



The Comprehensive Annual Financial Report



Chesterfield County, Virginia

for the year ended June 30, 2016

COUNTY OF CHESTERFIELD, VIRGINIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2016

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

Chesterfield County, Virginia

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

GOALS

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

**County of Chesterfield, Virginia
Comprehensive Annual Financial Report
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INTRODUCTORY SECTION



Chesterfield County, Virginia

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BOARD OF SUPERVISORS

STEPHEN A. ELSWICK, CHAIRMAN
Matoaca District

DOROTHY JAECKLE, VICE CHAIRMAN
Bermuda District

CHRISTOPHER M. WINSLOW
Clover Hill District

JAMES M. "Jim" HOLLAND
Dale District

LESLIE A. T. HALEY
Midlothian District

November 8, 2016

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

Members of the Board:

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of Chesterfield County, Virginia (the County) for the fiscal year ended June 30, 2016. State law requires that local governments have all their accounts and records, including accounts and records of their constitutional officers, that comprise a set of 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, management of the County has established a comprehensive internal control framework that is designed both to protect the County's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with U. S. generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

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, 2016. 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, 2016, 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

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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 located 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 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 (Chippenhams Parkway) as connecting routes, providing quick access to I-64 and I-85. 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 336,000.

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 emerged as an important industrial hub as the first place in the nation where coal was mined commercially in the 1730's. The commercialization of the Midlothian mines resulted in other "firsts" occurring in the County. The Midlothian Turnpike, known as the Manchester or Buckingham Road, was the first paved road in Virginia in 1807. 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 was founded in 1749 and since 1988 has operated pursuant to a County Charter approved by the citizens of the County in a referendum election and subsequently enacted by the Virginia General Assembly. The governing body of the County is the Board of Supervisors (Board) that establishes policies for the administration of the County. The Board is composed of five members, one member elected from each of five magisterial districts. Members must 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 appoints a chief executive officer, a County Administrator, who serves at the pleasure of the Board and carries out the policies established by the Board.

The County provides a full range of municipal services 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, health and social services, parks and recreation, community development, and education. Additionally, the County operates a general aviation airport and water and wastewater utility systems (Utilities). 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 about 45 counties in the U. S. with a triple AAA rating for its general obligation bonds.

The financial reporting entity includes all of the funds of the County, the primary government, as well as all of its component units. Three discretely presented component units (i.e., School Board, Watkins Centre Community Development Authority, and Chippenhams 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 Comprehensive Services Fund. The County Administrator is authorized to amend appropriations by transferring any unencumbered balance or portion thereof from one classification of expenditure to another within the same department or appropriation category and may transfer up to \$50,000 from the unencumbered appropriated balance of one appropriation category to another appropriation category. No more than one transfer may be made for the same item causing the need for a transfer, unless the total amount to be transferred for the item does not exceed \$50,000. The Board must approve most other amendments that increase the total appropriation of any function level.

James J. L. Stegmaier served as County Administrator from August 2007 until his retirement effective July 1, 2016, with more than 36 years of service at Chesterfield County. The Board appointed Dr. Joseph P. Casey as his successor. Dr. Casey most recently served three years as Deputy County Manager for Henrico County, Virginia and in a similar Deputy position and as Finance Director of Hanover County, Virginia for over twenty years. Dr. Marcus J. Newsome retired as Superintendent of Chesterfield County Public Schools (CCPS) as of July 1, 2016. His successor, Dr. James F. Lane, accepted the appointment of Superintendent of CCPS and began in his position on July 1, 2016. Dr. Lane most recently served as Superintendent of Goochland County Public Schools in Central Virginia.

Local economy

Positive economic trends can be noted in the areas of job growth, unemployment, economic development, retail sales, and tourism. Comparisons of these trends to the Richmond MSA and the Commonwealth are favorable.

The County attracts a highly skilled labor force to quality jobs created in the region, which positions the County to prosper during healthy economic times and to weather downturns in the economy favorably. The U. S. Bureau of Labor Statistics data indicated the County had the fourth largest job gain (6.0%) among all large counties in the United States during the period December 2014 to December 2015 as compared to the national large county average of 1.9%. The County's annual unemployment rate of 4.3% in calendar year 2015 reflected continued improvement over the previous year's annual rate of 5.1%. The County fared better than the 2015 unemployment rates of the Richmond/Petersburg MSA of 4.8% and the Commonwealth's rate of 4.4%. Preliminary unemployment data for August 2016 reflects decreases in unemployment following similar trends, reporting the County's unemployment rate at 3.9% compared to the MSA's rate of 4.1% and the Commonwealth's unemployment rate of 4.1%. Improvements in unemployment are expected to continue to be gradual.

Labor Market Characteristics

Calendar Year	Civilian Labor Force	Number Employed	Chesterfield County	Percentage Unemployed			United States
				Richmond/Petersburg MSA	Commonwealth of Virginia		
2006	164,168	159,569	2.8	3.2	3.1		4.6
2007	165,682	161,332	2.6	3.1	3.0		4.6
2008	169,943	163,728	3.7	4.2	3.9		5.8
2009	167,338	156,218	6.6	7.8	6.7		9.3
2010	168,602	156,307	7.3	7.9	7.1		9.6
2011	171,539	159,940	6.8	7.1	6.6		8.9
2012	173,047	162,510	6.1	6.4	6.0		8.1
2013	174,761	164,919	5.6	5.9	5.7		7.4
2014	178,093	168,987	5.1	5.5	5.2		6.2
2015	179,333	171,634	4.3	4.8	4.4		5.3

Source: Local Area Unemployment Statistics (LAUS) program and Bureau of Labor Statistics

The County is committed to enhancing economic vitality by attracting business capital investment, reinvestment by established businesses, and new jobs. Meadowville Technology Park, one of Chesterfield's premier employment centers, has created jobs and investments in the County. In August 2016, Niagara Bottling

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LLC announced that it will invest \$95 million to establish a manufacturing and bottling operation to produce its Niagara brand and private label bottled water. Facilities operational at this site include Amazon's one million square foot, \$85 million distribution center which employs 3,000 full-time plus 4,700 seasonal employees, Capital One's \$15 million state-of-the-art data center, and Medline Industries' expansion into a \$20 million, 400,000 square foot facility. Nearby, Altria invested \$50 million to build a tobacco leaf storage warehouse complex totaling one million square feet.

The County's Department of Economic Development assists County companies in expanding their existing businesses and helps attract significant new business to the area. Business announcements this past year included investments of \$54 million and the creation of 1,100 new jobs. Economic development successes in recent years reflect the County's continued ability to attract a broad range of services and industry to the area and encompass projects in the manufacturing, product distribution, technology and health care sectors.

Historically, trends in taxable retail sales in the County have compared favorably to the Richmond/Petersburg MSA and the Commonwealth. Retail sales show a positive year-over-year change in taxable retail sales the past five years with County and MSA growth continuing to increase in 2015. The average annual rate of change in the County over the period 2006-2015 was 2.0% compared to 1.6% for the Richmond/Petersburg MSA and 1.3% for the Commonwealth.

Taxable Retail Sales⁽¹⁾
(\$ in 000's)

Calendar Year	Chesterfield County	% Change	Richmond/ Petersburg MSA	% Change	Commonwealth of Virginia	% Change
2006	\$ 3,419,399	NA	\$ 14,516,521	NA	\$ 89,478,625	NA
2007	3,593,576	5.1 %	15,198,975	4.7 %	92,043,249	2.9 %
2008	3,563,713	(0.8)	14,932,705	(1.8)	90,106,122	(2.1)
2009	3,345,048	(6.1)	14,150,214	(5.2)	85,869,132	(4.7)
2010	3,363,333	0.5	13,967,670	(1.3)	86,420,964	0.6
2011	3,502,240	4.1	14,472,427	3.6	89,070,341	3.1
2012	3,712,873	6.0	15,234,457	5.3	93,335,660	4.8
2013	3,750,484	1.0	15,422,322	1.2	94,597,894	1.4
2014	3,945,519	5.2	16,003,145	3.8	96,243,827	1.7
2015	4,073,926	3.3	16,762,555	4.7	100,219,957	4.1

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 5.1% of the County's total assessed value tax base. The County's taxpayer and employment bases contain a broad range of industries including manufacturing, healthcare, retail sales and financial services. Detailed information regarding the top ten taxpayer statistics and employer diversity can be found on pages 205 and 211, respectively.

The County's real estate market continued to exhibit solid fundamentals during calendar year 2015, headlined by an increase in the number of home sales, further declines in foreclosures and steady construction activity. Existing home values posted moderate gains with the average County home value increasing by 2.5% over the previous year. The value of all real property in the County, which includes changes in the values of existing properties and gains from new construction, increased by 4.2% during 2015. Looking ahead, the County's forecast looks for further measured growth in real property values in response to solid underlying market fundamentals and the fact that many of the County's communities are among the region's most sought after destinations.

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 prepares a financial plan with a detailed budget for the upcoming year and projections for the next four years (five-year plan) which includes commitments made for priorities identified by the Board. The multi-year projections permit policy makers and staff to plan ahead for future needs and to manage growth of services while promoting transparency. Additionally, the multi-year budgeting process allows the County to systematically plan for multi-year acquisitions

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and program financing, thereby allowing for maximized cash flow and investment. Development of this plan is guided by the strategic plan, Blueprint Chesterfield, which provides a means to link both individual and departmental performance to the County's strategic goals using a measurement system to indicate progress toward its goals.

The County prepared and approved the fiscal year 2017 (FY2017) financial plan with balanced revenues and expenditures with projections for the next four years. The FY2017 financial plan holds the real estate tax rate even with the prior year and increases spending by 3.6%. Investments continue in public safety, libraries, storm water management and education. The budget includes four additional police officer positions; staffing to provide 24-hour emergency medical service in the community served by the Manchester Fire Station; further investments in protective equipment replacement for first responders; a 2% merit increase for qualifying employees; funds to continue a multi-year effort to enhance library materials collections, and restoration of Thursday library hours which were previously cut in July 2010 during the economic downturn. The budget also includes a comprehensive package to support and encourage small business growth in the County. Recognizing the important role small businesses play in our local economy, the Jumpstart Program provides a new, dedicated staff resource to Economic Development, additional resources for the County's Business Expansion Incentive Fund, and business license tax relief accomplished through an update to the business, professional and occupational license (BPOL) rate structure, the first such revision to BPOL since 2002. As planned, the school budget adds 28 teacher positions as part of an ongoing effort to reduce class sizes, increases eligible teacher pay by 3% and continues replacement of the school division's bus fleet. The FY2017 financial plan was carefully developed with focus on improving service quality.

Real property tax revenues continue to be the County's main funding source, representing 46.0% of the budget for general fund generated revenues in FY2017. Total real property revenues for FY2017 are budgeted at \$342.8 million, an increase of \$12.7 million (3.8%) from the FY2016 adopted budget. At January 2016, assessed home values increased for the third consecutive year with a 2.5% increase over January 2015. This trend is projected to continue with solid, but measured, growth in home prices projected at 3.0% for January 2017. Personal property taxes are another major source of local revenue for the County and are budgeted in FY2017 at \$63.9 million, reflecting an increase of 5.6% from the FY2016 adopted budget. The projected increase in personal property tax collections reflects growth that has already occurred as opposed to expected future increases. While lower gas prices have provided a significant boost in the popularity of light trucks and SUVs, the FY2017 budget recognizes the volatility of energy markets and the likelihood that consumers could begin to pull back from purchasing new vehicles. The FY2017 financial plan projects Commonwealth revenue in the General Fund to increase by 3.4% to \$139.8 million in FY2017.

Each year, the County prepares a Capital Improvement Program (CIP), 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.

The CIP for fiscal years 2017-2021 (FY2017-2021 CIP) reflects the priorities established in the November 2013 bond referendum where the citizens of the County passed a \$304.0 million general obligation bond referendum to support school facility improvements, headlined by the renovation or replacement of ten older schools and the addition of one elementary school. Voters also approved a \$49.0 million general obligation bond referendum to provide for the replacement of the County's emergency communication system, which is the primary communications system used by first responders. This CIP continues to focus on major maintenance, implementation of key technology systems, completion of the public safety radio project, an acceleration of the funding for the school revitalization package, full utilization of the Revenue Sharing Program for transportation projects and further investment in ongoing economic development and tourism initiatives. The FY2017-2021 CIP totals \$945.4 million and is comprised of County improvements of \$300.5 million, School Board improvements of \$264.1 million and Utilities Department improvements of \$380.8 million.

The FY2017-2021 CIP represents a fiscally responsible approach in its level of reliance on long-term financing for general County improvement projects. Further, in keeping with the Board's financial policy regarding funding a portion of capital improvements with current revenues, the FY2017-2021 CIP exceeds the targeted current revenue funding levels for both County and School Board projects. The County has a goal of funding at least 20% of the general County projects and at least 10% of the School Board projects with current revenues. The FY2017-2021 CIP proposes current revenue funding levels (including cash proffers) of 80.8% for County projects and 28.7% for School Board projects over the five-year planning period.

In response to the ongoing fiscal challenges inherent in the current economic environment, the County adopts a prudent approach toward financial and debt management. The portion of the County's operating budget dedicated to the repayment of debt is capped by policy at 10% of general government expenditures. The County's policy of funding a large portion of capital expenditures on a "pay as we go" basis by consistently reserving 5% of operating expenditures for capital investments further enhances debt management. In addition, each year the County dedicates 8% of total general fund expenditures to unassigned fund balance. This is a tenet of the Board's commitment to prudent financial planning because it eliminates the need for short-term borrowing, ensures that current obligations including debt payments can be met, and provides a cushion against the potential impact of significant unexpected changes in revenues.

The County's fiscally responsible financial policies, solid financial results and sound management were reaffirmed as the County issued General Obligation Improvement and Refunding bonds in June 2016 where both Standard and Poor's, Moody's, and Fitch Ratings rated the bonds as "AAA". The County's strong credit characteristics including a sizeable and diversifying tax base, its carefully managed financial operations with sound reserves and conservative budget management and moderate debt position with manageable future borrowing needs were cited as conclusions for 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 and the ratings for Utilities bonds were reaffirmed as Water and Wastewater Refunding Bonds were also issued in June 2016.

Initiatives

The County's strategic plan, "Blueprint Chesterfield", reflects the existing culture of excellence in performance and customer service. The mission, "Providing a FIRST CHOICE community through excellence in public service" and the vision "To be an extraordinary and innovative community in which to live, learn, work, and play" paints the picture of a high quality of life for residents. The County's strategic goals provide County leaders with an improved framework to enhance the ability to create priorities and allocate resources, with focus on results. The County's 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

The financial plan for FY2017 began with the FY2016 five-year plan framework which assessed and provided an improved framework for addressing critical needs. Programmatically, this financial plan focuses on improving service quality by making measured investments in front line areas. A continued commitment to the five-year plan will improve the level of transparency and accountability for financial planning.

With adoption of the FY2017 budget, the Board implemented a Stormwater Utility that levies a flat \$25 fee annually for residential properties and a scaled fee for commercial property based on the size of the impervious surface on the property. Stormwater Utility fees will be used to implement the County's Chesapeake Bay Total Daily Maximum Load (TMDL) compliance plan. TMDL is a federal mandate pushed down to local governments with no federal funding provided for implementation. County projects to meet TMDL mandates are ramping up, headlined in the FY2017 budget by the Falling Creek Reservoir project. Falling Creek is accelerated in this budget to both leverage cost savings towards the County's MS4 permit and to provide some environmental revitalization in an older portion of the County. By implementing a dedicated source of funding for TMDL, the Board avoided an exacerbation of the effects of deferred maintenance.

In the fall of 2015, the County awarded a contract for the Community Development division to develop a new Enterprise Land Management (ELM) system. Identified as a priority need, ELM will automate and integrate Community Development processes including permitting, land disturbance, zoning, inspections, and code compliance with all processes housed within a single system. The development community will see significant modernization of division processes with the provision of online permit and plan submission, fee payment, status updates, inspection results and other contact opportunities. ELM is expected to be substantially completed during FY2018.

In December 2015, the Board gave final approval to funding for the Chesterfield Center for Arts which is envisioned as a community performing arts center with primarily regional programming. The County is partnering with the Chesterfield Center for the Arts Foundation, which has raised donations to contribute to the funding of the

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center. The center will have a main theater with an orchestra pit and state-of-the-art sound and lighting equipment, classrooms and a multi-purpose meeting room. Other amenities include a large patio, a kitchen for caterers and concessions and an art gallery.

In March 2016, the North Courthouse Road Library, a state-of-the-art facility that will serve as a major community resource for residents and businesses in the area, was opened. Built with LEED-certified sustainable design components, such as energy efficient heating and cooling equipment, it also includes a system that recycles rainwater for landscape irrigation and skylights to reduce energy costs. The renovation of Central Library will occur through the next year to provide more space for reading, meeting, collaborative learning, innovative programming, and a small business center. The Cooperative Extension Office will be relocated to space within Central Library to facilitate utilization of the facility's new features in its programming.

The County manages several construction road projects. The County continues to invest annually in the Virginia Transportation Department Revenue Sharing (Revenue Sharing) program, which in the recent past has provided a dollar for dollar match up to \$10 million to localities to finance transportation projects. One of the road projects completed in June 2016 was the widening of Route 60 to six lanes between Alverser Drive and Old Buckingham Road. This project, funded with Revenue Sharing and federal Regional Surface Transportation Program funds, enhances access to neighborhoods, businesses and retail, including the first Central Virginia Wegman's grocery store that opened in Stonehenge Village in May 2016.

One of the major road projects underway is a \$54 million project to improve the Route 10 corridor between Interstate 95 and the Meadowville Technology Park. This fully-funded project involves widening Route 10 between Bermuda Triangle Road and Meadowville Road to eight lanes with improvements to the intersection at Route 10 and Meadowville Road. Right-of-way acquisition is underway with construction anticipated in 2018. The County is also managing a \$25 million project to widen Woolridge Road as part of Magnolia Green Community Development Authority. Currently the right-of-way phase is underway with utility relocations scheduled to begin during the fall of 2016.

This summer, the County launched its "Build Chesterfield's Blueprint" program that invited County residents to share their thoughts about strategic and budget priorities through an online survey and at various community workshops. The online responses received combined with workshop input confirmed the County priorities of Education, Transportation/Roads, and Public Safety and provided input for areas of focus and quality of life. Feedback received will be used to shape a five-year plan for Chesterfield County's upcoming FY2018 budget planning process.

A reformed cash proffer policy was adopted in September 2016 for FY2017 to overhaul the policy that had guided the evaluation of zoning cases since 1989. The new policy is to be applied to zoning cases not yet approved by the Board. The reformed proffer policy provides for a maximum \$9,400 proffer for roads, reducing the former maximum proffer amount as of September 2016 by more than 50% and simplifying proffer administration by eliminating categories for Schools, Parks, and Fire Stations and removing the inflation index. The elimination of cash proffers for revitalization-preservation projects should assist with re-establishing older communities. The policy revisions are designed to encourage appropriate and long lasting residential communities that should enhance property values and support the submission of quality and revitalization area projects. Future zoning case recommendations will be guided by the cash proffer policy and quality concepts being developed by staff.

During FY2013 the Board adopted a new comprehensive plan, *Moving Forward - The Comprehensive Plan for Chesterfield County*, which serves as the County's long-term growth and development guide. This plan emphasizes the need for the revitalization of older residential and commercial areas in the County. A project team evaluated these needs and identified the following priorities to improve revitalization: 1) public investment in public facilities and infrastructure to serve as a catalyst for private investment in older neighborhoods; 2) improved property maintenance initiatives; and 3) increased communication and coordination with neighborhood, community, and business associations who serve as partners in revitalization. The FY2016 adopted budget included establishing a position for a Revitalization Manager to oversee coordination of these priorities and other County revitalization efforts. This effort has included: 1) County revitalization projects associated with the revitalization of Providence and Manchester Middle Schools; 2) integration of revitalization into County processes, including zoning case review and public facility site selection; 3) promotion and communication of County revitalization efforts to community organizations; 4) improvements to revitalization information resources; and 5) development of revitalization initiatives through the Northern Jefferson Davis Special Area Plan.

The County is beginning to update the comprehensive plan adopted during FY2013. The update will include a review of each of the 16 chapters that comprise the current plan, to include: County growth trends and conditions,

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updated land use and public facility recommendations, and a new implementation schedule. The update will incorporate direction from the community, county administration, the Board and the Planning Commission. It is anticipated that the updated draft of the countywide plan will be substantially complete by the end of calendar year 2017, and formally adopted by the Board in 2018.

