</sup>			2009 <sup>(2)</sup>		
	<u>Employee Class Size</u>	<u>Rank<sup>(4)</sup></u>	<u>Percentage<sup>(3)</sup> of total civilian labor force</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of total civilian labor force</u>
Amazon Com KYDC Inc.	1000 and over	1	1.07%			
United Parcel Service	1000 and over	1	1.07	1,967	2	1.13%
HCA Virginia Health System/C.J.W. Medical Center	1000 and over	1	1.07	1,400	5	0.81
E.I. duPont De Nemours Company	1000 and over	1	1.07	2,508	1	1.44
Wal-Mart Stores Inc.	1000 and over	1	1.07	1,555	3	0.90
Kroger	1000 and over	1	1.07			
Anteon Corporation	1000 and over	1	1.07			
Bon Secours Richmond Health System/St. Francis Medical Center	1000 and over	1	1.07	975	7	0.56
Hill Phoenix	1000 and over	1	1.07	900	8	0.52
Food Lion, Inc.	500 to 999	10	0.40	869	9	0.50
Capital One Financial Corporation	500 to 999	10	0.40	853	10	0.49
Ukrops Supermarkets, Inc.				1,420	4	0.82
Vangent				1,200	6	0.69
Estimated total	19,499		12.04 %	13,647		7.86%
Total civilian labor force <sup>(3)</sup>	186,996			173,684		

Source: (1) Virginia Employment Commission Community Profile for Chesterfield County updated 7/24/18

(2) Chesterfield County Economic Development Department reported as of January 2009

(3) Percentages are based on the midpoint of the employment range

(4) Rankings are based on the midpoint of the employment range

**County of Chesterfield, Virginia**  
**Full-time County Employees by Function**  
**Last Ten Fiscal Years**  
**(unaudited)**

<u>Function</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>Governmental activities</b>										
General government	519	490	476	479	467	459	467	478	478	467
Administration of justice	160	156	154	157	159	156	150	158	159	153
Public safety:										
Fire	463	462	461	474	471	469	466	488	495	486
Police	567	593	575	573	600	595	601	608	621	608
Sheriff	244	235	222	246	238	253	250	269	256	256
Other	201	198	190	187	184	184	198	200	196	194
Total public safety	1,475	1,488	1,448	1,480	1,493	1,501	1,515	1,565	1,568	1,544
Public works	159	152	147	147	138	138	136	140	142	141
Health and welfare	580	547	554	553	557	574	570	576	544	585
Parks, recreation and cultural	187	179	161	165	162	165	164	162	179	175
Community development	91	84	74	74	75	71	75	73	77	87
Total governmental activities	3,171	3,096	3,014	3,055	3,051	3,064	3,077	3,151	3,147	3,151
<b>Business-type activities <sup>(1)</sup></b>										
Water	153	148	151	152	151	148	149	150	152	151
Wastewater	129	130	128	128	126	124	129	129	122	125
Airport	5	5	4	5	3	3	3	3	3	3
Total business-type activities	287	283	283	285	280	275	281	282	277	279
Grand total	3,458	3,379	3,297	3,340	3,331	3,339	3,358	3,433	3,424	3,430
Number of County employees per 1,000 population	11.0	10.7	10.4	10.5	10.3	10.2	10.1	10.2	10.1	10.0

Source: Chesterfield County Accounting Department

(1) Economic Development Authority has no employees.