The County's sports tourism industry continues to thrive with an increase in diverse sporting events through partnerships with Richmond Sports Backers, Richmond Region Tourism, and the Chesterfield Chamber of Commerce. During the FY2016 period, sports tourism generated \$37.7 million in economic impact. New events such as the US Lacrosse Under 15 National Championship, the White Mountain Sports Shooting Star Field Hockey Tournament, the National Field Hockey Coaches Association Spring Fling Field Hockey Tournament, and the Eastern Zones Swimming Championship contributed to a \$7.1 million increase in economic impact. County sports venues include the Collegiate School Aquatics Center (Swim RVA), River City Sportsplex, Clover Hill Sports Complex, Ironbridge Park, Stratton Park and Pocahontas State Park, each of which hosted major events in the past year. Visibility through enhanced social media awareness will support and strengthen the growth and impact of sports tourism. Improvements in venues to support sports tourism, such as future planned improvements to the Clover Hill Sports Complex, also provide opportunities for County residents to use the expanded and enhanced facilities.

The County received eighteen National Association of Counties (NACo) Achievement Awards in July 2016 for programs that promote responsible, responsive, and effective government through the leadership of the Board. The programs receiving these awards support a campaign to modernize and streamline County government and increase service to citizens. Awards were received for programs in the areas mental health support services, workplace safety, utilities process improvements, technology, planning, energy savings, and strategic and sustainable budget practices, and energy savings. The County received two achievement awards from the Virginia Association of Counties (VACo) Achievement Awards for which the awards criteria include innovation, cooperation and model practices. The County's "Same Day Access Program", a Mental Health Support Services' program that provides a streamlined and more customer-friendly approach to service intake and significantly improves the timeliness of service delivery. The County's second award for the "Library as a Lifeboat: A Library and Emergency Management Partnership" program, transforms the County's libraries into a key player in local response to emergency planning by sheltering displaced daytime residents, distributing meals and disseminating disaster information and updates to residents during emergencies. In March 2016, then Chesterfield County Administrator James J. L. Stegmaier and School Superintendent Dr. Marcus Newsome were awarded the Active RVA Changemakers award at the Active RVA Summit. They were recognized for supporting active living and effectively reaching approximately 12,000 employees with messages, programs and services that help to improve the quality of their lives. The County has once again been named among the counties with the best technology practices across the United States. The County placed second on the Digital Counties Survey in the 250,000 - 499,999 populations for 2016 and has been named among the top ten counties nationwide six times in the past seven years.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting (Certificate of Achievement) to the County for its CAFR for the fiscal year ended June 30, 2015. This was the thirty-fifth consecutive year that the County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for one year. We believe our current CAFR continues to meet the GFOA's Certificate of Achievement requirements and are submitting it to the GFOA to determine its eligibility for another certificate.

The County Budget and Management Department received the Distinguished Budget Presentation Award from the GFOA for its annual budget for the fiscal year beginning July 1, 2016 and ending June 30, 2017. The FY2017 budget represents the 31st consecutive year that Chesterfield County has received this award. In addition, the County received overall ratings as proficient or outstanding in all review categories. To achieve this award, a government must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications device. This is the highest form of recognition for excellence in local government budgeting.

The Chesterfield County Public Schools' Department of Management and Budget also received the Distinguished Budget Presentation Award from the GFOA for its annual budget for the fiscal year beginning July 1, 2015 and ending June 30, 2016. Achievement of this award indicates that their published budget document meets

the program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device. The FY2017 budget document has been submitted to the GFOA to determine its eligibility for this award.

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 2015, NIGP reaccruited the County's Purchasing Department with the Outstanding Agency Accreditation Achievement Award for demonstrating excellence in public purchasing. Currently, out of the 2,949 NIGP governmental agency members, Chesterfield is one of only 56 in the nation and Canada to have attained this distinction and was the eighth agency overall to attain this distinction.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Dr. Casey", with a long, sweeping horizontal line extending to the right.

Dr. Joseph P. Casey
County Administrator

A handwritten signature in blue ink, reading "Patsy J. Brown", in a cursive style.

Patsy J. Brown, CPA
Director of Accounting





Government Finance Officers Association

**Certificate of
Achievement
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in Financial
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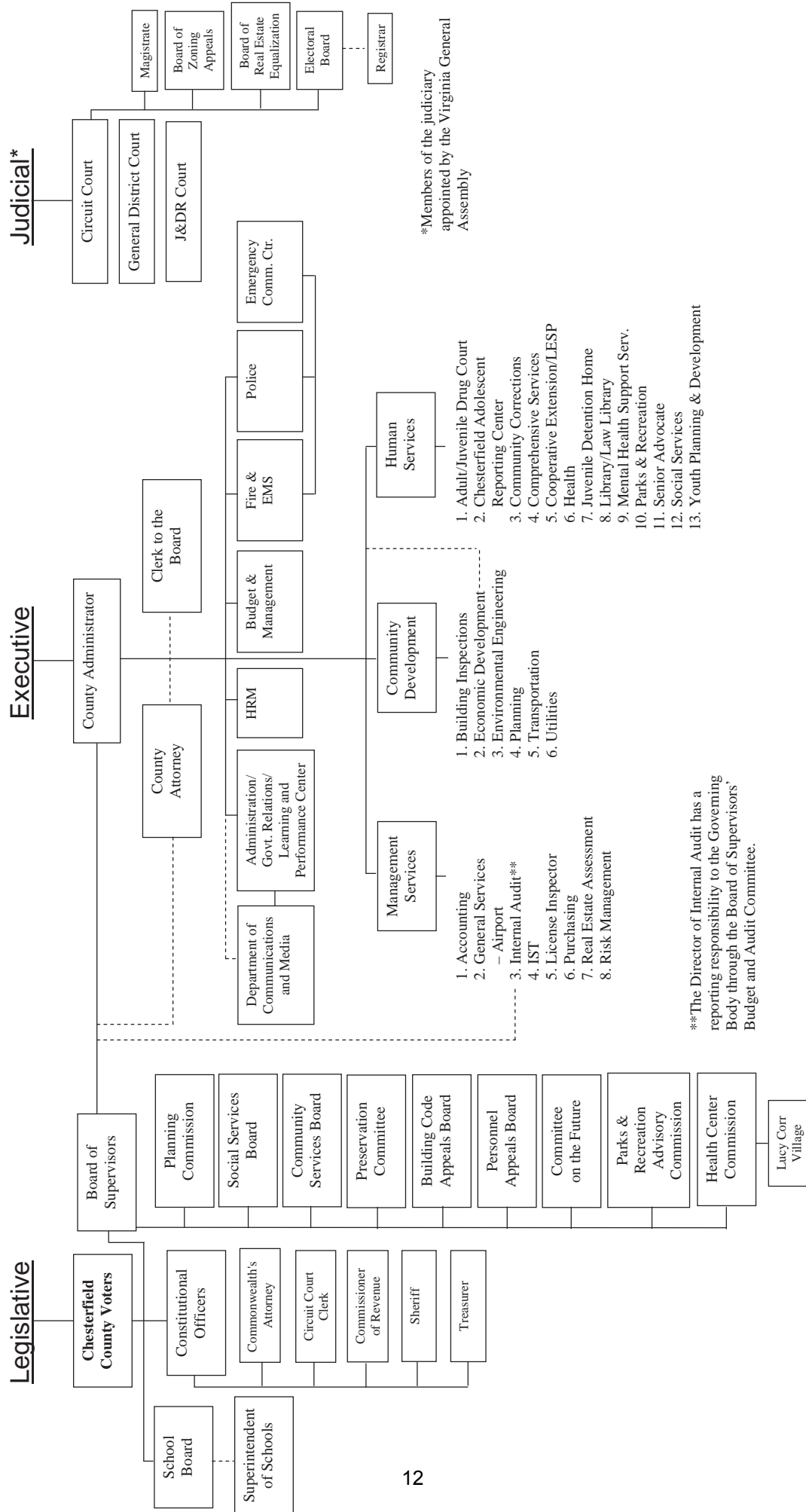
**County of Chesterfield
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

CHESTERFIELD COUNTY ORGANIZATIONAL CHART



**County of Chesterfield, Virginia
Directory of Officials
June 30, 2016**

Primary Government Officials

BOARD OF SUPERVISORS

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

CONSTITUTIONAL OFFICERS

Richard A. Cordle Treasurer
William W. Davenport Commonwealth's Attorney
Joseph A. Horbal Commissioner of the Revenue
Karl S. Leonard Sheriff
Wendy S. Hughes Circuit Court Clerk

ADMINISTRATIVE OFFICERS

James J.L. Stegmaier County Administrator
Rebecca T. Dickson Interim Deputy County Administrator
Management Services
Sarah C. Snead Deputy County Administrator, Human Services
William D. Dupler Deputy County Administrator, Community Development
Jeffrey L. Mincks County Attorney

School Board Component Unit Officials

SCHOOL BOARD

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

ADMINISTRATIVE OFFICERS

Dr. Marcus J. Newsome Superintendent
Dr. Lyle Evans Assistant Superintendent,
Human Resources and Administrative Services
Chris Sorensen Assistant Superintendent, Business and Finance
Donna Dalton Chief Academic Officer
Tim Bullis Director, Community Relations



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, 2016, 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, 2016, 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 Matter

As discussed in Note 16 to the basic financial statements, the net position as of June 30, 2015 of the aggregate discretely presented component units has been restated from the County's previously issued financial statements to reflect the correction of an error. Our opinions are not modified with respect to this matter.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 21 through 33 and the pension and other postemployment benefits trend information on pages 130 through 135 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 November 8, 2016, 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 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 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.



Richmond, Virginia
November 8, 2016



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, 2016. 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 \$133.5 million (7.5%). Net position of the governmental-type activities increased \$93.7 million (12.4%) and net position of the business-type activities increased \$39.8 million (3.9%).
- ◆ The County's unrestricted net position increased approximately \$89.4 million (38.0%). Unrestricted net position of the governmental-type activities increased \$56.6 million (180.8%) and unrestricted net position of the business-type activities increased \$32.8 million (16.1%).
- ◆ The County's program and general revenues (including taxes) of \$875.5 million for governmental-type activities exceeded expenses of \$781.1 million by \$94.4 million.
- ◆ In the County's business-type activities, revenues increased 3.0% to \$122.9 million while expenses decreased 3.9% to \$83.8 million.
- ◆ The total cost of the primary government's programs decreased approximately \$8.0 million (0.9%) to \$864.9 million.
- ◆ The General Fund reported an ending fund balance amount of \$313.0 million, an increase of \$40.8 million (15.0%) in comparison with the prior year. Of the ending fund balance amount, \$58.7 million was unassigned.
- ◆ The County's outstanding debt increased by \$49.5 million (9.6%). The County issued \$259.0 million in new and refunding debt during the year. The County defeased \$194.4 million in existing 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

MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

employees and agency funds, in which the County acts solely as a trustee or agent for resources belonging to others.

- ◆ 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 outflow of resources, liabilities and deferred inflow 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.
- ◆ 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 overall 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 particular purposes or to show that the County is using specific revenue sources such as taxes or grants for their intended purposes.

MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

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 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 of the County's 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 \$1.9 billion at the close of the most recent fiscal year. This represents a 7.5% 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, as well as for its separate governmental and business-type activities. The largest portion of the County's net position (78.7%) at June 30, 2016, 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 (4.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance is referred to as unrestricted net position (17.1%). 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 \$507.0 million at the end of the current fiscal year, an increase of \$13.3 million (2.6%) compared to the prior year. Net investment in capital assets increased \$2.1 million primarily due to capital outlay for machinery and equipment that included an investment in over 18,000 Chromebook devices for high school students. The School Board component unit's deficit unrestricted net position is primarily due to reporting net pension liabilities of \$582.0 million at year end, which is an increase of \$38.6 million (7.1%) compared to net pension liabilities estimated in the prior year. The largest portion of the net pension liabilities is related to the VRS teachers' cost-sharing pool (VRS Teachers' Pool) whose benefit and funding decisions are made by the Commonwealth. As such, local governments and school boards have no

MANAGEMENT'S DISCUSSION AND ANALYSIS

(unaudited)

ability to take actions on their own behalf to improve the funding position for their proportionate shares of the cost-sharing pool. Note 12 of the notes to the financial statements provides additional information regarding the School Board component unit's pension plans. Note 16 of the notes to the financial statements provides information regarding the restatement of the beginning net pension liability for the School Board component unit's Supplemental Retirement Program.

TABLE 1
Chesterfield County's Net Position
June 30, 2016 and 2015
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total Primary Government		School Board Component Unit	
	2016	2015	2016	2015	2016	2015	2016	2015⁽¹⁾
Assets								
Current and other assets	\$ 789.1	\$ 663.3	\$ 267.3	\$ 244.1	\$ 1,056.4	\$ 907.4	\$ 108.8	\$ 102.0
Capital assets	<u>1,027.1</u>	<u>1,015.1</u>	<u>870.6</u>	<u>868.1</u>	<u>1,897.7</u>	<u>1,883.2</u>	<u>37.1</u>	<u>24.8</u>
Total assets	<u>1,816.2</u>	<u>1,678.4</u>	<u>1,137.9</u>	<u>1,112.2</u>	<u>2,954.1</u>	<u>2,790.6</u>	<u>145.9</u>	<u>126.8</u>
Deferred outflows of resources								
Deferred charge on refunding	10.4	6.2	3.4	-	13.8	6.2	-	-
Pensions:								
Contributions after measurement date	26.2	25.3	1.2	1.4	27.4	26.7	40.9	42.4
Investment experience	1.4	0.8	0.1	0.1	1.5	0.9	1.2	0.7
Changes in assumptions	0.8	-	-	-	0.8	-	9.4	-
Changes in proportionate share	-	-	-	-	-	-	6.6	5.1
Changes in proportionate share	-	-	-	-	-	-	7.2	-
Total deferred outflows of resources	<u>38.8</u>	<u>32.3</u>	<u>4.7</u>	<u>1.5</u>	<u>43.5</u>	<u>33.8</u>	<u>65.3</u>	<u>48.2</u>
Liabilities								
Long-term liabilities	717.5	662.8	75.9	86.2	793.4	749.0	624.9	577.4
Other liabilities	<u>99.9</u>	<u>97.2</u>	<u>9.4</u>	<u>9.7</u>	<u>109.3</u>	<u>106.9</u>	<u>54.3</u>	<u>44.6</u>
Total liabilities	<u>817.4</u>	<u>760.0</u>	<u>85.3</u>	<u>95.9</u>	<u>902.7</u>	<u>855.9</u>	<u>679.2</u>	<u>622.0</u>
Deferred inflows of resources								
Unearned revenues	157.8	151.7	-	-	157.8	151.7	-	-
Pensions:								
Investment experience	18.5	44.0	1.5	2.0	20.0	46.0	30.9	71.4
Economic experience	13.2	0.6	0.3	0.1	13.5	0.7	-	1.9
Changes in assumptions	-	-	-	-	-	-	8.1	-
Total deferred inflows of resources	<u>189.5</u>	<u>196.3</u>	<u>1.8</u>	<u>2.1</u>	<u>191.3</u>	<u>198.4</u>	<u>39.0</u>	<u>73.3</u>
Net position								
Net investment in capital assets	689.6	655.7	809.4	795.5	1,499.0	1,451.2	24.4	22.3
Restricted	70.6	67.4	9.2	16.1	79.8	83.5	8.9	5.8
Unrestricted	<u>87.9</u>	<u>31.3</u>	<u>236.9</u>	<u>204.1</u>	<u>324.8</u>	<u>235.4</u>	<u>(540.3)</u>	<u>(548.4)</u>
Total net position	<u>\$ 848.1</u>	<u>\$ 754.4</u>	<u>\$ 1,055.5</u>	<u>\$ 1,015.7</u>	<u>\$ 1,903.6</u>	<u>\$ 1,770.1</u>	<u>\$ (507.0)</u>	<u>\$ (520.3)</u>

⁽¹⁾Amounts in fiscal year 2015 were restated. See Note 16 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 \$55.0 million (5.8%) to \$998.4 million. The total cost of all programs decreased \$8.0 million (0.9%) to \$864.9 million.

TABLE 2
Changes in Chesterfield County's Net Position
For the Years Ended June 30, 2016 and 2015
(in millions of dollars)

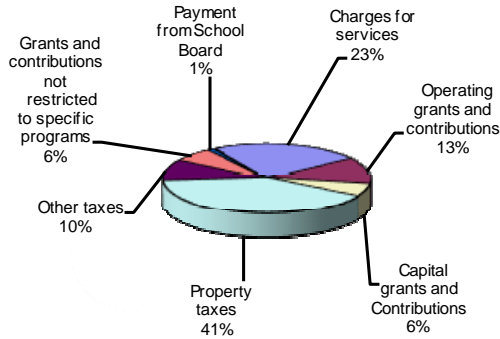
	Governmental Activities		Business-type Activities		Total Primary Government		School Board Component Unit	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues:								
Program revenues:								
Charges for services	\$ 145.5	\$ 133.9	\$ 88.3	\$ 84.8	\$ 233.8	\$ 218.7	\$ 15.1	\$ 14.3
Operating grants and contributions	125.0	102.9	-	5.5	125.0	108.4	112.7	107.6
Capital grants and contributions	23.0	25.3	33.2	28.2	56.2	53.5	-	-
General revenues:								
Property taxes	404.5	386.4	-	-	404.5	386.4	-	-
Other taxes	101.3	98.1	-	-	101.3	98.1	-	-
Payment from School Board	9.4	10.3	-	-	9.4	10.3	-	-
Payment from County	-	-	-	-	-	-	269.6	279.3
Grants and contributions not restricted to specific programs	65.1	66.0	-	-	65.1	66.0	166.2	167.3
Other	1.7	1.2	1.4	0.8	3.1	2.0	2.6	1.7
Total revenues	<u>875.5</u>	<u>824.1</u>	<u>122.9</u>	<u>119.3</u>	<u>998.4</u>	<u>943.4</u>	<u>566.2</u>	<u>570.2</u>
Expenses:								
General government	125.4	117.2	-	-	125.4	117.2	-	-
Administration of justice	11.1	10.6	-	-	11.1	10.6	-	-
Public safety	173.3	175.2	-	-	173.3	175.2	-	-
Public works	40.5	42.2	-	-	40.5	42.2	-	-
Health and welfare	80.4	76.4	-	-	80.4	76.4	-	-
Parks, recreation and cultural	24.3	23.6	-	-	24.3	23.6	-	-
Education - School Board	292.0	304.0	-	-	292.0	304.0	552.9	544.1
Community development	19.9	20.5	-	-	19.9	20.5	-	-
Interest on long-term debt	14.2	16.0	-	-	14.2	16.0	-	-
Water	-	-	41.0	38.8	41.0	38.8	-	-
Wastewater	-	-	39.9	38.1	39.9	38.1	-	-
Non-major business activities	-	-	2.9	10.3	2.9	10.3	-	-
Total expenses	<u>781.1</u>	<u>785.7</u>	<u>83.8</u>	<u>87.2</u>	<u>864.9</u>	<u>872.9</u>	<u>552.9</u>	<u>544.1</u>
Increase in net position	<u>94.4</u>	<u>38.4</u>	<u>39.1</u>	<u>32.1</u>	<u>133.5</u>	<u>70.5</u>	<u>13.3</u>	<u>26.1</u>
Transfers	(0.7)	(1.0)	0.7	1.0	-	-	-	-
Increase in net position	<u>93.7</u>	<u>37.4</u>	<u>39.8</u>	<u>33.1</u>	<u>133.5</u>	<u>70.5</u>	<u>13.3</u>	<u>26.1</u>
Net position - beginning of year, restated⁽¹⁾	<u>754.4</u>	<u>717.0</u>	<u>1,015.7</u>	<u>982.6</u>	<u>1,770.1</u>	<u>1,699.6</u>	<u>(520.3)</u>	<u>(520.1)</u>
Net position - end of year	<u>\$ 848.1</u>	<u>\$ 754.4</u>	<u>\$ 1,055.5</u>	<u>\$ 1,015.7</u>	<u>\$ 1,903.6</u>	<u>\$ 1,770.1</u>	<u>\$ (507.0)</u>	<u>\$ (494.0)</u>

⁽¹⁾ Amount for the School Board component unit was restated. See Note 16 of the notes to the financial statements for additional information.

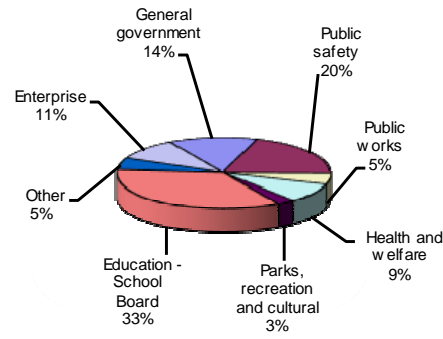
Approximately 41% of the County's revenues came from property taxes and approximately 10% came from other taxes. Another 25% of the total revenues came from grants and contributions. The remaining revenues are charges for services, payment from School Board, investment earnings and miscellaneous revenues. The County's expenses cover a range of services with approximately 62% 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 2016**



**Figure A-2
Chesterfield County
Expenses by Function for Fiscal Year 2016**



The School Board's total revenues decreased compared to the prior year by \$4.0 million (0.7%) to \$566.2 million. Total expenses for all School programs and services increased over the prior year by \$16.0 million (2.9%) to \$560.1 million. Program revenues of School Board activities covered 23% of its expenses.

Governmental Activities

Governmental activities increased the County's net position by \$93.7 million and accounted for 70.2% of the total growth in the total net position of the County. Revenues for governmental activities increased \$51.4 million (6.2%) and total expenses decreased \$4.6 million (0.6%) when compared to the prior year. Key elements of these changes are as follows:

- ◆ Charges for services increased \$11.6 million (8.7%) primarily due to premiums paid into the County's self-insured healthcare internal service fund by the School Board component unit. Although the School Board component unit participates in the self-insured plan along with the County, it is not considered a part of the primary government for GAAP purposes; therefore, healthcare internal fund activity related to the School Board component unit is not eliminated for government-wide financial statements. For reporting purposes, the County has chosen to reflect this activity in program revenues in the general government function.
- ◆ Operating grants and contributions increased \$22.1 million (21.5%) primarily due to increases in revenue received from the Commonwealth of Virginia (Commonwealth). The County recorded \$18.5 million in revenue from the Commonwealth of Virginia (Commonwealth) for the repayment of funding provided by the County for the original construction of the Route 288 Powhite Parkway loop and ramp approximately 30 years ago. The County received payment of \$10.3 million during the current year and recorded a receivable for the remaining balance of \$8.2 million, which the Commonwealth has committed to pay in increments based on toll collection revenues over the next six years. Sales tax receipts from the Commonwealth increased \$2.1 million due to an increase in overall statewide retail sales. The County receives a portion of the Commonwealth's 4.3% sales tax to support local education. An amount equivalent to 1.25% of total statewide sales is distributed among Virginia localities based upon the number of school-aged children residing within each locality. As these funds are designated specifically for education, this revenue flows through the County's General Fund and is transferred to the School Board component unit. The level of retail sales statewide and the proportion of the state's school children residing in the County are the predominant factors that influence this revenue source.
- ◆ Property tax revenues increased \$18.1 million (4.7%) primarily due to an overall 4.1% increase in the assessed valuation of taxable property over the prior year. The assessed valuation for real property increased 4.3% over the prior year. Commercial and industrial real property assessed valuations matched residential real property growth with both categories increasing 4.3%. Commercial and industrial property comprised 22.0% of the assessed value of taxable real property. The real estate tax rate was \$0.96 per \$100 of assessed value for both the current and prior fiscal years. Calendar year 2016 (CY2016) assessments were developed using sales data through December 2015. State Code

MANAGEMENT'S DISCUSSION AND ANALYSIS

(unaudited)

mandates that "annual assessments shall be made at 100% of fair market value." Personal property assessed valuations increased by 4.0% over the prior year, which were driven by lower fuel prices and a resulting surge in truck/SUV sales and values. This category of personal property valuations increased by nearly 7.0%.

- ◆ Other taxes increased \$3.2 million (3.3%) primarily due to local business license revenues and recordation taxes, which increased 5.0% and 19.9%, respectively. The increase in business license revenues was influenced by the strong growth in the retail sales and construction/general contracting sectors. The growth in recordation taxes was primarily driven by strong growth in home sales and mortgage refinancing activity.

Overall, expenses of governmental activities decreased \$4.6 million (0.6%). In developing the budget for FY2016 expenses, the County remained committed to the five-year plan that emphasizes controlling costs in all departments, making targeted enhancements in core service areas and continuing the focus on open government and transparency. The Board approved a 2% merit-based increase for eligible employees across all County functions and departments. Key elements of changes in other expenses are as follows:

- ◆ General government expenses increased \$8.2 million (7.0%) primarily due to healthcare claims expenses paid by the County's self-insured healthcare internal service fund. The School Board component unit participates in the self-insured plan along with the County and it is not considered a part of the primary government for GAAP purposes; therefore, healthcare internal fund activity related to the School Board component unit is not eliminated for government-wide reporting purposes. For reporting purposes, the County has chosen to reflect this activity in general government expenses.
- ◆ Public safety expenses decreased by \$1.9 million (1.1%). Increases of \$5.0 million in personnel costs were offset by lower fuel costs (\$0.5 million), pension adjustments required by GAAP (\$2.9 million), workers' compensation and contractual service payments to Riverside Regional Jail (\$0.6 million).
- ◆ Health and welfare expenses increased by \$4.0 million (5.2%). Expenses for the Children's Services Fund increased approximately \$1.9 million because the client base requiring services increased 19%. In the Mental Health Support Services department, expenses increased \$1.1 million due to the first full year of services provided by Galloway Place, an intermediate-care facility that assists intellectually-challenged individuals who have medical needs that require more care than can be provided at home.
- ◆ Education expenses decreased \$12.0 million (3.9%) primarily due to large equipment purchases for the Chesterfield Career and Technical Center renovation project which were transferred to the School Board component unit in the prior fiscal year with no similar large equipment transfers of the same scope in the current fiscal year. In addition, cash transfers that fund school division operations were \$3.8 million less than the prior year which is attributable to the School Board component unit's positive results of operation experienced in the current year. The largest portion of the surplus is primarily attributable to primarily salary savings related to turnover and the associated benefit expenses and to lower fuel, workers' compensation and utilities costs. It should be noted that although the surplus resulting from these savings is reflected in the County's net position, current year results of operations are expected to be re-appropriated to the School Board component unit and to be reinvested in the school division to address a variety of needs.

Business-type Activities

Business-type activities increased the County's total net position by \$39.8 million, accounting for 29.8% of the overall growth. Revenues for business-type activities increased \$3.6 million (3.0%) and expenses decreased \$3.4 million (3.9%) when compared to the prior year. Key elements of these changes are as follows:

- ◆ Charges for services increased \$3.5 million (4.1%) primarily in the Utilities funds. While total water consumption decreased by approximately 1.3%, the customer, capacity and commodity charges for water increased approximately \$1.9 million due to a rate increase of \$0.09 per hundred cubic feet and an increase of \$0.64 in the bimonthly base charge for a residential 5/8" meter. While total wastewater consumption remained flat compared to the prior year, the customer, capacity and commodity charges for

MANAGEMENT'S DISCUSSION AND ANALYSIS

(unaudited)

wastewater increased \$2.4 million due to a rate increase of \$0.08 per hundred cubic feet and an increase of \$1.68 in the bimonthly base charge for a residential 5/8" meter.

- ◆ Operating grants and contributions received from the Commonwealth by the County's Economic Development Authority (EDA), a blended component unit, decreased \$5.5 million. This decrease is attributable to the EDA receiving a Governor's Opportunity Fund grant from the Virginia Economic Development Partnership Authority (VEDP) in the prior year for the purpose of inducing Vastly (formerly known as Tranlin, Inc.) to acquire land and to construct and equip a paper conversion plant and paper mill facility in the County. In return for receiving the inducement grant, Vastly is expected to make a significant capital investment of at least \$2 billion and will create approximately 2,000 new jobs once its facility becomes operational.
- ◆ Capital grants and contributions increased \$5.0 million (17.7%) primarily due to an increase of \$1.8 million in water connection fees and \$1.9 million in wastewater connections fees. These increases can be attributed to both increases in rates for connections and to the growth in the number of new connections, a positive indicator of a recovering economy.

Expenses for business-type activities decreased \$3.4 million (3.9%). The decrease is attributable to the payment of the Governor's Opportunity Fund grant of \$5.5 million, as discussed above, to Vastly in the prior fiscal year. Otherwise, expenses for business-type activities would have increased by 2.5% aligning closer to the overall 2% merit increase paid to staff.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental Funds

The focus of the County's governmental funds is to provide information on near-term inflows and outflows and the balance of resources available for spending. Such information is useful in assessing the County's financing requirements. In particular, 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, 2016, the County's governmental funds reported a combined fund balance of \$467.7 million, an increase of \$110.6 million (31.0%) from the previous year. Of this combined fund balance amount, \$168.1 million (35.9%) constitutes restricted fund balance; \$1.5 million (0.3%) represents committed fund balance; \$239.4 million (51.2%) represents assigned fund balance; and \$58.7 million (12.6%) 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 2017 (FY2017) 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 \$292.5 million and total fund balance was \$313.0 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 43.3% of total General Fund expenditures. Unassigned fund balance of \$58.7 million represents 8.7% 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 46.4% of General Fund expenditures.

Fund balance of the General Fund increased by \$40.8 million (15.0%) during the current fiscal year. Revenue categories not already discussed that factor into this increase are as follows:

- ◆ Revenue from other governments increased \$13.6 million (8.6%) which included the \$10.3 million reimbursement from the Commonwealth for funding the County provided for the Route 288 Powhite loop and ramp approximately 30 years ago. The County also received an additional \$2.1 million in state sales tax funding.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(unaudited)

- ◆ The sale of redevelopment asset decreased \$5.1 million (100.00%) due to the payment made by the Chippenham Place CDA in the prior year for the cost of infrastructure improvements made by the County at the redeveloped Cloverleaf Mall/Stonebridge site. The County did not receive a comparable payment from the Chippenham Place CDA in the current year.

Overall, functional expenditures in the General Fund (including education and debt service) decreased \$2.8 million (0.4%). Debt service and education expenditures decreases of \$7.3 million and \$3.8 million, respectively, were offset by increases in the public safety (\$1.4 million), health and welfare (\$3.5 million) and parks, recreational and cultural (\$0.9 million) functional areas. The majority of the decrease in debt service is attributable to using proceeds from the partial sale of a redevelopment asset to retire the associated debt in the prior fiscal year. In addition, debt service on certificates of participation obligations is declining as the debt is retired and there have been no issuance of similar new debt. Significant variances for the remainder of the expenditure categories were discussed in a previous section.

At fiscal year-end, the County's Capital Projects Fund had fund balance of \$83.4 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 \$63.7 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 \$46.3 million (6.5%). The final amended budget for expenditures and other financing uses was greater than the original budget by \$114.7 million (15.7%). Some of the key budget adjustments are summarized as follows:

- ◆ The original budget for revenues was increased by \$3.2 million. These budget amendments included the appropriation of \$1.1 million in revenue from the Commonwealth, \$0.5 million in insurance recoveries, proceeds from the sale of capital assets and other miscellaneous revenues, \$0.4 million in transient occupancy tax receipts and \$0.4 million in med-flight service revenues.
- ◆ The original budget for other financing sources was amended by \$43.1 million primarily to appropriate the receipt of proceeds from the sale of new issuance and refunding bonds.
- ◆ Expenditures in the original budget were increased by \$3.4 million. This increase included an appropriation of \$1.6 million for Fire emergency operations expenditures for higher than expected personnel costs resulting from higher than expected leave payouts, overtime and increased staffing. Social Services received and additional appropriation of \$0.5 million related to federal and state funding received for funding of new positions. The budget for debt service expenditures was increased \$0.2 million to cover the cost of issuance for new debt.
- ◆ The budget for other financing sources increased by \$111.4 million. Transfers out to the County Capital Projects Fund and the County Grants Fund increased \$70.0 million and \$1.4 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 also increased \$42.8 million to reflect the payment made to the escrow agent related to the refinancing of existing County debt. The transfer to the School Board component unit decreased \$3.0 million and these funds were set aside to meet future educational priorities.

Actual revenues and other financing sources were \$20.5 million (2.7%) greater than the amended budget. A summary of some key variances includes the following:

- ◆ The collection of general property taxes was \$4.6 million higher than the amended budget primarily due to a greater than expected increase in assessed values of personal property.
- ◆ Permits, privilege fees and regulatory licenses were \$1.3 million greater than the amended budget due to higher than expected receipts of building permit revenue which were impacted by the rebounding in commercial and residential construction activity.

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

- ◆ Revenues from the Commonwealth were \$11.9 million greater than expected due primarily to the receipt of \$10.3 million from the Commonwealth which was discussed in the governmental activities section.

Actual expenditures and other financing uses were \$104.6 million (12.4%) less than the amended budget amount. A summary of several key differences is as follows:

- ◆ Public safety expenditures were \$6.5 million lower than the amended budget with the Fire and Police departments contributing \$2.0 million and \$2.7 million, respectively, to the positive results. The majority of positive results for the Fire Department were unspent funding for fire apparatus replacement which was assigned at fiscal year-end to be re-appropriated in future years' budgets. The majority of positive results for the Police department were attributable to funding that was encumbered at fiscal year-end for the purchase of police vehicles.
- ◆ Transfers to other funds resulted in a \$92.4 million positive variance. Transfers to the County Capital Projects Fund was \$74.6 million less than the amended budget due to the timing difference between budgeted and actual expenditures for long-term capital projects. Unspent capital projects transfers were assigned at year-end and re-appropriated as a part of the amended budget for fiscal year 2017. A positive \$16.6 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, particularly in the area of capital construction needs.

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 \$1.9 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 \$14.5 million (0.8%) over the prior year. More detailed information about the County's capital and intangible assets is presented in Note 8 of the notes to the financial statements. The net investment in capital assets of governmental activities includes \$626.2 million for school buildings and real property used by the School Board in its operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

TABLE 3
Chesterfield County's Capital and Intangible Assets
June 30, 2016 and 2015
(net of depreciation, in millions of dollars)

	Governmental		Business-type		Total		Total Percentage
	Activities		Activities		Total		Change
	2016	2015	2016	2015	2016	2015	2016 - 2015
Non-depreciable assets:							
Land	\$ 65.6	\$ 63.8	\$ 21.3	\$ 20.5	\$ 86.9	\$ 84.3	3.1%
Redevelopment asset	7.4	7.4	-	-	7.4	7.4	0.0%
Construction in progress	31.7	23.2	7.4	10.6	39.1	33.8	15.7%
Depreciable assets:							
Capacity rights	-	-	71.0	71.7	71.0	71.7	-1.0%
Buildings	802.2	805.9	138.5	138.3	940.7	944.2	-0.4%
Improvements other than buildings	33.9	32.9	26.9	28.9	60.8	61.8	-1.6%
Machinery and equipment	58.9	54.4	603.8	597.2	662.7	651.6	1.7%
Infrastructure	27.4	27.5	1.7	0.9	29.1	28.4	2.5%
Total	\$ 1,027.1	\$ 1,015.1	\$ 870.6	\$ 868.1	\$ 1,897.7	\$ 1,883.2	0.8%

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

- ◆ Completed major County projects:
 - North Courthouse Road Library - \$10.4 million
 - Police Two and Three Story Building - \$8.0 million
- ◆ Additions to major County construction in progress projects:
 - Smith Wagner Building Expansion - \$3.8 million
 - Property Tax Customer Service System - \$2.0 million
 - Public Safety Training Center at Enon - \$0.9 million
- ◆ Additions to major School Board component unit construction in progress project:
 - Monacan High School Renovations - \$12.4 million
 - Manchester Middle School Renovations - \$1.8 million
 - Providence Middle School Renovations - \$0.8 million
- ◆ Completed major Utilities - Water and Wastewater projects:
 - Matoaca Water Tank - \$5.2 million
 - Upper Swift Creek Pump Station Rehabilitation - \$3.3 million
 - Proctors Creek Fine Screen Modifications - \$2.9 million
 - South Chester Road Water Line Improvements - \$1.5 million
- ◆ Additions to major Utilities - Water and Wastewater construction in progress project:
 - Chesdin West/River Road Pump Station Improvements - \$1.5 million
 - Orthophosphate Tank Replacement - \$0.5 million

The County's FY2017 capital improvement program budget added \$165.9 million in planned funding for capital projects, which includes \$123.0 million for the primary government and \$42.9 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 program; the 800 MHz radio system replacement project; the mobile data replacement project and the Fire and EMS station alerting System; wastewater lines, plans and pump station projects; the Huguenot pump station and water line project; and the water resource development project. School projects are principally for school building improvements with major projects planned for the existing

MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

Beulah Elementary School, a new elementary school, and various major maintenance and security projects. The County intends to issue new debt to partially finance these and other projects as identified in the fiscal years 2017-2021 Capital Improvement Program.

Long-term Debt

At fiscal year-end, the County had \$565.5 million in bonds, lease purchases and other long-term debt outstanding, an increase of \$49.5 million (9.6%) 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 \$301.3 million in debt outstanding related to School Board activities and \$14.6 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 5.8% 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 June 2016 to sell \$86.5 million of general improvement and refunding bonds and \$53.7 million in Utilities' water and sewer revenue bonds. Approximately 1% of counties nationwide have earned a triple "AAA" credit rating designation and even fewer municipal utilities have earned that 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 U. S. in a stress scenario".

TABLE 4
Chesterfield County's Outstanding Debt
June 30, 2016 and 2015
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016 - 2015</u>
General obligation bonds, net (backed by the County)	\$ 423.3	\$ 371.6	\$ -	\$ -	\$ 423.3	\$ 371.6	13.9%
Revenue bonds, net	30.4	-	63.9	74.5	94.3	74.5	26.6%
Certificates of participation	21.7	41.0	0.7	0.9	22.4	41.9	-46.5%
Support agreement	14.6	15.9	-	-	14.6	15.9	-8.2%
Taxable redevelopment facility note	7.3	7.5	-	-	7.3	7.5	-2.7%
Public facility revenue refunding bonds, net	3.3	4.2	-	-	3.3	4.2	-21.4%
Capital lease obligations	0.3	0.4	-	-	0.3	0.4	-25.0%
Total	<u>\$ 500.9</u>	<u>\$ 440.6</u>	<u>\$ 64.6</u>	<u>\$ 75.4</u>	<u>\$ 565.5</u>	<u>\$ 516.0</u>	9.6%

MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The County's annual unemployment rate for calendar year 2015 (CY2015) averaged 4.3%, a decrease from the previous calendar year's rate of 5.1%. The County's annual unemployment rate for CY2015 was lower than to the Commonwealth's 4.4% annual unemployment rate for the same period. The County's unemployment rate for August 2016 was 3.9% which was lower than the Commonwealth's rate of 4.1% for the same period. Improvements in unemployment are expected to continue to be gradual as the economy continues to rebuild job growth lost during the recession.

The County developed a Biennial Financial Plan for fiscal year 2017 that was adopted on April 13, 2016. The FY2017 adopted budget (FY2017 Budget), totaling \$1.4 billion, represents an increase of 3.6% over the FY2016 adopted budget. Overall, the FY2017 Budget includes a 2% merit increase for all eligible County employees. The FY2017 Budget also provides additional investments in public safety, education and core capital facilities. In accordance with the five-year plan, public safety remains a high priority. The FY2017 budget provides for additional manpower with four new police officer positions and staffing to provide 24-hour emergency medical services in the community served by the Manchester Fire Station. It also includes additional investments in protective equipment replacement for first responders. The FY2017 Budget includes a capital improvement program which accelerates the school revitalization program which should deliver new and renovated facilities to numerous neighborhoods two years sooner than originally planned. Funding is also provided for capital improvements at various athletic complexes, upgrades to popular citizen web interfaces, the ongoing regional emergency communications system project and economic development initiatives like the redesign of the Willis Road interchange. The FY2017 Budget also includes an investment in additional library materials and restores Thursday library hours which had been eliminated as a cost savings measure in prior years' budgets. The FY2017 Budget includes a new dedicated stormwater fee of \$25 per year for an average single-family residence. This fee will be used to comply with the requirements of the unfunded, federally mandated Chesapeake Bay TMDL. This budget accomplishes a wide range of key quality of life improvements, stays within the financial parameters established in the five-year plan and does so at no increase in the real, per capita cost of County services.