**County of Chesterfield, Virginia**  
**Operating Indicators by Function**  
**Last Ten Fiscal Years**  
**(unaudited)**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Police</b> <sup>(1)</sup>										
Police Activities <sup>(2)</sup>	485,401	591,749	672,668	726,521	725,962	730,179	693,517	677,212	683,042	652,326
IBR Group A Incidents/Part 1 Offenses	17,224	17,145	17,079	17,173	16,182	16,242	16,044	16,432	16,588	16,147
IBR Group A Clearance Rate/Uniform Clearance Rate	46%	48%	50%	51%	51%	53%	50%	51%	48%	48%
Average Response Time for Priority 1 (life threatening calls)	3:55 min.	3:23 min.	3:48 min.	3:41 min.	3:65 min.	3:93 min.	3:79 min.	3:57 min.	3:57 min.	4:19 min.
<b>Fire and EMS</b>										
Emergency operations dispatches	32,946	32,924	34,314	36,856	36,245	36,881	38,184	39,756	41,725	42,532
Emergency medical ambulance dispatches	25,354	25,784	26,143	27,846	28,322	28,319	29,122	29,731	32,515	34,586
Fire engine medical support calls	13,459	12,792	11,351	11,901	11,833	11,218	11,107	11,178	13,491	14,489
Firefighter staffed ambulance calls	20,220	20,804	22,967	22,776	23,648	24,789	24,372	25,598	27,633	28,737
Building inspections conducted	4,575	3,459	3,438	3,083	2,857	3,092	2,675	3,277	3,190	3,354
Construction plans reviewed	2,065	1,408	943	974	890	911	1,100	1,150	1,222	1,362
<b>Library</b> <sup>(4) (7)</sup>										
Total circulation <sup>(5)</sup>	3,474,052	3,292,105	2,825,447	3,936,793	4,043,135	5,081,592	6,472,601	5,348,564	5,674,592	2,798,632
Number of visitors <sup>(8)</sup>	1,877,105	1,858,961	1,465,236	1,345,052	4,639,926	3,927,804	3,661,350	3,214,190	3,242,218	4,098,014
Number of reference and general assistance questions <sup>(8) (10)</sup>	625,521	603,058	416,031	404,500	3,683,524	3,355,392	10,180,296	10,280,044	13,654,770	5,107,832
Number of public access computer sessions <sup>(3) (6)</sup>	548,332	557,588	444,636	376,970	449,030	565,293	698,891	440,464	622,933	802,629
<b>Elections</b>										
Registered voters	209,078	207,273	210,946	216,135	220,162	222,826	220,903	228,605	234,134	239,116
<b>Utilities</b>										
Water customers serviced	100,054	100,668	101,147	102,000	103,132	104,447	105,847	107,212	108,949	110,584
Wastewater customers serviced	84,067	84,566	85,010	85,843	86,893	88,122	89,406	90,660	92,223	93,874
<b>Parks and Recreation</b>										
Number of park visitors	4,061,315	4,670,192	4,710,680	4,212,834	4,674,494	N/A <sup>(9)</sup>	5,335,987	5,810,922	6,383,686	6,676,771
Cost per visitor	\$ 0.27	\$ 0.20	\$ 0.18	\$ 0.25	\$ 0.24	N/A <sup>(9)</sup>	\$ 0.27	\$ 0.22	\$ 0.15	N/A

Source: County Departments providing the service

(1) Information is compiled based on a calendar year prior to fiscal year 2010.

(2) Fiscal years 2010, 2011 and 2012 counts were updated in fiscal year 2013 to reflect consistent reporting. Beginning in fiscal year 2017, this category included written warnings.

(3) Automated counts for all of the public computer work stations became available after implementation of the Internet Management System in fiscal year 2009.

(4) Beginning on July 1, 2011, libraries were open one less day per week. Library hours were restored in September 2016.

(5) Beginning in fiscal year 2012, includes traditional and electronic total circulation.

(6) Beginning in fiscal year 2012, is also included in total circulation.

(7) Beginning in fiscal year 2013, all library statistics include digital patronage.

(8) The Bon Air Library was closed for renovations for half of fiscal year 2014.

(9) Visitor counts are not available for fiscal year 2014.

(10) Beginning in fiscal year 2015, adjustments were made to the method of capturing customer initiated metrics.

N/A = Not available

**County of Chesterfield, Virginia**  
**Capital Asset Statistics by Function**  
**Last Ten Fiscal Years**  
**(unaudited)**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>Airport</b>										
Number of airplane hangars	110	110	110	110	110	110	110	110	110	110
<b>Police</b>										
Number of stations	4	4	4	4	4	4	4	4	5	5
<b>Fire Protection</b>										
Number of fire companies	21	21	21	21	21	21	22	22	22	22
<b>Library</b>										
Number of facilities	9	9	9	9	9	9	9	10	10	10
<b>Utilities</b>										
Water line in system (miles)	1,823	1,839	1,857	1,871	1,889	1,902	1,920	1,946	1,971	1,993
Wastewater line in system (miles)	1,926	1,945	1,962	1,970	1,984	2,000	2,022	2,044	2,077	2,104
<b>Parks and Recreation</b>										
Number of parks	45	45	46	51	52	52	52	54	56	57
Park acreage	4,387	4,412	4,494	4,532	4,535	4,535	4,561	4,625	4,863	5,131
Number of athletic complexes maintained	11	11	11	11	11	11	11	11	12	12

Source: County Departments providing the service

(1) Information includes sites and acreage available to the public as a result of partnership agreements.