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, 2016

Exhibit I

	Primary Government				
	Governmental	Business-type		Component	Total
	Activities	Activities	Total	Units	Reporting Entity
ASSETS					
Cash and cash equivalents	\$ 284,431,154	\$ 153,386,527	\$ 437,817,681	\$ 44,125,038	\$ 481,942,719
Investments	228,519,666	104,068,333	332,587,999	1,800,000	334,387,999
Receivables, net of allowance for uncollectibles	259,418,853	15,705,985	275,124,838	8,124,431	283,249,269
Due from primary government	-	-	-	56,039,394	56,039,394
Internal balances	6,712,864	(6,712,864)	-	-	-
Inventories	666,431	826,974	1,493,405	528,504	2,021,909
Prepays	9,334,282	-	9,334,282	1,419,106	10,753,388
Capital assets, not being depreciated	104,719,869	28,657,561	133,377,430	1,063,827	134,441,257
Other capital and intangible assets, net of depreciation	922,371,083	841,942,674	1,764,313,757	36,028,190	1,800,341,947
Total assets	1,816,174,202	1,137,875,190	2,954,049,392	149,128,490	3,103,177,882
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	10,476,059	3,366,839	13,842,898	-	13,842,898
Deferred pension contributions	26,151,289	1,152,718	27,304,007	40,924,279	68,228,286
Deferred pension investment experience	2,260,471	140,109	2,400,580	1,221,751	3,622,331
Deferred outflow pension assumptions	-	-	-	9,371,190	9,371,190
Deferred pension proportionate share	-	-	-	6,606,000	6,606,000
Deferred pension economic experience	-	-	-	7,158,480	7,158,480
Total deferred outflows of resources	38,887,819	4,659,666	43,547,485	65,281,700	108,829,185
LIABILITIES					
Accounts payable and accrued expenses	43,832,660	8,328,071	52,160,731	53,913,208	106,073,939
Due to component units	56,039,394	-	56,039,394	-	56,039,394
Unearned revenues	34,813	-	34,813	606,871	641,684
Developers' connection fees refundable	-	911,705	911,705	-	911,705
Prepaid connection fees	-	157,800	157,800	-	157,800
Non-current liabilities:					
Due within one year	81,186,285	8,262,173	89,448,458	19,998,505	109,446,963
Due in more than one year	636,341,836	67,597,838	703,939,674	627,696,878	1,331,636,552
Total liabilities	817,434,988	85,257,587	902,692,575	702,215,462	1,604,908,037
DEFERRED INFLOWS OF RESOURCES					
Unearned revenues	157,824,029	-	157,824,029	-	157,824,029
Deferred pension investment experience	18,498,615	1,504,177	20,002,792	30,872,642	50,875,434
Deferred pension assumptions	-	-	-	1,708,705	1,708,705
Deferred pension economic experience	13,222,142	297,382	13,519,524	6,380,000	19,899,524
Total deferred inflows of resources	189,544,786	1,801,559	191,346,345	38,961,347	230,307,692
NET POSITION					
Net investment in capital assets	689,654,404	809,352,317	1,499,006,721	24,425,857	1,523,432,578
Restricted for:					
Capital projects	43,970,196	-	43,970,196	-	43,970,196
Debt covenants	-	9,237,200	9,237,200	708,903	9,946,103
Grantor programs	7,888,203	-	7,888,203	1,212,976	9,101,179
Legislated programs	17,227,658	-	17,227,658	7,648,337	24,875,995
Public safety programs	1,453,485	-	1,453,485	-	1,453,485
Expendable	9,574	-	9,574	-	9,574
Nonexpendable	5,000	-	5,000	-	5,000
Total restricted	70,554,116	9,237,200	79,791,316	9,570,216	89,361,532
Unrestricted (deficit)	87,873,727	236,886,193	324,759,920	(560,762,692)	(236,002,772)
Total net position	\$ 848,082,247	\$ 1,055,475,710	\$ 1,903,557,957	\$ (526,766,619)	\$ 1,376,791,338

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

County of Chesterfield, Virginia
Statement of Activities
For the Year Ended June 30, 2016

Exhibit II

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units	Total Reporting Entity
					Governmental Activities	Business-type Activities		
Primary government								
Governmental activities								
General government	\$ 125,427,912	\$ 87,579,064	\$ 1,291,454	\$ 190,848	\$ (36,366,546)	\$ -	\$ -	\$ (36,366,546)
Administration of justice	11,101,741	1,719,743	4,299,424	-	(5,082,574)	-	-	(5,082,574)
Public safety	173,299,691	18,657,124	11,786,101	2,472,768	(140,383,698)	-	-	(140,383,698)
Public works	40,504,952	5,487,171	18,570,010	15,282,299	(1,165,472)	-	-	(1,165,472)
Health and welfare	80,438,889	22,882,370	26,911,077	39,778	(30,605,664)	-	-	(30,605,664)
Parks, recreation and cultural	24,321,586	3,410,369	276,247	4,006,332	(16,628,638)	-	-	(16,628,638)
Education - School Board	291,984,801	4,342	60,640,194	906,949	(230,433,316)	-	-	(230,433,316)
Community development	19,903,410	5,805,442	1,217,869	67,701	(12,812,398)	-	-	(12,812,398)
Interest on long-term debt	14,212,999	-	-	-	(14,212,999)	-	-	(14,212,999)
Total governmental activities	781,195,981	145,545,625	124,992,376	22,966,675	(487,691,305)	-	-	(487,691,305)
Business-type activities								
Water	40,998,118	43,582,483	-	19,270,131	-	21,854,496	-	21,854,496
Wastewater	39,897,750	43,742,327	-	13,833,752	-	17,678,329	-	17,678,329
Non-major business activities	2,850,847	1,010,202	-	49,865	-	(1,790,780)	-	(1,790,780)
Total business-type activities	83,746,715	88,335,012	-	33,153,748	-	37,742,045	-	37,742,045
Total primary government	\$ 864,942,696	\$ 233,880,637	\$ 124,992,376	\$ 56,120,423	(487,691,305)	37,742,045	-	(449,949,260)
Component units	\$ 553,905,684	\$ 15,117,395	\$ 112,669,470	\$ -	-	-	(426,118,819)	(426,118,819)
General revenues:								
Taxes:								
Property taxes, levied for general purposes					401,858,578	-	-	401,858,578
Property taxes, levied for special purposes					2,667,960	-	-	2,667,960
Utility taxes					7,867,528	-	-	7,867,528
Sales taxes					45,306,831	-	-	45,306,831
Motor vehicle licenses					14,275,048	-	-	14,275,048
Business license taxes					20,742,026	-	-	20,742,026
Other					13,122,548	-	-	13,122,548
Payment from School Board					9,427,230	-	-	9,427,230
Payment from primary government					-	-	273,135,853	273,135,853
Grants and contributions not restricted to specific programs					65,104,169	-	166,227,627	231,331,796
Investment earnings					1,121,270	1,352,092	137,233	2,610,595
Miscellaneous					603,354	-	2,574,596	3,177,950
Transfers					(714,882)	714,882	-	-
Total general revenues and transfers					581,381,660	2,066,974	442,075,309	1,025,523,943
Change in net position					93,690,355	39,809,019	15,956,490	149,455,864
Total net position-July 1, 2015, restated (see Note 16)					754,391,892	1,015,666,691	(542,723,109)	1,227,335,474
Total net position-June 30, 2016					\$ 848,082,247	\$ 1,055,475,710	\$ (526,766,619)	\$ 1,376,791,338

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

County of Chesterfield, Virginia
Balance Sheet
Governmental Funds
June 30, 2016

Exhibit III

	<u>General</u>	<u>County Capital Projects</u>	<u>School Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 215,034,762	\$ 28,412,490	\$ 720,569	\$ 6,055,840	\$ 250,223,661
Cash, cash equivalents and investments with fiscal agents	464,034	12,581,349	-	-	13,045,383
Investments	110,537,444	40,079,026	65,321,847	-	215,938,317
Receivables, net of allowances for uncollectibles of \$16,025,941	203,932,630	135,454	-	1,449,380	205,517,464
Due from other funds	300,000	6,721,595	-	-	7,021,595
Due from other governments	46,910,677	3,258,257	-	3,471,862	53,640,796
Total assets	<u>\$ 577,179,547</u>	<u>\$ 91,188,171</u>	<u>\$ 66,042,416</u>	<u>\$ 10,977,082</u>	<u>\$ 745,387,216</u>
LIABILITIES					
Accounts payable	\$ 7,291,297	\$ 5,231,885	\$ 1,743,198	\$ 2,112,332	\$ 16,378,712
Due to other funds	8,731	-	-	300,000	308,731
Due to component unit - School Board	56,039,394	-	-	-	56,039,394
Accrued liabilities	15,273,036	20,790	-	319,843	15,613,669
Retainages payable	-	902,379	599,513	-	1,501,892
Unearned revenues	215,374	-	-	34,813	34,813
Deposits payable	-	1,504,705	-	-	1,720,079
Total liabilities	<u>78,827,832</u>	<u>7,659,759</u>	<u>2,342,711</u>	<u>2,766,988</u>	<u>91,597,290</u>
DEFERRED INFLOWS OF RESOURCES					
Unearned revenues	157,824,028	-	-	-	157,824,028
Unavailable revenues	27,481,919	128,759	-	700,301	28,310,979
Total deferred inflows of resources	<u>185,305,947</u>	<u>128,759</u>	<u>-</u>	<u>700,301</u>	<u>186,135,007</u>
FUND BALANCES					
Nonspendable	-	-	-	5,000	5,000
Restricted	19,074,127	83,399,653	63,549,353	2,071,979	168,095,112
Committed	1,484,040	-	-	-	1,484,040
Assigned	233,819,201	-	150,352	5,432,814	239,402,367
Unassigned	58,668,400	-	-	-	58,668,400
Total fund balances	<u>313,045,768</u>	<u>83,399,653</u>	<u>63,699,705</u>	<u>7,509,793</u>	<u>467,654,919</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 577,179,547</u>	<u>\$ 91,188,171</u>	<u>\$ 66,042,416</u>	<u>\$ 10,977,082</u>	<u>\$ 745,387,216</u>

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

Total fund balances for governmental funds \$ 467,654,919

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. 1,020,835,093

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

Uncollected taxes receivable	\$ 14,436,164	
Uncollected receivables from other governments	3,746,544	
Uncollected miscellaneous receivables	<u>10,128,271</u>	28,310,979

Prepaid and deferred items:

Other postemployment benefit assets	4,099,394	
Prepaid capital asset	1,538,638	
Prepaid rent	3,696,250	
Deferred charge on refunding	10,476,059	
Deferred pension contributions	25,596,836	
Deferred pension investment experience	(17,903,248)	
Deferred pension assumptions	2,251,005	
Deferred pension economic experience	<u>(13,034,033)</u>	16,720,901

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. 20,255,815

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	(500,908,431)	
Judgments and claims	(8,723,420)	
Landfill	(1,109,671)	
Net pension liabilities	(164,570,883)	
Compensated absences	(23,306,373)	
Interest payable	<u>(7,076,682)</u>	(705,695,460)

Total net position of governmental activities \$ 848,082,247

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, 2016

	<u>General</u>	<u>County Capital Projects</u>	<u>School Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
From local sources:					
General property taxes	\$ 403,863,868	\$ -	\$ -	\$ -	\$ 403,863,868
Other local taxes	102,101,705	-	-	-	102,101,705
Permits, privilege fees and regulatory licenses	6,764,863	-	-	-	6,764,863
Fines and forfeitures	1,811,841	-	-	-	1,811,841
Use of money and property	1,485,592	208,145	123,501	781	1,818,019
Contributions from developers	-	6,841,263	-	-	6,841,263
Charges for services	33,851,393	311,810	4,342	7,637,695	41,805,240
Miscellaneous	2,890,484	373,918	-	78,654	3,343,056
Recovered costs	12,562,637	-	-	426,257	12,988,894
Donations and contributions	115,611	-	-	102,849	218,460
From component unit: School Board	-	-	6,806,130	2,621,100	9,427,230
From other governments	171,482,301	12,003,159	-	12,445,603	195,931,063
Total revenues	<u>736,930,295</u>	<u>19,738,295</u>	<u>6,933,973</u>	<u>23,312,939</u>	<u>786,915,502</u>
Expenditures					
Current:					
General government	46,519,517	-	-	-	46,519,517
Administration of justice	9,423,615	-	-	771,659	10,195,274
Public safety	168,542,985	-	-	8,796,693	177,339,678
Public works	17,329,618	-	-	-	17,329,618
Health and welfare	67,150,172	-	-	14,472,799	81,622,971
Parks, recreation and cultural	19,156,815	-	-	101,672	19,258,487
Education - School Board	268,038,376	-	67,655	-	268,106,031
Community development	18,442,031	-	-	1,285,664	19,727,695
Debt service:					
Retirement of principal	41,579,430	-	-	-	41,579,430
Interest	17,737,591	-	-	-	17,737,591
Other	1,275,819	-	-	-	1,275,819
Capital outlay	-	52,410,595	24,079,479	-	76,490,074
Total expenditures	<u>675,195,969</u>	<u>52,410,595</u>	<u>24,147,134</u>	<u>25,428,487</u>	<u>777,182,185</u>
Excess (deficiency) of revenues over (under) expenditures	<u>61,734,326</u>	<u>(32,672,300)</u>	<u>(17,213,161)</u>	<u>(2,115,548)</u>	<u>9,733,317</u>
Other financing sources (uses)					
Transfers in	1,389,119	19,327,507	1,030,769	3,054,440	24,801,835
Transfers out	(22,790,351)	(1,034,699)	-	(1,369,419)	(25,194,469)
Bonds issued	-	24,909,800	65,340,000	-	90,249,800
Premium on bonds issued	187,724	2,740,767	7,732,095	-	10,660,586
Refunding bonds issued	115,000,324	-	-	-	115,000,324
Premium on refunding bonds issued	19,933,479	7,045	683	-	19,941,207
Payment to refunded bonds escrow agent	(134,642,231)	-	-	-	(134,642,231)
Total other financing sources (uses), net	<u>(20,921,936)</u>	<u>45,950,420</u>	<u>74,103,547</u>	<u>1,685,021</u>	<u>100,817,052</u>
Net change in fund balances	<u>40,812,390</u>	<u>13,278,120</u>	<u>56,890,386</u>	<u>(430,527)</u>	<u>110,550,369</u>
Total fund balances, July 1, 2015	<u>272,233,378</u>	<u>70,121,533</u>	<u>6,809,319</u>	<u>7,940,320</u>	<u>357,104,550</u>
Total fund balances, June 30, 2016	<u>\$ 313,045,768</u>	<u>\$ 83,399,653</u>	<u>\$ 63,699,705</u>	<u>\$ 7,509,793</u>	<u>\$ 467,654,919</u>

(Continued)

County of Chesterfield, Virginia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

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.	\$	110,550,369
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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	\$ 48,255,841	
Depreciation	(38,268,804)	9,987,037

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.		(753,383)
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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.		1,430,594
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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.		8,210,414
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Amortization of prepaid rent in the government-wide statements is not an expenditure in the fund statements.		(115,000)
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Debt proceeds provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the Statement of Net 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	166,349,430	
Proceeds	(235,851,917)	(69,502,487)

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	105,179	
Judgment and claims	1,131,626	
Net pension liabilities	(412,259)	
Other postemployment benefits asset	86,823	
Landfill	170,708	
Pollution remediation obligation	2,686,500	
Interest payable	1,170,674	
Deferred pension contributions	786,446	
Amortization of debt premiums	9,197,344	
Amortization of deferred charge on refunding	4,304,620	
Amortization of deferred pension changes in assumptions	2,251,005	
Amortization of deferred pension investment experience	24,418,850	
Amortization of deferred pension economic experience	(12,484,081)	33,413,435

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.		469,376
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Change in net position of governmental activities.	\$	93,690,355
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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, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
From local sources:				
General property taxes	\$ 399,242,800	\$ 399,242,800	\$ 403,863,868	\$ 4,621,068
Other local taxes	116,356,800	116,826,800	116,211,901	(614,899)
Permits, privilege fees and regulatory licenses	6,017,000	6,030,138	7,286,127	1,255,989
Fines and forfeitures	1,951,500	2,080,337	1,811,841	(268,496)
Use of money and property	1,106,800	1,109,900	1,485,592	375,692
Charges for services	32,328,300	32,749,135	33,330,129	580,994
Miscellaneous	965,500	1,424,407	2,890,484	1,466,077
Recovered costs	12,160,400	12,257,747	12,562,637	304,890
Donations and contributions	22,300	39,939	115,611	75,672
From other governments	143,074,800	144,672,786	157,372,105	12,699,319
Total revenues	713,226,200	716,433,989	736,930,295	20,496,306
Expenditures				
Current:				
General government	49,769,743	48,425,469	46,519,517	1,905,952
Administration of justice	9,042,233	9,681,514	9,478,317	203,197
Public safety	170,996,841	175,016,979	168,543,448	6,473,531
Public works	17,516,844	17,893,971	17,329,618	564,353
Health and welfare	67,881,681	68,524,681	67,905,475	619,206
Parks, recreation and cultural	19,912,918	19,885,359	19,156,815	728,544
Community development	18,184,834	18,854,724	18,700,896	153,828
Non-departmental	602,500	602,500	-	602,500
Debt service:				
Retirement of principal	13,736,800	13,209,778	13,209,778	-
Interest	7,322,000	5,476,358	5,476,358	-
Other	899,800	1,674,459	671,612	1,002,847
Total expenditures	375,866,194	379,245,792	366,991,834	12,253,958
Excess of revenues over expenditures	337,360,006	337,188,197	369,938,461	32,750,264
Other financing sources (uses)				
Transfers in	1,316,800	1,389,119	1,389,119	-
Transfers out	(354,575,600)	(423,147,136)	(330,765,006)	92,382,130
Premium on refunding bonds issued	-	6,539,573	6,539,573	-
Premium on bonds issued	-	92,168	92,168	-
Payment to refunded bonds escrow agent	-	(42,781,878)	(42,781,878)	-
Refunding bonds issued	-	36,399,953	36,399,953	-
Total other financing uses, net	(353,258,800)	(421,508,201)	(329,126,071)	92,382,130
Net change in fund balance	(15,898,794)	(84,320,004)	40,812,390	125,132,394
Fund balance, July 1, 2015	272,233,378	272,233,378	272,233,378	-
Fund balance, June 30, 2016	\$ 256,334,584	\$ 187,913,374	\$ 313,045,768	\$ 125,132,394

(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, 2016

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	\$ 366,991,834
Local funding of grant programs are transfers to other funds, rather than expenditures, for financial reporting purposes.	(810,468)
Budgetary transfers to component unit, excluding transfers for funding "on behalf" debt payments, are expenditures for financial reporting purposes.	268,038,376
Budgetary expenditures to blended component unit are transfers for financial reporting purposes.	(258,865)
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>41,235,092</u>
Total expenditures of the General Fund on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 675,195,969</u>

Other financing sources (uses)

Total other financing uses on the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	\$ (329,126,071)
Local funding of grant programs are transfers to other funds, rather than expenditures, for financial reporting purposes.	(810,468)
Budgetary transfers to component units are expenditures for financial reporting purposes.	309,043,988
Budgetary expenditures to blended component unit are transfers for financial reporting purposes.	(258,865)
Net proceeds from debt issued "on behalf" of the School Board component unit are considered other financing sources for the primary government for financial reporting purposes.	<u>229,480</u>
Total other financing uses of the General Fund on the Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds	<u>\$ (20,921,936)</u>

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

County of Chesterfield, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2016

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	\$ 55,188,071	\$ 79,157,349	\$ 3,028,251	\$ 137,373,671	\$ 33,743,459
Investments	51,022,748	53,045,585	-	104,068,333	-
Restricted cash equivalents with trustees	-	-	6,775,656	6,775,656	-
Receivables, net of allowances for uncollectibles of \$775,634					
Accounts	7,390,502	7,593,402	40,656	15,024,560	260,593
Special assessments	11,184	25,788	-	36,972	-
Total net receivables	7,401,686	7,619,190	40,656	15,061,532	260,593
Accrued interest	65,394	92,507	-	157,901	-
Due from other governments	70	-	6,410	6,480	-
Due from other funds	-	-	8,731	8,731	-
Inventories	826,974	-	-	826,974	666,431
Total current assets	114,504,943	139,914,631	9,859,704	264,279,278	34,670,483
Non-current assets:					
Accrued interest receivable	-	161,148	-	161,148	-
Special assessments receivable	95,747	223,177	-	318,924	-
Restricted cash and cash equivalents	5,149,583	4,087,617	-	9,237,200	-
Capital and intangible assets:					
Capacity rights, net	68,657,871	2,377,536	-	71,035,407	-
Land and land improvements	5,736,316	2,190,998	13,371,142	21,298,456	193,685
Buildings	62,353,388	145,947,666	7,158,781	215,459,835	2,231,462
Improvements other than buildings	9,026,406	19,069,061	29,138,278	57,233,745	311,805
Infrastructure	-	-	2,134,862	2,134,862	-
Machinery and equipment	451,007,267	518,542,494	1,707,713	971,257,474	15,478,298
Construction in progress	3,113,634	1,253,258	2,992,213	7,359,105	46,122
Total capital and intangible assets	599,894,882	689,381,013	56,502,989	1,345,778,884	18,261,372
Less accumulated depreciation	(184,274,613)	(268,815,170)	(22,088,866)	(475,178,649)	(12,005,513)
Total capital and intangible assets, net of accumulated depreciation	415,620,269	420,565,843	34,414,123	870,600,235	6,255,859
Total non-current assets	420,865,599	425,037,785	34,414,123	880,317,507	6,255,859
Total assets	535,370,542	564,952,416	44,273,827	1,144,596,785	40,926,342
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	1,376,792	1,957,464	32,583	3,366,839	-
Deferred pension contributions	575,113	558,043	19,562	1,152,718	554,452
Deferred pension investment experience	84,065	56,044	-	140,109	9,466
Total deferred outflows of resources	2,035,970	2,571,551	52,145	4,659,666	563,918

(Continued)

County of Chesterfield, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2016

Exhibit VI

	Business-type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	Water	Wastewater	Non-major Enterprise Funds	Total	
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 3,704,033	\$ 1,663,704	\$ 36,033	\$ 5,403,770	\$ 1,054,662
Due to other funds	-	-	6,721,595	6,721,595	-
Accrued liabilities:					
Wages and benefits	671,403	578,026	16,346	1,265,775	486,964
Interest	-	-	5,338	5,338	-
Other	601,617	31,661	673,543	1,306,821	-
Total accrued liabilities	1,273,020	609,687	695,227	2,577,934	486,964
Compensated absences	452,887	466,077	13,808	932,772	334,959
Judgments and claims	439,091	85,616	83	524,790	13,526,319
Certificates of participation, net	-	-	87,824	87,824	-
Revenue bonds payable, net	3,413,355	3,300,703	2,729	6,716,787	-
Total current liabilities	9,282,386	6,125,787	7,557,299	22,965,472	15,402,904
Non-current liabilities:					
Developers' connection fees refundable	345,685	566,020	-	911,705	-
Retainages payable	90,871	133,411	122,085	346,367	-
Prepaid connection fees	-	157,800	-	157,800	-
Compensated absences	408,012	450,573	14,338	872,923	238,369
Judgments and claims	894,990	174,509	170	1,069,669	1,198,568
Net pension liabilities	3,974,256	3,754,145	116,698	7,845,099	3,611,128
Certificates of participation, net	-	-	654,195	654,195	-
Revenue bonds payable, net	25,798,853	31,306,261	50,838	57,155,952	-
Total non-current liabilities	31,512,667	36,542,719	958,324	69,013,710	5,048,065
Total liabilities	40,795,053	42,668,506	8,515,623	91,979,182	20,450,969
DEFERRED INFLOWS OF RESOURCES					
Deferred pension investment experience	793,696	691,162	19,319	1,504,177	595,367
Deferred pension economic experience	133,739	157,550	6,093	297,382	188,109
Total deferred inflows of resources	927,435	848,712	25,412	1,801,559	783,476
NET POSITION					
Net investment in capital assets	387,784,854	387,916,343	33,651,120	809,352,317	6,255,859
Restricted - debt covenants	5,149,583	4,087,617	-	9,237,200	-
Unrestricted	102,749,587	132,002,789	2,133,817	236,886,193	13,999,956
Total net position	\$ 495,684,024	\$ 524,006,749	\$ 35,784,937	\$ 1,055,475,710	\$ 20,255,815

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, 2016

Exhibit VII

	Business-type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	Water	Wastewater	Total Non-major Enterprise Funds	Total	
Operating revenues					
Charges for services	\$ 42,132,754	\$ 43,674,827	\$ 960,000	\$ 86,767,581	\$ 128,305,213
Sale of supplies	1,002,779	-	-	1,002,779	-
Rental fees	368,089	-	-	368,089	-
From other governments	-	-	4,060	4,060	-
Other	78,861	67,500	46,142	192,503	374,685
Total operating revenues	<u>43,582,483</u>	<u>43,742,327</u>	<u>1,010,202</u>	<u>88,335,012</u>	<u>128,679,898</u>
Operating expenses					
Salaries and wages	8,374,340	7,923,139	261,819	16,559,298	7,383,597
Contractual services	11,759,846	4,135,825	183,479	16,079,150	1,272,659
Capacity rights amortization	2,084,151	118,877	-	2,203,028	-
Materials and supplies	3,224,769	3,912,763	18,071	7,155,603	7,549,598
Heat, light and power	1,361,725	2,377,427	75,110	3,814,262	54,179
Rent	750	-	-	750	-
Depreciation	11,499,740	17,479,575	1,487,754	30,467,069	1,397,353
Repairs and maintenance	792,717	1,007,240	31,181	1,831,138	1,132,715
Insurance	-	-	-	-	2,938,340
Claims	-	-	-	-	106,732,653
Other	355,016	230,134	528,807	1,113,957	57,886
Total operating expenses	<u>39,453,054</u>	<u>37,184,980</u>	<u>2,586,221</u>	<u>79,224,255</u>	<u>128,518,980</u>
Operating income (loss)	<u>4,129,429</u>	<u>6,557,347</u>	<u>(1,576,019)</u>	<u>9,110,757</u>	<u>160,918</u>
Non-operating revenues (expenses)					
Investment income	560,796	789,667	1,629	1,352,092	65,329
Interest expense	(1,364,724)	(1,405,163)	(25,762)	(2,795,649)	-
Gain (loss) on disposal of capital assets	(64,790)	(972,431)	-	(1,037,221)	94,830
Other	(115,550)	(335,176)	(238,864)	(689,590)	(34,787)
Net non-operating revenues (expenses)	<u>(984,268)</u>	<u>(1,923,103)</u>	<u>(262,997)</u>	<u>(3,170,368)</u>	<u>125,372</u>
Gain (loss) before contributions and transfers	3,145,161	4,634,244	(1,839,016)	5,940,389	286,290
Capital contributions	19,270,131	14,251,724	65,241	33,587,096	71,986
Transfers in	-	3,930	288,854	292,784	128,550
Transfers out	(8,850)	(2,400)	-	(11,250)	(17,450)
Change in net position	22,406,442	18,887,498	(1,484,921)	39,809,019	469,376
Total net position-July 1, 2015	<u>473,277,582</u>	<u>505,119,251</u>	<u>37,269,858</u>	<u>1,015,666,691</u>	<u>19,786,439</u>
Total net position-June 30, 2016	<u>\$ 495,684,024</u>	<u>\$ 524,006,749</u>	<u>\$ 35,784,937</u>	<u>\$ 1,055,475,710</u>	<u>\$ 20,255,815</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, 2016

	Business-type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	Water	Wastewater	Total Non-major Enterprise Funds	Total	
Cash flows from operating activities					
Receipts from customers	\$ 43,997,061	\$ 43,062,081	\$ 1,039,841	\$ 88,098,983	\$ 128,756,317
Payments to suppliers	(15,120,457)	(11,304,469)	(1,150,727)	(27,575,653)	(13,262,274)
Payments to employees	(8,147,678)	(7,659,671)	(256,728)	(16,064,077)	(7,399,741)
Claims paid	-	-	-	-	(108,573,048)
Other receipts	-	-	-	-	(16,357)
Net cash provided by (used in) operating activities	<u>20,728,926</u>	<u>24,097,941</u>	<u>(367,614)</u>	<u>44,459,253</u>	<u>(495,103)</u>
Cash flows from non-capital financing activities					
Transfers in	-	-	635,532	635,532	128,550
Transfers out	(3,600)	(2,400)	-	(6,000)	(17,450)
Net cash provided by (used in) non-capital financing activities	<u>(3,600)</u>	<u>(2,400)</u>	<u>635,532</u>	<u>629,532</u>	<u>111,100</u>
Cash flows from capital and related financing activities					
Repayment to General Fund	-	-	(26,000)	(26,000)	-
Payment from County Capital Projects Fund	-	-	6,899,800	6,899,800	-
Purchase of capital assets	(11,170,744)	(7,155,213)	(2,078,732)	(20,404,689)	(1,637,751)
Purchase of capacity rights	(1,534,453)	-	-	(1,534,453)	-
Payments to developers for utility assets	(69,955)	(128,721)	-	(198,676)	-
Retainages paid to contractors	(528,331)	(164,138)	-	(692,469)	-
Proceeds from sale of capital assets	23,261	-	-	23,261	186,348
Capital contributions	9,584,236	7,712,180	52,075	17,348,491	-
Interest paid on bonds, certificates of participation and other liabilities	(1,396,030)	(1,448,300)	(34,571)	(2,878,901)	-
Proceeds from sale of refunding bonds	29,212,207	34,606,964	53,567	63,872,738	-
Principal paid on bonds, certificates of participation and other liabilities	(2,080,000)	(2,000,000)	(93,111)	(4,173,111)	-
Payment to escrow agent for revenue bond refunding	(34,528,601)	(39,548,273)	(53,164)	(74,130,038)	-
Payment of other debt expenses	(129,299)	(150,946)	(635)	(280,880)	-
Net cash provided by (used in) capital and related financing activities	<u>(12,617,709)</u>	<u>(8,276,447)</u>	<u>4,719,229</u>	<u>(16,174,927)</u>	<u>(1,451,403)</u>
Cash flows from investing activities					
Purchase of investments	(65,000,000)	(78,000,000)	-	(143,000,000)	-
Proceeds from sale of investments	54,993,000	88,992,520	-	143,985,520	-
Interest received	480,804	713,452	3,103	1,197,359	65,329
Net cash provided by (used in) investing activities	<u>(9,526,196)</u>	<u>11,705,972</u>	<u>3,103</u>	<u>2,182,879</u>	<u>65,329</u>
Net increase (decrease) in cash and cash equivalents	<u>(1,418,579)</u>	<u>27,525,066</u>	<u>4,990,250</u>	<u>31,096,737</u>	<u>(1,770,077)</u>

(Continued)

County of Chesterfield, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2016

	Business-type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	Water	Wastewater	Total Non-major Enterprise Funds	Total	
Cash and cash equivalents, June 30, 2015:					
Cash and cash equivalents	\$ 51,440,021	\$ 46,777,254	\$ 4,488,644	\$ 102,705,919	\$ 35,513,536
Investments	40,980,661	63,992,415	-	104,973,076	-
Less: Investments with maturities greater than 90 days when purchased	(40,980,661)	(63,992,415)	-	(104,973,076)	-
Restricted cash and cash equivalents	4,922,150	3,874,117	-	8,796,267	-
Restricted investments	3,767,363	-	-	3,767,363	-
Restricted cash and cash equivalents with trustees	1,626,699	5,068,529	325,013	7,020,241	-
Total cash and cash equivalents, June 30, 2015	<u>61,756,233</u>	<u>55,719,900</u>	<u>4,813,657</u>	<u>122,289,790</u>	<u>35,513,536</u>
Cash and cash equivalents, June 30, 2016:					
Cash and cash equivalents	55,188,071	79,157,349	3,028,251	137,373,671	33,743,459
Investments	51,022,748	53,045,585	-	104,068,333	-
Less: Investments with maturities greater than 90 days when purchased	(51,022,748)	(53,045,585)	-	(104,068,333)	-
Restricted cash and cash equivalents	5,149,583	4,087,617	-	9,237,200	-
Restricted cash and cash equivalents with trustees	-	-	6,775,656	6,775,656	-
Total cash and cash equivalents, June 30, 2016	<u>\$ 60,337,654</u>	<u>\$ 83,244,966</u>	<u>\$ 9,803,907</u>	<u>\$ 153,386,527</u>	<u>\$ 33,743,459</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 4,129,429	\$ 6,557,347	\$ (1,576,019)	\$ 9,110,757	\$ 160,918
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	11,499,740	17,479,575	1,487,754	30,467,069	1,397,353
Amortization	2,084,151	118,877	-	2,203,028	-
Changes in assets and liabilities:					
Receivables, net	501,818	(571,659)	29,641	(40,200)	203,301
Inventories	(5,255)	-	-	(5,255)	(5,350)
Accounts and other payables	2,519,043	513,801	(308,990)	2,723,854	(2,251,325)
Net cash provided by (used in) operating activities	<u>\$ 20,728,926</u>	<u>\$ 24,097,941</u>	<u>\$ (367,614)</u>	<u>\$ 44,459,253</u>	<u>\$ (495,103)</u>
Noncash transactions related to financing, capital and investing activities:					
Contributions of capital assets	\$ 9,685,895	6,539,544	\$ 15,376	\$ 16,240,815	\$ 71,986
Issuance of developer contracts	348,745	5,538	-	354,283	-
Unrealized gain on investments	35,087	45,690	-	80,777	-
Interest receivable	(44,905)	(30,525)	-	(75,430)	-

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

County of Chesterfield, Virginia
Statement of Fiduciary Net Position
June 30, 2016

	<u>Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 5,157,543	\$ 12,198,231
Accounts receivable	51,790	403,171
Due from other governments	-	26,510
Due from broker	21,720	-
Restricted assets:		
Cash and cash equivalents	-	8,023,399
Investments	-	15,864,865
Cash, cash equivalents, and investments with trustee	-	1,827,619
Due from other governments	-	3,212,789
Interest receivable	-	73
Total restricted assets	<u>-</u>	<u>28,928,745</u>
Investments:		
Mutual funds	2,557,810	-
Common and preferred stocks	11,328,825	-
Corporate bonds	4,290,075	-
U.S. government and agency securities	2,401,475	-
Exchange traded funds	5,064,931	-
Collateralized mortgage obligations	89,708	-
Fund of funds	3,952,256	-
Pooled funds	40,186,547	-
Total investments	<u>69,871,627</u>	<u>-</u>
Total assets	<u>75,102,680</u>	<u>\$ 41,556,657</u>
LIABILITIES		
Due to broker	2,222,352	-
Amounts held for others	-	41,556,657
Total liabilities	<u>2,222,352</u>	<u>\$ 41,556,657</u>
FIDUCIARY NET POSITION		
Restricted for pensions/other postemployment benefits	<u>\$ 72,880,328</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, 2016

	<u>Trust Funds</u>
Additions:	
Contributions - employer	\$ 26,806,967
Contributions - employee	5,449,095
Investment earnings:	
Interest and dividends	735,757
Net decrease in the fair value of investments	<u>(801,744)</u>
Total investment loss	(65,987)
Less investment expenses	<u>(206,115)</u>
Net investment expenses	<u>(272,102)</u>
Total additions, net	<u>31,983,960</u>
 Deductions:	
Benefit payments	29,829,147
Administrative expenses	<u>79,176</u>
Total deductions	<u>29,908,323</u>
Increase in net position restricted for pensions/other postemployment benefits	2,075,637
Fiduciary net position - July 1, 2015	<u>70,804,691</u>
Fiduciary net position - June 30, 2016	<u>\$ 72,880,328</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, 2016

	<u>School Board</u>	<u>Non-major Component Units</u>	<u>Total Component Units</u>
ASSETS			
Cash and cash equivalents	\$ 42,709,976	\$ 1,415,062	\$ 44,125,038
Investments	-	1,800,000	1,800,000
Receivables	8,095,561	28,870	8,124,431
Due from primary government	56,039,394	-	56,039,394
Inventories	528,504	-	528,504
Prepays	1,418,094	1,012	1,419,106
Capital assets, not being depreciated	1,063,827	-	1,063,827
Other capital assets, net of depreciation	<u>36,028,190</u>	<u>-</u>	<u>36,028,190</u>
Total assets	<u>145,883,546</u>	<u>3,244,944</u>	<u>149,128,490</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension contributions	40,924,279	-	40,924,279
Deferred pension investment experience	1,221,751	-	1,221,751
Deferred pension assumptions	9,371,190	-	9,371,190
Deferred pension proportionate share	6,606,000	-	6,606,000
Deferred pension economic experience	<u>7,158,480</u>	<u>-</u>	<u>7,158,480</u>
Total deferred outflows of resources	<u>65,281,700</u>	<u>-</u>	<u>65,281,700</u>
LIABILITIES			
Accounts payable and other liabilities	53,633,438	279,770	53,913,208
Unearned revenues	606,871	-	606,871
Non-current liabilities:			
Due within one year	17,312,334	2,686,171	19,998,505
Due in more than one year	<u>607,605,722</u>	<u>20,091,156</u>	<u>627,696,878</u>
Total liabilities	<u>679,158,365</u>	<u>23,057,097</u>	<u>702,215,462</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred pension investment experience	30,872,642	-	30,872,642
Deferred pension assumptions	1,708,705	-	1,708,705
Deferred pension economic experience	<u>6,380,000</u>	<u>-</u>	<u>6,380,000</u>
Total deferred inflows of resources	<u>38,961,347</u>	<u>-</u>	<u>38,961,347</u>
NET POSITION			
Net investment in capital assets	24,425,857	-	24,425,857
Restricted for:			
Debt covenants	-	708,903	708,903
Grantor programs	1,212,976	-	1,212,976
Legislated programs	<u>7,648,337</u>	<u>-</u>	<u>7,648,337</u>
Total restricted	8,861,313	708,903	9,570,216
Unrestricted (deficit)	<u>(540,241,636)</u>	<u>(20,521,056)</u>	<u>(560,762,692)</u>
Total net position (deficit)	<u>\$ (506,954,466)</u>	<u>\$ (19,812,153)</u>	<u>\$ (526,766,619)</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, 2016

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>School Board</u>	<u>Non-major Component Units</u>	<u>Total Component Units</u>	
School Board	\$ 552,844,368	\$ 15,117,395	\$ 112,669,470	\$ (425,057,503)	\$ -	\$ (425,057,503)	
Non-major Component Units	1,061,316	-	-	-	(1,061,316)	(1,061,316)	
Total	<u>\$ 553,905,684</u>	<u>\$ 15,117,395</u>	<u>\$ 112,669,470</u>	<u>(425,057,503)</u>	<u>(1,061,316)</u>	<u>(426,118,819)</u>	
General revenues:							
Payment from County of Chesterfield				269,576,188	3,559,665	273,135,853	
Grants and contributions							
not restricted to specific programs				166,227,627	-	166,227,627	
Investment earnings				50,601	86,632	137,233	
Miscellaneous				2,574,596	-	2,574,596	
Total general revenues				<u>438,429,012</u>	<u>3,646,297</u>	<u>442,075,309</u>	
Change in net position (deficit)				13,371,509	2,584,981	15,956,490	
Total net position (deficit) - July 1, 2015, restated (see Note 16)				<u>(520,325,975)</u>	<u>(22,397,134)</u>	<u>(542,723,109)</u>	
Total net position (deficit) - June 30, 2016				<u>\$ (506,954,466)</u>	<u>\$ (19,812,153)</u>	<u>\$ (526,766,619)</u>	

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

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2016

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 financial statements for the Watkins Centre CDA may be obtained by contacting the

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2016

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 are recognized as revenue when all eligibility requirements imposed by the provider have been met and amounts are measurable.

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2016

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.

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

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2016

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, general self-insurance functions and capital projects management. Resources to meet the cost of operations are derived from interfund charges on a cost-reimbursement basis.

Additionally, the County reports the following fund category:

Fiduciary Funds - Fiduciary funds are used to account for the supplemental retirement pension trust, the other postemployment benefits trusts and agency funds. Agency funds are custodial in nature and do not involve the measurement of results of operations. 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 \$8,860,749 and \$7,673,880 in fiscal year 2016 have been recorded as capital contributions in the Water and Wastewater Enterprise Funds, respectively, and the meter installation fees have been classified as charges for services in the Water Enterprise Fund.

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2016

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) 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.

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.

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2016

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 and capitalize interest when material in amount.

Interest costs of \$239,327 in the business-type activities of the primary government were capitalized during fiscal year 2016.

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 and amounts related to pensions in the government-wide Statement of Net Position in this category. 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 result from changes in actuarial assumptions, pension investment returns that exceed projected earnings and pension contributions made subsequent to the measurement date. Changes in actuarial assumptions are deferred and amortized over the remaining service life of all participants and investment experience amounts are deferred and amortized over a closed five-year period.