## COMPLIANCE SECTION

**Report of Independent Auditor on Internal Control over Financial Reporting and on  
Compliance with Other Matters Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with the 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, 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, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 31, 2018. Our report recognizes that the County implemented three new accounting standards effective July 1, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A *deficiency in internal control* 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 a combination of deficiencies, in internal control, 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County's financial statements are free from 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* or under the *Specifications for Audits of Counties, Cities, and Towns*.



**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Cheryl Behrman CP". The signature is written in a cursive, flowing style.

Richmond, Virginia  
October 31, 2018

## **Report of Independent Auditor on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance**

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

### **Report on Compliance for Each Major Federal Program**

We have audited the County of Chesterfield, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County of Chesterfield, Virginia's (the "County") major federal programs for the year ended June 30, 2018. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the County complied, in all material respects, with the types of 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, 2018.

### **Report on Internal Control over Compliance**

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 a 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. 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.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Cheryl Behrman CP". The signature is written in a cursive, flowing style.

Richmond, Virginia  
October 31, 2018

County of Chesterfield, Virginia

Schedule of Findings and Questioned Costs

Year Ended June 30, 2018

**A. Summary of Auditor's Results**

1. The type of report issued on the basic financial statements: **Unmodified opinion**
2. Significant deficiencies in internal control disclosed by the audit of the financial statements: **None reported**
3. Material weaknesses in internal control disclosed by the audit of financial statements: **No**
4. Noncompliance, which is material to the financial statements: **No**
5. Significant deficiencies in internal control over major programs: **None reported**
6. Material weaknesses in internal control over major programs: **No**
7. The type of report issued on compliance for major programs: **Unmodified opinion**
8. Any audit findings which are required to be reported under the Uniform Guidance: **No**
9. The programs tested as major programs were:

<u>CFDA Number</u>	<u>Name of Federal Program and Cluster</u>
10.553, 10.555, 10.559	Child Nutrition Cluster
84.027, 84.173	Special Education Cluster

10. Dollar threshold used to distinguish between type A and type B programs: **\$1,831,490**
11. County of Chesterfield does not qualify as a low-risk auditee under Section 530 of Uniform Guidance

**B. Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards***

None reported

**C. Findings and Questioned Costs Relating to Federal Awards**

None reported

**D. Findings and Questioned Costs Relating to Compliance with Commonwealth of Virginia Regulations, Contracts and Grants**

None reported

**E. Status of Prior Year Findings**

None noted

This report was prepared by the Accounting Department  
Chesterfield County, Chesterfield, Virginia, 23832

## ACCOUNTING DEPARTMENT EMPLOYEES

*June Albrecht  
Donna Arrington  
Debbie Baicy  
Ronda Bailey  
Patricia Baskerville  
Stacy Boatwright  
Angela Borum  
Karen Brittain  
Mattie Brown  
Patsy Brown  
Kristina Buchanan*

*Stephanie Burton  
Kimberly Collette  
Michael Dance  
Dana Davis  
Adrienne Epstein  
Elizabeth Fritts  
Anna Hall  
Rawn Hyatt  
Antionette Jefferson  
Catherine Jeter  
Carol Kelley*

*Susan Kern  
Michelle Kirksey  
Lorraine Kosobucki  
Diane Lanier  
Dawana Lowry  
Staci McCarter  
Nicole Nicolosi  
Loretta Otey  
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*Martha Reiss  
Diane Shiflett  
Jessica Smiley  
Drecilla Smith  
Kristie Smith  
Kristie Szafranski  
Jessica Tankersley  
Kathy Taylor  
Lindsey Thornton  
Catie Wilson  
Consuela Wilson  
Pam Young*

*Cover photos: Top left - Stonebridge Recreation Center/Richmond Volleyball Club  
Center and bottom left - River City Sportsplex*



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