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

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2016

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 in the government-wide statement of net position. Actuarial losses resulting from a difference in actual experience and actuarial assumptions and changes in actuarial assumptions are deferred and amortized over the remaining service life of all participants. Deferred inflows resulting from pension investment returns lower than projected earnings are also 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 carried over from the traditional leave plan 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. Investments are reported at fair value. Retirement plan contributions are actuarially determined for the County and School Board component unit supplemental retirement plans.

11. Other Postemployment Benefits Plans - Retiree Healthcare and Line of Duty

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.

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2016

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 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.

E. New Accounting Pronouncements

Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application* (GASB Statement No. 72), establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy is based on the valuation inputs used to measure the fair value of investments. 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. In fiscal year 2016, the County implemented the requirements of GASB Statement No. 72 (see note 4).

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.

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2016

- ◆ Departments submit budgets and work plans to the County Administrator for review in December and January. The County Administrator's recommended budget is prepared by early March. During this time, work sessions are held with the County Board to inform them on details of the budget.
- ◆ No later than March 1, the School Board submits its proposed budget to the County Administrator.
- ◆ Prior to March 15, the County Administrator submits to the County Board a proposed operating budget for the County and School Board for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the revenues for financing them.
- ◆ A public hearing is conducted in March 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 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, School Operating Fund, Internal Service Funds, and Enterprise Funds lapse at fiscal year end. Appropriations for Capital Project funds and Grant funds 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 and the School Operating Fund. The appropriations resolution specifies that Trust and Agency disbursements must be for the purpose for which the fund was established.
- ◆ A budget is adopted for each grant or project in the Grants Fund or the County Capital Projects Fund when funds become available. In the School Capital Projects Fund, projects are appropriated in total when funds become available. The appropriations resolution specifies that the budget and appropriation for each grant or project continue until the expiration of the grant or completion of the project. All other appropriations lapse at year-end. The level of control at which expenditures may not legally exceed appropriations is at the individual grant or project level in the Grants Fund and County Capital Projects Fund and at the total appropriation level in the School Capital Projects Fund.
- ◆ Budgets for all funds are adopted on a budgetary basis. Budgeted amounts reflected in the basic financial statements are as originally adopted and as amended by the County Board, School Board, County Administrator or the School Superintendent. The statements include an explanation of differences between actual amounts on the budgetary basis and GAAP basis.
- ◆ The County Administrator is authorized to amend appropriations by transferring unencumbered appropriated amounts within appropriation categories, and up to \$50,000 between appropriation categories. The County Administrator is also authorized to (1) appropriate any unanticipated revenues that are received from insurance recoveries received for damage to County property, refunds or reimbursements made to the County for which the County has expended funds directly related to that refund or reimbursement and other revenues not to exceed \$50,000; (2) appropriate funds from asset forfeiture accounts consistent with spending requirements; (3) increase the General Fund appropriation to the School Board, contingent upon available funds and consideration of other expenditures up to \$9.0 million; (4) transfer funds to departments for workers' compensation, supplemental retirement, healthcare for retirees and other compensation related

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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.

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 2016.

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The County had the following classifications of fund balances at June 30, 2016:

	General Fund	County Capital Projects Fund	School Capital Projects Fund	Other Governmental Funds	Totals
Nonspendable:					
T. F. Jeffress Memorial Fund	\$ -	\$ -	\$ -	\$ 5,000	\$ 5,000
Restricted for:					
General government	277,372	3,050,468	-	-	3,327,840
Personal property tax relief	2,300,000	-	-	-	2,300,000
Public, education and government access	3,707,692	-	-	-	3,707,692
Administration of justice	136,449	-	-	-	136,449
Public safety	59,758	15,093,593	-	789,497	15,942,848
Law enforcement	1,453,485	-	-	-	1,453,485
Public works	791,115	43,746,722	-	-	44,537,837
Stormwater management facility	1,134,814	-	-	-	1,134,814
Health and welfare	22,417	8,201,891	-	985,871	9,210,179
Mental health support services	1,168,921	-	-	-	1,168,921
Social services	94,719	-	-	-	94,719
Parks, recreation and cultural	48,844	9,420,746	-	208,784	9,678,374
Education - School Board	-	-	63,313,513	-	63,313,513
Economic development	3,173,042	456,129	-	87,827	3,716,998
Tax increment financing and special assessment	4,249,207	-	-	-	4,249,207
Debt service	456,292	3,430,104	235,840	-	4,122,236
Total restricted	19,074,127	83,399,653	63,549,353	2,071,979	168,095,112
Committed to:					
Community contracts	12,122	-	-	-	12,122
District improvement funds	231,594	-	-	-	231,594
Economic development	57,727	-	-	-	57,727
Public works	1,182,597	-	-	-	1,182,597
Total committed	1,484,040	-	-	-	1,484,040
Assigned to:					
General government	620,387	-	-	-	620,387
Telecommunications	1,199,920	-	-	-	1,199,920
Workers compensation	2,400,000	-	-	-	2,400,000
Administration of justice	7,925	-	-	-	7,925
Public safety	3,581,392	-	-	4,873,942	8,455,334
Local match for grants	1,151,760	-	-	-	1,151,760
Police vehicles	1,662,729	-	-	-	1,662,729
Public works	317,502	-	-	-	317,502
Road construction	10,294,315	-	-	-	10,294,315
Motor vehicle registration fees for transportation	2,161,818	-	-	-	2,161,818
Health and welfare	409,754	-	-	558,872	968,626
Parks, recreation and cultural	236,928	-	-	-	236,928
Economic development	6,812,417	-	-	-	6,812,417
Airport	140,050	-	-	-	140,050
Construction	74,572,257	-	-	-	74,572,257
Debt service	5,967,193	-	-	-	5,967,193
Chesapeake Bay Watershed/TMDL	5,937,000	-	-	-	5,937,000
Fiscal year 2017 adopted budget	10,800,000	-	-	-	10,800,000
Future capital projects	7,951,351	-	-	-	7,951,351
Future revenue shortfall - County	74,282,077	-	-	-	74,282,077
Future revenue shortfall - Schools	23,312,426	-	-	-	23,312,426
Education - School Board	-	-	150,352	-	150,352
Total assigned	233,819,201	-	150,352	5,432,814	239,402,367
Unassigned	58,668,400	-	-	-	58,668,400
Total fund balances	\$ 313,045,768	\$ 83,399,653	\$ 63,699,705	\$ 7,509,793	\$ 467,654,919

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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. Only the School Board can modify the specified use of commitments with County approval by resolution. At June 30, 2016, 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, 2016, the School Board had no unassigned fund balance.

The School Board had the following classifications of fund balances at June 30, 2016:

<u>School Operating Fund</u>	
Nonspendable:	
Inventories	\$ 528,504
Restricted for:	
Instruction	1,212,978
Food service	<u>7,648,335</u>
Total restricted	<u>8,861,313</u>
Assigned to:	
Instruction	3,883,609
Administration, attendance and health	1,032,050
Transportation	4,882,109
Operations and maintenance	23,901,657
Technology	2,284,333
Food service	5,758,711
Future capital projects	108,900
Workers compensation	<u>2,000,000</u>
Total assigned	<u>43,851,369</u>
Total fund balances	<u>\$ 53,241,186</u>

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C. Deficit net position

The Healthcare Fund, an internal service fund, had a deficit total net position of \$7,346,681 at June 30, 2016. 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, 2016, IBNR was approximately 16% funded after the second full year of operation of the fund.

The Capital Projects Management Fund, an internal service fund, had a deficit total net position of \$314,323 at June 30, 2016. Net pension liabilities and the related deferred inflows and deferred outflows of resources will be funded on a prospective basis as these amounts become due.

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

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, 2016, \$7,347,868 was outstanding on the Series 2014A Note. The County recorded interest expense related to the Note in the amount of \$147,109 during fiscal year 2016 and \$67,049 in accrued interest.

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, 2016, \$8,735,000 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 \$910,000 for principal and \$32,964 for interest during fiscal year 2016. 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 2016 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 7.2% reduction. The County made support payments of \$420,000 for principal and \$156,349 for interest during the fiscal year. As of June 30, 2016, \$5,825,000 remained outstanding on the Series 2010B Bonds.

The primary government's budgeting process provides funding to the EDA component unit for debt service payments. These transactions are reported as transfers on the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund. 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. Therefore, the primary government eliminates budgetary transfers for these debt service payments for financial reporting purposes in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds. 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.

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4. Deposits and Investments

A. Primary Government:

As of June 30, 2016, 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	\$408,779,334	N/A
LGIP	51,087,597	AAAm
SNAP	102,978,810	AAAm
Federal Home Loan Bank	140,506,682	AA+
Federal Home Loan Mortgage Corporation	98,169,570	AA+
Federal Farm Credit Bank	6,797,801	AA+
Total deposits and investments	<u>\$808,319,794</u>	

Credit Risk:

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

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

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

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

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

Bankers' acceptances	40% maximum
Commercial paper	35% maximum
LGIP	75% maximum
Money market funds	75% maximum
Negotiable certificates of deposit - commercial banks	100% maximum
Negotiable certificates of deposit - savings & loan associations	10% maximum
Repurchase agreements	25% maximum
U. S. Treasury obligations	80% maximum
U. S. Government agency securities and instruments of government sponsored organizations	80% maximum

As required by state statute, the Policy requires that commercial paper have a short-term debt rating of no less than "A-1" (or its equivalent) from at least two of the following; Moody's Investors Service, Standard & Poor's, Fitch Investor's Service and Duff and Phelps, Inc. Corporate notes, negotiable certificates of deposit and bank deposit notes maturing in less than one year must have a short-term debt rating of at least "A-1" by Standard & Poor's and "P-1" by Moody's Investor Service. Notes having a maturity of greater than one year must be rated "AA" by Standard & Poor's and "Aa" by Moody's Investor Service. All credit ratings in the above table are ratings by Standard and Poor's. Deposits and investments not exposed to credit quality risk, as defined by 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 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, 2016, \$1,889,422 of the \$408,779,334 in demand deposits was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 61,803
Uninsured and partially collateralized with securities held by the pledging financial institution but not in the government's name	<u>1,827,619</u>
Total	<u>\$1,889,422</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
Certificate of deposit - commercial banks	45% maximum
Certificate of deposit - savings and loan associations	\$100,000
Commercial paper	25% maximum
LGIP	\$200 million
Each federal agency	No maximum
Each repurchase agreement counterparty	10% maximum
U. S. Treasury	No maximum

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As of June 30, 2016, the portion of the County's portfolio, excluding demand deposits, LGIP and SNAP that represents 5% or more of the total portfolio is as follows:

<u>Issuer</u>	<u>% of Portfolio</u>
Federal Home Loan Bank	57.2%
Federal Home Loan Mortgage Corporation	40.0%
Federal Farm Credit Bank	2.8%

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, 2016, the County had the following pooled deposits and investments:

<u>Asset Type</u>	<u>Fair Value</u>	<u>Investment Maturity</u>		
		<u>0 - 1 Year</u>	<u>1 - 2 Years</u>	<u>2 - 5 Years</u>
LGIP	\$ 51,087,597	\$ 51,087,597	\$ -	\$ -
SNAP	102,978,810	102,978,810	-	-
Federal Home Loan Bank	140,506,682	95,487,443 (a)	45,019,239 (b)	-
Federal Home Loan Mortgage Corporation	98,169,570	11,023,699 (c)	85,375,499 (d)	1,770,372 (e)
Federal Farm Credit Bank	6,797,801	4,998,125 (f)	1,799,676 (g)	-
Total	<u>\$ 399,540,460</u>	<u>\$ 265,575,674</u>	<u>\$ 132,194,414</u>	<u>\$ 1,770,372</u>

(a) A portion of these bonds have call dates ranging from July 1, 2016 to December 5, 2016.

(b) These bonds have call dates ranging from July 1, 2016 to March 29, 2017.

(c) These bonds have call dates ranging from July 1, 2016 to August 26, 2016.

(d) These bonds have call dates ranging from July 20, 2016 to December 29, 2016.

(e) This bond has a call date of September 29, 2016.

(f) This bond is noncallable.

(g) This bond has a call date of July 1, 2016.

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.

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, 2016:

<u>Investments by fair value - Level 2</u>	<u>Fair Value</u>
Federal Home Loan Bank	\$ 140,506,682
Federal Home Loan Mortgage Corporation	98,169,570
Federal Farm Credit Bank	6,797,801
Total investments by fair value - Level 2	<u>\$ 245,474,053</u>

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Chesterfield County Supplemental Retirement Plan:

As of June 30, 2016, the carrying value of the County Supplemental Retirement Plan Pension Trust Fund's (Plan) deposits and investments, with their respective credit ratings, was as follows:

<u>Asset Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Demand deposits	\$ 2,935,191	N/A
Mutual funds	2,557,810	N/A
Common and preferred stocks	11,328,825	N/A
Corporate bonds	4,290,075	N/A
Funds of funds	3,952,256	N/A
Exchange traded funds	5,064,931	N/A
Collateralized mortgage backed securities	89,708	N/A
U. S. Treasuries	490,463	AA+
Federal National Mortgage Association Pool	965,659	Not Rated
Federal Home Loan Mortgage Corporation Pool	674,402	Not Rated
Government National Mortgage Association Pool	270,951	Not Rated
Total deposits and investments	<u>\$32,620,271</u>	

The Plan's investments includes funds of funds, which are investment funds that use an investment strategy of holding a portfolio of other investment funds rather than investing directly in shares, bonds or other securities, resulting in greater portfolio diversification. At June 30, 2016, 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 \$2,935,191 of demand deposits, \$2,685,191 is invested in money market funds that are uninsured and uncollateralized.

Concentration of Credit Risk:

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

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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, 2016.

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, 2016, the Plan had investments of \$89,708 (0.3% 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.

As of June 30, 2016, 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 - 20 Years</u>
Corporate bonds and collateralized mortgage securities	\$ 4,379,783	\$ 2,849,732	\$ 1,005,275	\$ 524,776
U. S. Treasuries	490,463	30,850	123,056	336,557
Federal National Mortgage Association Pool	965,659	965,659	-	-
Federal Home Loan Mortgage Corporation Pool	674,402	608,611	65,791	-
Government National Mortgage Association Pool	270,951	270,951	-	-
Total	<u>\$ 6,781,258</u>	<u>\$ 4,725,803</u>	<u>\$ 1,194,122</u>	<u>\$ 861,333</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.

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2016

The County's portfolio has the following recurring fair value measurements as of June 30, 2016:

	Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments by fair value level			
Debt securities:			
U. S. Treasury securities	\$ 490,463	\$ -	\$ 490,463
U. S. Agency and sponsored enterprises	1,911,012	-	1,911,012
Exchange traded note	76,162	76,162	-
Collateralized mortgage-backed securities	89,708	-	89,708
Corporate bonds	4,290,075	-	4,290,075
Total debt securities	6,857,420	76,162	6,781,258
Equity securities:			
Common and preferred stocks	11,328,825	11,328,825	-
Exchange traded funds	4,988,769	4,988,769	-
Mutual funds	2,557,810	2,557,810	-
Total equity securities	18,875,404	18,875,404	-
Total investments by fair value level	25,732,824	\$ 18,951,566	\$ 6,781,258

Investments measured at the net asset value (NAV)

Multi-strategy alternative funds	3,952,256
Total investments measured at fair value	\$ 29,685,080

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Investments measured at the NAV				
(1) Multi-strategy alternative fund	\$ 84,178	None	Quarterly	100 days
(2) Multi-strategy alternative fund	1,627,088	None	Semi-annual	95 days
(3) Multi-strategy alternative fund	2,240,990	None	Quarterly	65 days
Total investments measured at fair value	\$ 3,952,256			

- (1) *Multi-strategy alternative fund.* This investment uses a multi-strategy approach that includes taking long and short positions in fixed income instruments across the credit spectrum; buying undervalued equities and short overvalued equities; focusing on spread relationships between pricing components of financial assets or commodities; and investing in private investment funds for which it expects to receive the redemption proceeds upon the sale of the underlying assets. 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 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.

County of Chesterfield, Virginia
Notes to Financial Statements
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- (3) *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 and School Board Retiree Healthcare OPEB Funds and County Line of Duty OPEB Fund:

As of June 30, 2016, the carrying value of the County Retiree Healthcare OPEB Fund's deposits and investments held by the Trust and their respective credit rating was as follows:

<u>Asset Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Cash	\$ 829,469	
Investment in pooled funds	23,142,622	N/A
Total	<u>\$23,972,091</u>	

As of June 30, 2016, the carrying value of the School Board Retiree Healthcare OPEB Fund's deposits and investments held by the Trust and their respective credit rating was as follows:

<u>Asset Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Cash	\$ 1,032,476	
Investment in pooled funds	10,989,579	N/A
Total	<u>\$12,022,055</u>	

As of June 30, 2016, the carrying value of the County Line of Duty OPEB Fund's deposits and investments held by the Trust and their respective credit rating was as follows:

<u>Asset Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Cash	\$ 360,407	
Investment in pooled funds	6,054,346	N/A
Total	<u>\$6,414,753</u>	

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

As of June 30, 2016, 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.

The Trust categorizes its investments within the fair value hierarchy established by general accepted accounting principles. 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

County of Chesterfield, Virginia
Notes to Financial Statements
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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:

Equity:

- Large Cap Domestic Equity
- Small Cap Domestic Equity
- Emerging Markets Equity
- Private Equity

Fixed Income:

- Core Fixed Income
- Core Plus Fixed Income

Diversified Hedge Funds

Real Assets:

- Real Estate
- Commodities

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

B. Component Unit - School Board:

As of June 30, 2016, 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	\$48,920,399	N/A

School Board deposits are invested in accordance with the County's investment policy. As of June 30, 2016, 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, 2016, 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:

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2016

<u>Asset Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Demand deposits	\$ 1,256,206	N/A
Mutual funds - equity	5,213,048	Not Rated
Mutual funds - fixed income	3,078,214	Not Rated
Exchange traded funds	10,290,893	Not Rated
Total deposits and investments	<u>\$ 19,838,361</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 \$1,256,206 of demand deposits is invested in a money market fund that is uninsured and uncollateralized.

Concentration of Credit Risk:

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

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

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

Cash Equivalents - no more than 10% of the cash portfolio in Certificates of Deposit or 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, 2016, excluding mutual funds and exchange traded funds, the Program had no investments and, therefore, accordingly had no concentration of credit risk.

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2016

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, 2016, excluding mutual funds and exchange traded funds, the Program had no investments and, therefore, accordingly had no interest rate risk.

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, 2016:

Investments by fair value - Level 1	Fair Value
Mutual funds - equity	\$ 5,213,048
Mutual funds - fixed income	3,078,214
Exchange traded funds	10,290,893
Total investments by fair value	<u>\$ 18,582,155</u>

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 6th and December 5th in two equal installments. Installments due on June 6, 2016, are levied for fiscal year 2016 and, when unavailable in the current period, are reported as deferred inflows of resources. Installments due on December 5, 2016, are levied for fiscal year 2017 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 6th and levied for fiscal year 2016 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, 2016. 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, 2016

B. Receivables

Receivables at June 30, 2016, were as follows:

Governmental Activities

	General Fund	County Capital Projects Fund	Other Governmental Funds	Internal Service Funds	Total
Taxes	\$ 186,546,318	\$ -	\$ -	\$ -	\$ 186,546,318
Accounts	15,657,042	128,759	10,068,828	260,593	26,115,222
Interest	152,708	6,695	-	-	159,403
Special assessments	774,564	-	-	-	774,564
Commonwealth of Virginia	55,038,980	588,944	2,414,680	-	58,042,604
Federal government	80,188	2,669,313	1,057,182	-	3,806,683
Gross receivables	258,249,800	3,393,711	13,540,690	260,593	275,444,794
Less: Allowance for uncollectibles	(7,406,493)	-	(8,619,448)	-	(16,025,941)
Net receivables	<u>\$ 250,843,307</u>	<u>\$ 3,393,711</u>	<u>\$ 4,921,242</u>	<u>\$ 260,593</u>	<u>\$ 259,418,853</u>

Business-type Activities

	Water Fund	Wastewater Fund	Non-major Enterprise Funds	Total
Accounts	\$ 7,786,495	\$ 7,973,043	\$ 40,656	\$ 15,800,194
Interest	65,394	253,655	-	319,049
Special assessments	106,931	248,965	-	355,896
Commonwealth of Virginia	70	-	2,884	2,954
Federal government	-	-	3,526	3,526
Gross receivables	7,958,890	8,475,663	47,066	16,481,619
Less: Allowance for uncollectibles	(395,993)	(379,641)	-	(775,634)
Net receivables	<u>\$ 7,562,897</u>	<u>\$ 8,096,022</u>	<u>\$ 47,066</u>	<u>\$ 15,705,985</u>

Component Unit

	School Board
Accounts	\$ 1,098,245
Commonwealth of Virginia	556,150
Federal government	6,441,166
Gross receivables	<u>\$ 8,095,561</u>

Special assessments of \$95,747 and \$223,177, 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, 2016

6. Payables

Payables at June 30, 2016, were as follows:

Governmental Activities

	General Fund	County Capital Projects Fund	School Capital Projects Fund	Other Governmental Funds	Internal Service Funds	Total
Vendors	\$ 7,291,297	\$ 5,231,885	\$ 1,743,198	\$ 2,112,332	\$ 1,054,662	\$ 17,433,374
Wages and benefits	15,273,036	20,790	-	319,843	486,964	16,100,633
Retainages	-	902,379	599,513	-	-	1,501,892
Deposits	215,374	1,504,705	-	-	-	1,720,079
Total	<u>\$ 22,779,707</u>	<u>\$ 7,659,759</u>	<u>\$ 2,342,711</u>	<u>\$ 2,432,175</u>	<u>\$ 1,541,626</u>	36,755,978
					Accrued interest	<u>7,076,682</u>
					Total per government-wide	<u>\$ 43,832,660</u>

Business-type Activities

	Water Fund	Wastewater Fund	Non-major Enterprise Funds	Total
Vendors	\$ 3,704,033	\$ 1,663,704	\$ 36,033	\$ 5,403,770
Wages and benefits	671,403	578,026	16,346	1,265,775
Accrued interest	-	-	5,338	5,338
Retainages	90,871	133,411	122,085	346,367
Other	601,617	31,661	673,543	1,306,821
Total	<u>\$ 5,067,924</u>	<u>\$ 2,406,802</u>	<u>\$ 853,345</u>	<u>\$ 8,328,071</u>

Component Unit

	School Board
Vendors	\$ 9,217,642
Wages and benefits	44,286,526
Retainages	21,210
Accrued interest	108,060
Total	<u>\$ 53,633,438</u>

County of Chesterfield, Virginia
Notes to Financial Statements
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7. Reporting Entity - Internal Transactions

Internal receivable and payable balances at June 30, 2016, were as follows:

Fund	Internal Receivables	Internal Payables
Internal Receivables/Payables Other Funds		
Governmental Activities:		
General Fund	\$ 300,000	\$ 8,731
County Capital Projects Fund	6,721,595	-
Children's Services Fund	-	300,000
Business-type Activities:		
Non-major Economic Development Authority	8,731	6,721,595
Total primary government	<u>\$ 7,030,326</u>	<u>\$ 7,030,326</u>
Receivables/Payables Primary Government and Component Units		
Primary Government:		
General Fund	\$ -	\$ 56,039,394
Discretely Presented Component Units:		
School Board	56,039,394	-
Total	<u>\$ 56,039,394</u>	<u>\$ 56,039,394</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.

County of Chesterfield, Virginia
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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 2016 were as follows:

Transfers In:

Governmental Funds

General Fund from:

Grants Fund	\$ 1,369,419	
Water Fund	3,600	
Wastewater Fund	2,400	
Vehicle and Communications Maintenance Fund	<u>13,700</u>	\$ 1,389,119

County Capital Projects Fund from:

General Fund	19,318,507	
Water Fund	5,250	
Vehicle and Communications Fund	<u>3,750</u>	19,327,507

School Capital Projects Fund from:

County Capital Projects Fund		1,030,769
Grants Fund - General Fund		1,515,845

Children's Services Fund from:

General Fund		1,538,595
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Proprietary Funds

Capital Projects Management Fund from:

General Fund		128,550
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Wastewater Fund from:

County Capital Projects Fund		3,930
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Economic Development Authority from:

General Fund		258,865
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Airport Fund from:

General Fund		<u>29,989</u>
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Total transfers in		<u><u>\$ 25,223,169</u></u>
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Transfers Out:

Governmental Funds

General Fund to:

County Capital Projects Fund	\$ 19,318,507	
Grants Fund	1,515,845	
Children's Services Fund	1,538,595	
Capital Projects Management Fund	128,550	
Economic Development Authority	258,865	
Airport Fund	<u>29,989</u>	\$ 22,790,351

County Capital Projects Fund to:

School Capital Projects Fund	1,030,769	
Wastewater Fund	<u>3,930</u>	1,034,699

Grants Fund to

General Fund		1,369,419
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Proprietary Funds

Vehicle and Communications Maintenance Fund to:

General Fund	13,700	
County Capital Projects Fund	<u>3,750</u>	17,450

Water Fund to:

General Fund	3,600	
County Capital Projects Fund	<u>5,250</u>	8,850

Wastewater Fund to:

General Fund		<u>2,400</u>
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Total transfers out		<u><u>\$ 25,223,169</u></u>
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County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2016

8. Capital and Intangible Assets

A. Governmental Activities

Capital asset activity for the year ended June 30, 2016, was as follows:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2016</u>
Capital assets, not being depreciated:				
Land	\$ 63,832,118	\$ 2,138,775	\$ 357,590	\$ 65,613,303
Redevelopment asset	7,368,104	-	-	7,368,104
Construction in progress	23,178,511	39,031,675	30,471,724	31,738,462
Total assets, not being depreciated	<u>94,378,733</u>	<u>41,170,450</u>	<u>30,829,314</u>	<u>104,719,869</u>
Capital assets, being depreciated:				
Buildings	1,206,117,683	21,303,539	1,024,171	1,226,397,051
Improvements other than buildings	76,940,230	3,837,563	355,546	80,422,247
Machinery and equipment	164,788,505	16,529,653	3,828,696	177,489,462
Infrastructure	37,297,478	459,452	-	37,756,930
Total at historical cost	<u>1,485,143,896</u>	<u>42,130,207</u>	<u>5,208,413</u>	<u>1,522,065,690</u>
Less accumulated depreciation for:				
Buildings	400,253,049	24,573,409	596,838	424,229,620
Improvements other than buildings	43,978,628	2,731,918	218,909	46,491,637
Machinery and equipment	110,436,869	11,824,727	3,621,684	118,639,912
Infrastructure	9,797,335	536,103	-	10,333,438
Total accumulated depreciation	<u>564,465,881</u>	<u>39,666,157</u>	<u>4,437,431</u>	<u>599,694,607</u>
Total capital assets, being depreciated, net	<u>920,678,015</u>	<u>2,464,050</u>	<u>770,982</u>	<u>922,371,083</u>
Governmental activities capital assets, net	<u><u>\$ 1,015,056,748</u></u>	<u><u>\$ 43,634,500</u></u>	<u><u>\$ 31,600,296</u></u>	<u><u>\$ 1,027,090,952</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, 2016, are comprised of the following:

General capital assets, net	\$ 1,020,835,093
Internal Service Funds capital assets, net	6,255,859
Total	<u><u>\$ 1,027,090,952</u></u>

Depreciation expense was charged to the following functions:

General government	2,623,065
Administration of justice	1,176,638
Public safety	10,059,108
Public works	1,553,568
Health and welfare	512,246
Education - School Board	18,683,189
Parks, recreation and cultural	3,265,953
Community development	395,037
Capital assets held by the County's Internal Service Funds are charged to the various functions based on their usage of the assets	<u>1,397,353</u>
Total depreciation expense	<u><u>\$ 39,666,157</u></u>

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2016

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

Function	Committed at June 30, 2016
General government	\$ 7,358,016
Public safety	34,543,567
Public works	1,026,858
Health and welfare	15,337,802
Parks, recreation and cultural	7,916,971
Education - School Board	90,062,657
Community development	<u>1,208,631</u>
Total construction in progress commitments	<u>\$ 157,454,502</u>

B. Business-type Activities

Intangible and capital asset activity for the year ended June 30, 2016, was as follows:

Water Fund	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Intangible assets:				
Capacity rights, net of amortization	<u>\$ 69,207,569</u>	<u>\$ 1,534,453</u>	<u>\$ 2,084,151</u>	<u>\$ 68,657,871</u>
Capital assets, not being depreciated:				
Land	5,175,254	564,062	3,000	5,736,316
Construction in progress	<u>6,069,320</u>	<u>5,381,229</u>	<u>8,336,915</u>	<u>3,113,634</u>
Total assets, not being depreciated	<u>11,244,574</u>	<u>5,945,291</u>	<u>8,339,915</u>	<u>8,849,950</u>
Capital assets, being depreciated:				
Buildings	57,011,329	5,398,559	56,500	62,353,388
Improvements other than buildings	8,972,097	54,309	-	9,026,406
Machinery and equipment	<u>435,672,936</u>	<u>15,671,703</u>	<u>337,372</u>	<u>451,007,267</u>
Totals at historical cost	<u>501,656,362</u>	<u>21,124,571</u>	<u>393,872</u>	<u>522,387,061</u>
Less accumulated depreciation for:				
Buildings	19,729,703	1,446,304	56,500	21,119,507
Improvements other than buildings	4,836,841	334,496	-	5,171,337
Machinery and equipment	<u>148,517,151</u>	<u>9,718,940</u>	<u>252,322</u>	<u>157,983,769</u>
Total accumulated depreciation	<u>173,083,695</u>	<u>11,499,740</u>	<u>308,822</u>	<u>184,274,613</u>
Total capital assets, being depreciated, net	<u>328,572,667</u>	<u>9,624,831</u>	<u>85,050</u>	<u>338,112,448</u>
Water capital and intangible assets, net	<u>\$ 409,024,810</u>	<u>\$ 17,104,575</u>	<u>\$ 10,509,116</u>	<u>\$ 415,620,269</u>

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2016

Wastewater Fund	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Intangible assets:				
Capacity rights, net of amortization	\$ 2,496,413	\$ -	\$ 118,877	\$ 2,377,536
Capital assets, not being depreciated:				
Land	1,961,309	229,689	-	2,190,998
Construction in progress	2,858,340	5,416,512	7,021,594	1,253,258
Total assets, not being depreciated	4,819,649	5,646,201	7,021,594	3,444,256
Capital assets, being depreciated:				
Buildings	146,942,572	555,242	1,550,148	145,947,666
Improvements other than buildings	19,069,061	-	-	19,069,061
Machinery and equipment	504,381,095	14,443,364	281,965	518,542,494
Totals at historical cost	670,392,728	14,998,606	1,832,113	683,559,221
Less accumulated depreciation for:				
Buildings	50,103,069	3,402,084	727,803	52,777,350
Improvements other than buildings	7,344,111	532,415	-	7,876,526
Machinery and equipment	194,747,972	13,545,076	131,754	208,161,294
Total accumulated depreciation	252,195,152	17,479,575	859,557	268,815,170
Total capital assets, being depreciated, net	418,197,576	(2,480,969)	972,556	414,744,051
Wastewater capital and intangible assets, net	\$ 425,513,638	\$ 3,165,232	\$ 8,113,027	\$ 420,565,843

Non-major	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Capital assets, not being depreciated:				
Land and improvements	\$ 13,371,142	\$ -	\$ -	\$ 13,371,142
Construction in progress	1,662,289	2,376,920	1,046,996	2,992,213
Total assets, not being depreciated	15,033,431	2,376,920	1,046,996	16,363,355
Capital assets, being depreciated:				
Buildings	7,143,405	15,376	-	7,158,781
Improvements other than buildings	29,138,278	-	-	29,138,278
Machinery and equipment	1,694,320	13,393	-	1,707,713
Infrastructure	1,171,221	963,641	-	2,134,862
Totals at historical cost	39,147,224	992,410	-	40,139,634
Less accumulated depreciation for:				
Buildings	2,940,949	137,063	-	3,078,012
Improvements other than buildings	16,113,704	1,179,892	-	17,293,596
Machinery and equipment	1,234,133	79,784	-	1,313,917
Infrastructure	312,326	91,015	-	403,341
Total accumulated depreciation	20,601,112	1,487,754	-	22,088,866
Total capital assets, being depreciated, net	18,546,112	(495,344)	-	18,050,768
Non-major business-type activities capital and intangible assets, net	\$ 33,579,543	\$ 1,881,576	\$ 1,046,996	\$ 34,414,123

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2016

	<u>Balance July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2016</u>
Total Business-type Activities				
Intangible assets:				
Capacity rights, net of amortization	\$ 71,703,982	\$ 1,534,453	\$ 2,203,028	\$ 71,035,407
Capital assets, not being depreciated:				
Land	20,507,705	793,751	3,000	21,298,456
Construction in progress	10,589,949	13,174,661	16,405,505	7,359,105
Total assets, not being depreciated	31,097,654	13,968,412	16,408,505	28,657,561
Capital assets, being depreciated:				
Buildings	211,097,306	5,969,177	1,606,648	215,459,835
Improvements other than buildings	57,179,436	54,309	-	57,233,745
Machinery and equipment	941,748,351	30,128,460	619,337	971,257,474
Infrastructure	1,171,221	963,641	-	2,134,862
Totals at historical cost	1,211,196,314	37,115,587	2,225,985	1,246,085,916
Less accumulated depreciation for:				
Buildings	72,773,721	4,985,451	784,303	76,974,869
Improvements other than buildings	28,294,656	2,046,803	-	30,341,459
Machinery and equipment	344,499,256	23,343,800	384,076	367,458,980
Infrastructure	312,326	91,015	-	403,341
Total accumulated depreciation	445,879,959	30,467,069	1,168,379	475,178,649
Total capital assets, being depreciated, net	765,316,355	6,648,518	1,057,606	770,907,267
Total business-type activities capital and intangible assets, net	\$ 868,117,991	\$ 22,151,383	\$ 19,669,139	\$ 870,600,235

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

Water	\$ 2,084,151
Wastewater	118,877
Total amortization expense	<u>\$ 2,203,028</u>
Water	\$ 11,499,740
Wastewater	17,479,575
Non-major funds	1,487,754
Total depreciation expense	<u>\$ 30,467,069</u>

C. Component Unit - School Board

Capital asset activity for the year ended June 30, 2016, for the School Board component unit was as follows:

	<u>Balance July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2016</u>
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ 1,063,827	\$ -	\$ 1,063,827
Capital assets, being depreciated:				
Machinery and equipment				
Historical cost	84,444,386	20,350,874	4,765,607	100,029,653
Less accumulated depreciation	59,668,874	8,539,141	4,206,552	64,001,463
Total capital assets, being depreciated, net	24,775,512	11,811,733	559,055	36,028,190
School Board capital assets, net	<u>\$ 24,775,512</u>	<u>\$ 12,875,560</u>	<u>\$ 559,055</u>	<u>\$ 37,092,017</u>

Current year depreciation on capital assets of the School Board was \$8,539,141.

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2016

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. \$268,815,000 of this authorization remained at June 30, 2016. 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, 2016, general obligation bonds outstanding were as follows:

	<u>Original Issue Amount</u>	<u>Interest Rates</u>	<u>Annual Principal Requirements</u>	<u>Total Outstanding</u>
General Obligation Bonds				
2002B School, due 2023	\$ 23,950,000	4.60 - 5.10%	\$ 1,195,000	\$ 8,365,000
2007 General Improvement & Refunding, due 2022	96,215,000	4.50 - 5.00	985,000 - 6,150,000	26,075,000
2008 General Improvement, due 2018	73,920,000	5.00	3,750,000	7,500,000
2009 General Improvement & Refunding, due 2019	92,000,000	3.00 - 5.00	3,575,000 - 4,085,000	11,235,000
2011 School, due 2032	15,630,000	4.05 - 5.05	780,000 - 785,000	12,495,000
2012 General Improvement & Refunding, due 2032	67,495,000	2.50 - 5.00	895,000 - 7,735,000	59,115,000
2012B School, due 2033	18,595,000	3.05 - 5.05	925,000 - 930,000	15,805,000
2013A School, due 2034	18,305,000	3.05 - 5.05	915,000	16,470,000
2014 General Improvement & Refunding, due 2034	60,645,000	3.50 - 5.00	725,000 - 7,130,000	47,845,000
2015 General Improvement & Refunding, due 2035	92,110,000	3.00 - 5.00	1,730,000 - 11,930,000	90,380,000
2016 General Improvement & Refunding, due 2036	86,480,000	2.125 - 5.00	2,095,000 - 8,965,000	86,480,000
Total general obligation bonds				381,765,000
Add: Premium				41,525,121
Net general obligation bonds				<u>\$ 423,290,121</u>

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2016

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

Year Ending	<u>General Obligation Bonds</u>		
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 36,090,000	\$ 15,177,550	\$ 51,267,550
2018	36,295,000	15,457,216	51,752,216
2019	33,750,000	13,667,106	47,417,106
2020	32,260,000	11,999,798	44,259,798
2021	30,175,000	10,405,278	40,580,278
2022-2026	125,645,000	31,962,215	157,607,215
2027-2031	61,690,000	9,992,006	71,682,006
2032-2036	25,860,000	2,046,736	27,906,736
Total	<u>\$ 381,765,000</u>	<u>\$ 110,707,905</u>	<u>\$ 492,472,905</u>

B. Revenue Bonds

On December 18, 2015, the County, together with the EDA, entered into an agreement to issue tax exempt bonds to finance the building of the Chester Arts Community Center. The interest rates for these bonds is 3.09% and the debt service is subject to annual appropriation in the General Fund. The County also issued bonds to finance construction projects for the Water and Wastewater enterprise funds.

Revenue bonds outstanding at June 30, 2016, are as follows:

	<u>Original Issue Amount</u>	<u>Interest Rates</u>	<u>Annual Principal Requirements</u>	<u>Amount Outstanding</u>
Primary Government				
Governmental Activities				
Chester Arts Community Center due 2032	\$ 6,899,800	3.09%	\$ 459,987	\$ 6,899,800
Total governmental activities				
Business-type Activities				
Major Enterprise Funds				
2016 Water and Sewer, due 2027	53,695,000	5.00%	2,005,000 - 6,315,000	53,695,000
Add Premium				10,124,172
Net business-type activities				<u>63,819,172</u>
Total revenue bonds				<u>\$ 70,718,972</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	\$ 24,940,000	\$ 28,755,000	\$ 53,695,000
Net revenue bonds	29,212,208	34,606,964	63,819,172

County of Chesterfield, Virginia
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June 30, 2016

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

Year Ending	Primary Government					
	Governmental Activities			Business-type Activities		
June 30	Principal	Interest	Total	Principal	Interest	Total
2017	\$ -	\$ 229,194	\$ 229,194	\$ 4,855,000	\$ 2,130,832	\$ 6,985,832
2018	459,986	206,097	666,083	4,665,000	2,325,375	6,990,375
2019	459,986	191,883	651,869	4,910,000	2,086,000	6,996,000
2020	459,986	177,670	637,656	5,160,000	1,834,250	6,994,250
2021	459,986	163,456	623,442	5,425,000	1,569,625	6,994,625
2022-2026	2,299,934	604,078	2,904,012	26,675,000	3,561,375	30,236,375
2027-2031	2,299,935	248,738	2,548,673	2,005,000	50,125	2,055,125
2032-2036	459,987	7,107	467,094	-	-	-
Total	<u>\$ 6,899,800</u>	<u>\$ 1,828,223</u>	<u>\$ 8,728,023</u>	<u>\$ 53,695,000</u>	<u>\$ 13,557,582</u>	<u>\$ 67,252,582</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, 2016:

	Original Issue Amount	Interest Rates	Annual Principal Requirements	Amount Outstanding
Primary Government				
2005 Economic Development, due 2025	\$ 18,120,000	variable	\$ 920,000 - 1,020,000	\$ 8,735,000
2010 Taxable Recovery Zone, Economic Development due 2030	8,345,000	2.981 - 5.265%	415,000 - 420,000	5,825,000
Total bonds under support agreements				<u>\$ 14,560,000</u>

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

Year Ending	Primary Government		
	Non-major Enterprise fund		
June 30	Principal	Interest ^{(1) (2)}	Total
2017	\$ 1,340,000	\$ 302,685	\$ 1,642,685
2018	1,355,000	284,856	1,639,856
2019	1,365,000	265,287	1,630,287
2020	1,370,000	244,812	1,614,812
2021	1,385,000	223,812	1,608,812
2022-2026	6,085,000	777,790	6,862,790
2027-2031	1,660,000	218,498	1,878,498
Total	<u>\$ 14,560,000</u>	<u>\$ 2,317,740</u>	<u>\$ 16,877,740</u>

⁽¹⁾ Interest estimated using rate in effect as of June 30, 2016.

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

D. Special Subfund Revenue Bond

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

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2016

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.

Amounts outstanding as of June 30, 2016 for the Special Subfund Revenue Bond are:

	<u>Original Issue Amount</u>	<u>Interest Rates</u>	<u>Annual Principal Requirements</u>	<u>Amount Outstanding</u>
Primary Government				
2016 Virginia Resource Authority, due 2037	\$ 19,760,324	3.807 - 5.125%	\$330,000 - 2,034,203	\$ 19,760,324
Add Premium				3,762,607
Net governmental activities				<u>23,522,931</u>
Business-type Activities				
2016 Virginia Resource Authority due 2028	\$ 44,676	4.151 - 5.125%	\$1,054 - 5,797	44,676
Add: Premium				8,891
Net business-type activities				<u>53,567</u>
Total special subfund revenue bond				<u>\$ 23,576,498</u>

Debt service requirements to maturity for this bond is as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Primary Government</u> <u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 383,691	\$ 870,087	\$ 1,253,778	\$ 1,309	\$ 2,015	\$ 3,324
2018	643,946	910,387	1,554,333	1,054	2,110	3,164
2019	1,800,002	855,541	2,655,543	4,998	1,975	6,973
2020	1,790,036	772,147	2,562,183	4,964	1,743	6,707
2021	1,790,036	683,275	2,473,311	4,964	1,497	6,461
2022-2026	8,157,883	2,103,244	10,261,127	22,117	3,881	25,998
2027-2031	3,214,730	638,673	3,853,403	5,270	239	5,509
2032-2036	1,650,000	220,969	1,870,969	-	-	-
2037-2041	330,000	6,281	336,281	-	-	-
Total	<u>\$ 19,760,324</u>	<u>\$ 7,060,604</u>	<u>\$ 26,820,928</u>	<u>\$ 44,676</u>	<u>\$ 13,460</u>	<u>\$ 58,136</u>

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

The County is a party to several Real Property Lease/Purchase Agreements. These agreements are structured with Public Facility Lease Revenue Bonds, Certificates of Participation and a Taxable Redevelopment Facility Note. Obligations under these leases 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

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2016

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 Certificate of Participation Series 2005B was refunded with 2016 Virginia Resource Authority Bond. Certificate of Participation Series 2006B was partially refunded with Certificate of Participation Series 2012 and with Virginia Resource Authority.

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 Certificate of Participation was partially refunded with 2016 Virginia Resource Authority.

In the Taxable Revenue Note amended and restated December 19, 2014, the County leases real property incorporating the former Cloverleaf Mall property. The County is reporting a redevelopment asset in its government-wide statements.

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

Amounts outstanding as of June 30, 2016, on the Public Facility Lease, the Certificates of Participation and the Taxable Redevelopment Note are as follows:

	<u>Original Issue Amount</u>	<u>Interest Rates</u>	<u>Annual Principal Requirements</u>	<u>Amount Outstanding</u>
Governmental Activities				
2006B Certificates of Participation, due 2017	\$ 8,395,000	4.25%	\$ 440,000	\$ 440,000
2007 Certificates of Participation, due 2018	22,220,000	5.00	1,165,000	2,330,000
2010A Public Facility Revenue Refunding Bonds, due 2020	7,185,000	2.50 - 4.00	800,000 - 835,000	3,255,000
2012 Certificates of Participation Refunding, due 2025	19,011,905	3.00 - 5.00	327,211 - 2,377,090	17,385,475
2014A Taxable Revenue Note	16,596,199	3.65	189,811 - 6,545,637	7,347,868
Total governmental activities				30,758,343
Add: Premium				1,613,612
Net governmental activities				32,371,955
Business-type Activities				
2012 Certificates of Participation - Refunding, due 2025	\$ 743,095	3.00 - 5.00%	\$ 12,789 - 92,910	679,525
Add: Premium				62,494
Net business-type activities				742,019
				<u>\$ 33,113,974</u>

County of Chesterfield, Virginia
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June 30, 2016

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

Year Ending	Primary Government					
	Governmental Activities			Business-Type Activities		
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 4,487,213	\$ 1,227,228	\$ 5,714,441	\$ 72,598	\$ 29,803	\$ 102,401
2018	4,486,525	1,057,706	5,544,231	90,277	26,908	117,185
2019	3,328,397	892,704	4,221,101	90,653	22,836	113,489
2020	3,345,349	736,660	4,082,009	91,218	18,290	109,508
2021	8,903,479	470,103	9,373,582	92,158	13,705	105,863
2022-2026	<u>6,207,380</u>	<u>406,463</u>	<u>6,613,843</u>	<u>242,621</u>	<u>15,887</u>	<u>258,508</u>
Total	<u>\$ 30,758,343</u>	<u>\$ 4,790,864</u>	<u>\$ 35,549,207</u>	<u>\$ 679,525</u>	<u>\$ 127,429</u>	<u>\$ 806,954</u>

F. Special Assessment Revenue Note

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. In accordance with the Financing Agreement, the CDA promises to pay the outstanding principal balance and interest on the EDA's Note solely from the revenues and other property pledged to the payment of this Note. The Note is a limited obligation secured by pledged revenues consisting of incremental tax and special assessment revenues collected by the County. The County intends to make annual appropriations sufficient to cover the required annual debt service. The Note will be repaid with the incremental tax revenues and, to the extent incremental tax revenues are not sufficient, special assessment revenues. As of June 30, 2016, the Chippenham Place CDA reported total accrued interest of \$84,951 related to the Note. The balance of the Note as of June 30, 2016, was \$12,116,049 and is included as a non-current liability on the Statement of Net Position - Non-major Discretely Presented Component Units.

County of Chesterfield, Virginia
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June 30, 2016

G. Capital Leases

1. Primary Government - Governmental Activities

The County acquired equipment under capital lease arrangements with an interest rate of 3.83%. Capital leases are liquidated by the General Fund. Future minimum lease payments at June 30, 2016, for these capital leases are as follows:

Year Ending	<u>Primary Government</u>		
	<u>Governmental Activities</u>		
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 173,011	\$ 8,487	\$ 181,498
2018	90,613	1,735	92,348
Total	<u>\$ 263,624</u>	<u>\$ 10,222</u>	<u>\$ 273,846</u>

2. Component Unit - School Board

The School Board has acquired equipment under capital lease arrangements with an annual interest rate of 1.6918%. Capital leases are liquidated by the School Operating Fund. Future minimum lease payments at June 30, 2016, for these capital leases are as follows:

Year Ending	<u>Component Unit</u>		
	<u>School Board</u>		
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 4,092,460	\$ 223,471	\$ 4,315,931
2018	2,896,705	146,530	3,043,235
2019	1,224,625	90,886	1,315,511
2020	1,245,431	70,080	1,315,511
2021	1,266,591	48,920	1,315,511
2022-2026	<u>1,940,348</u>	<u>32,919</u>	<u>1,973,267</u>
Total	<u>\$ 12,666,160</u>	<u>\$ 612,806</u>	<u>\$ 13,278,966</u>

H. 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 \$19,964,161 and \$3,915,540 for accrued vacation and sick leave benefits, respectively, and the business-type activities of the primary government recorded \$1,242,291 and \$563,404 for accrued vacation and sick leave benefits, respectively. The School Board component unit recorded \$11,346,814 and \$7,920,178 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.

I. 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 \$8,746,394 for the governmental activities of the primary government, \$1,594,459 for the business-type activities of the primary government and \$11,020,376 for the School Board component unit. A liability of \$5,239,585 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, 2016, and b) liabilities for claims incurred but not reported as of June 30, 2016. These liabilities have been estimated based upon a case-by-case review,

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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 \$200,000 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. A liability of \$9,462,328 has been recorded for health care claims in the Health Care Fund.

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 \$1,109,671 at June 30, 2016. 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 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, 2016, the County's portion of the liability of the shared costs of cleanup is not reasonably estimable at this time.

J. 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 \$164,373,699 for the VRS Local Plan and \$3,808,312 for the County Supplemental Retirement Plan. The business-type activities of the primary government recorded net pension liabilities of \$7,554,525 the VRS Local Plan and \$290,574 for the County Supplemental Retirement Plan. The School Board component unit recorded net pension liabilities of \$19,479,328 and \$463,287,000 for the VRS Local and Teachers' Pool Plans and \$99,198,200 for the School Board Supplemental Retirement Program. Payments for these liabilities are recorded as a charge to the fund that incurred the liability.

K. Other Postemployment Benefits Obligations - Retiree Healthcare and Line of Duty

For the fiscal year ended June 30, 2016, the County reported an actuarially determined liability for other postemployment health-care and line of duty benefits for retired, active and disabled employees in

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the financial statements. The County and School Board fully funded annual other postemployment benefits (OPEB) costs for retiree healthcare and Line of Duty benefits costs were partially funded. Net payments for these liabilities are recorded as charges to the fund that incurred the liability. Net OPEB assets of \$1,873,968 for retiree healthcare and \$2,225,426 for line of duty are recorded as prepaid assets in the government-wide statements. The School Board recorded a net OPEB asset of \$1,418,094 as a prepaid asset in the government-wide statements.

L. Defeased Debt

In prior years, the County has defeased certain general obligation bonds and certificates of participation 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, 2016, the outstanding balance of the defeased debt was \$124,225,000 for general obligation bonds, \$15,765,000 for certificates of participation and \$69,615,000 for revenue bonds.

On September 3, 2015, the County sold \$57,420,000 in Government Obligation Refunding Bonds with an average interest rate of 2.27%. Net proceeds of \$65,705,595 were deposited into an irrevocable trust with an escrow agent to pay interest when due on the refunded bonds up to and including their redemption dates and the principal redemption prices on the refunded bonds on their respective redemption dates. As a result of this transaction, the selected maturities of the bonds are considered to be defeased and the assets in the related escrow accounts for the refunded issues are not reflected in the accompanying financial statements.

The refunding resulted in the recognition of an accounting loss of \$2,451,892 for the year ended June 30, 2016; however, the County in effect reduced its aggregate debt service payments by \$7,882,241 over the next thirteen years and obtained an economic gain (the difference between the present values of the old and new debt service payments) of \$6,794,341.

The refunded bonds include:

<u>Description</u>	<u>Amount</u>	<u>Issue Date</u>	<u>Maturity Dates</u>	<u>Call Date</u>
2005B Refunding	\$ 6,245,000	03/01/2005	2017-2018	10/03/2015
2006 General Improvement	3,215,000	03/08/2006	2026	01/01/2016
2007A General Improvement	21,780,000	04/11/2007	2022-2027	01/01/2017
2008 General Improvement	30,000,000	04/16/2008	2021-2028	01/01/2018

On May 25, 2016, the County sold \$13,140,000 in Special Subfund Revenue Bonds with an average interest rate of 1.77%. Net proceeds of \$15,634,338 were deposited into an irrevocable trust with an escrow agent to pay interest when due on the refunded bonds up to and including their redemption dates and the principal redemption prices on the refunded bonds on their respective redemption dates. As a result of this transaction, the selected maturities of the bonds are considered to be defeased and the assets in the related escrow accounts for the refunded issues are not reflected in the accompanying financial statements.

The refunding resulted in the recognition of an accounting loss of \$521,234 for the year ended June 30, 2016; however, the County in effect reduced its aggregate debt service payments by \$2,237,391 over the next twelve years and obtained an economic gain (the difference between the present values of the old and new debt service payments) of \$2,057,890.

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The refunded certificates include:

<u>Description</u>	<u>Amount</u>	<u>Issue</u> <u>Date</u>	<u>Maturity Dates</u>	<u>Call</u> <u>Date</u>
2003B Certificates of Participation	\$ 310,000	03/01/2003	2023-2024	05/25/2016
2005B Certificates of Participation	940,000	05/11/2005	2017-2024	05/25/2016
2006B Certificates of Participation	3,080,000	05/10/2006	2018-2025	11/01/2016
2007 Certificates of Participation	10,555,000	8/29/2007	2019-2028	11/1/2017

On June 28, 2016, the County sold \$44,485,000 in General Obligation Public Improvement Refunding Bonds with an average interest rate of 1.56%. Net proceeds of \$53,355,463 were deposited into an irrevocable trust with an escrow agent to pay interest when due on the refunded bonds up to and including their redemption dates and the principal redemption prices on the refunded bonds on their respective redemption dates. As a result of this transaction, the selected maturities of the bonds are considered to be defeased and the assets in the related escrow accounts for the refunded issues are not reflected in the accompanying financial statements.

The refunding resulted in the recognition of an accounting loss of \$3,145,728 for the year ended June 30, 2016; however, the County in effect reduced its aggregate debt service payments by \$5,181,118 over the next fourteen years and obtained an economic gain (the difference between the present values of the old and new debt service payments) of \$4,655,096.

The refunded bonds include:

<u>Description</u>	<u>Amount</u>	<u>Issue</u> <u>Date</u>	<u>Maturity Dates</u>	<u>Call</u> <u>Date</u>
2007A General Improvement	\$ 3,630,000	04/11/2007	2018	01/01/2017
2008 General Improvement	7,500,000	04/16/2008	2019-2020	01/01/2018
2009A General Improvement	37,565,000	06/29/2009	2020-2030	01/01/2019

On June 29, 2016, the County sold \$53,695,000 in Water and Sewer Refunding Bonds with an average interest rate of 1.13%. Net proceeds of \$74,076,874 were deposited into an irrevocable trust with an escrow agent to pay interest when due on the refunded bonds up to and including their redemption dates and the principal redemption prices on the refunded bonds on their respective redemption dates. As a result of this transaction, the selected maturities of the bonds are considered to be defeased and the assets in the related escrow accounts for the refunded issues are not reflected in the accompanying financial statements.

The refunding resulted in the recognition of an accounting loss of \$3,334,256 for the year ended June 30, 2016; however, the County in effect reduced its aggregate debt service payments by \$22,346,277 over the next fourteen years and obtained an economic gain (the difference between the present values of the old and new debt service payments) of \$9,143,914.

The refunded bonds include:

<u>Description</u>	<u>Amount</u>	<u>Issue</u> <u>Date</u>	<u>Maturity Dates</u>	<u>Call</u> <u>Date</u>
2007 Revenue bonds	\$ 32,835,000	05/24/2007	2017-2028	11/01/2017
2009 Revenue bonds	36,780,000	05/20/2009	2017-2030	11/01/2018

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M. Changes in Long-term Obligations

The following is a summary of long-term obligation transactions for the year ended June 30, 2016:

Governmental Activities	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016	Amounts Due Within One Year
General obligation bonds	\$ 348,500,000	\$ 178,590,000	\$ 145,325,000	\$ 381,765,000	\$ 36,090,000
Add: Premium	23,151,300	26,839,186	8,465,365	41,525,121	6,602,830
Net bonds payable	371,651,300	205,429,186	153,790,365	423,290,121	42,692,830
Subfund revenue bonds	-	19,760,324		19,760,324	383,691
Add: Premium	-	3,762,607	-	3,762,607	521,761
Net subfund revenue bonds payable	-	23,522,931	-	23,522,931	905,452
Certificates of participation	38,697,364	-	18,541,889	20,155,475	3,462,402
Add: Premium	2,286,343	-	710,453	1,575,890	387,339
Net certificates of participation	40,983,707	-	19,252,342	21,731,365	3,849,741
Public facility lease	4,110,000	-	855,000	3,255,000	835,000
Add: Premium	59,249	-	21,527	37,722	16,588
Net public facility lease	4,169,249	-	876,527	3,292,722	851,588
Chester Arts Revenue Bonds	-	6,899,800	-	6,899,800	-
Support agreements - EDA	15,890,000	-	1,330,000	14,560,000	1,340,000
Taxable revenue note	7,484,947	-	137,079	7,347,868	189,811
Capital lease obligations	424,086	-	160,462	263,624	173,011
Total bonds, leases and loans	440,603,289	235,851,917	175,546,775	500,908,431	50,002,433
Other liabilities:					
Compensated absences	23,922,124	20,729,911	20,772,334	23,879,701	14,682,682
Judgments and claims:					
Workers' compensation and risk claims	15,319,181	-	1,333,202	13,985,979	6,935,161
Healthcare claims	11,214,284	-	1,751,956	9,462,328	9,462,328
Landfill	1,280,379	-	170,708	1,109,671	103,681
Pollution remediation	2,686,500	-	2,686,500	-	-
Total judgements and claims	30,500,344	-	5,942,366	24,557,978	16,501,170
Net pension liabilities	167,776,565	29,116,106	28,710,660	168,182,011	-
Total other liabilities	222,199,033	49,846,017	55,425,360	216,619,690	31,183,852
Total long-term liabilities	\$ 662,802,322	\$ 285,697,934	\$ 230,972,135	\$ 717,528,121	\$ 81,186,285

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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, \$573,328 for compensated absences, \$14,724,887 for judgments and claims and \$3,611,128 for net pension liabilities 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.

Business-type Activities	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016	Amounts Due Within One Year
<u>Water Fund</u>					
Revenue bonds payable	\$ 34,915,000	\$ 24,940,000	\$ 34,915,000	\$ 24,940,000	\$ 2,535,000
Add: Premium	105,778	4,272,207	105,777	4,272,208	878,355
Net bonds payable	35,020,778	29,212,207	35,020,777	29,212,208	3,413,355
Other liabilities:					
Compensated absences	831,756	741,642	712,499	860,899	452,887
Judgments and claims	894,418	439,663	-	1,334,081	439,091
Net pension liabilities	3,948,221	646,392	620,357	3,974,256	-
Total other liabilities	5,674,395	1,827,697	1,332,856	6,169,236	891,978
Total long-term liabilities	40,695,173	31,039,904	36,353,633	35,381,444	4,305,333
<u>Wastewater Fund</u>					
Revenue bonds payable	38,780,000	28,755,000	38,780,000	28,755,000	2,320,000
Add: Premium	652,046	5,851,964	652,046	5,851,964	980,703
Net bonds payable	39,432,046	34,606,964	39,432,046	34,606,964	3,300,703
Other liabilities:					
Compensated absences	731,726	857,410	672,486	916,650	466,077
Judgments and claims	578,406	-	318,281	260,125	85,616
Net pension liabilities	3,741,266	601,085	588,206	3,754,145	-
Total other liabilities	5,051,398	1,458,495	1,578,973	4,930,920	551,693
Total long-term liabilities	44,483,444	36,065,459	41,011,019	39,537,884	3,852,396
<u>Non-major</u>					
Certificates of participation	822,636	-	143,111	679,525	72,598
Add: Premium	79,028	-	16,534	62,494	15,226
Net certificates of participation	901,664	-	159,645	742,019	87,824
Subfund revenue bonds	-	44,676	-	44,676	1,309
Add: Premium	-	8,891	-	8,891	1,420
Net subfund revenue bonds payable	-	53,567	-	53,567	2,729
Total certificates of participation and revenue bonds payable	901,664	53,567	159,645	795,586	90,553
Other liabilities:					
Compensated absences	20,851	30,783	23,488	28,146	13,808
Judgments and claims	-	253	-	253	83
Net pension liabilities	117,097	19,562	19,961	116,698	-
Total other liabilities	137,948	50,598	43,449	145,097	13,891
Total long-term liabilities	1,039,612	104,165	203,094	940,683	104,444

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Total Business-type Activities	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016	Amounts Due Within One Year
Revenue bonds payable	\$ 73,695,000	\$ 53,695,000	\$ 73,695,000	\$ 53,695,000	\$ 4,855,000
Add: Premium	757,824	10,124,171	757,823	10,124,172	1,859,058
Net bonds payable	74,452,824	63,819,171	74,452,823	63,819,172	6,714,058
Certificates of participation	822,636	-	143,111	679,525	72,598
Add: Premium	79,028	-	16,534	62,494	15,226
Net certificates of participation	901,664	-	159,645	742,019	87,824
Subfund revenue bonds	-	44,676	-	44,676	1,309
Add: Premium	-	8,891	-	8,891	1,420
Net Sunfund revenue bonds payable	-	53,567	-	53,567	2,729
Total bonds, certificates of participation and revenue bonds payable	75,354,488	63,872,738	74,612,468	64,614,758	6,804,611
Other liabilities:					
Compensated absences	1,584,333	1,629,835	1,408,473	1,805,695	932,772
Judgments and claims	1,472,824	439,916	318,281	1,594,459	524,790
Net pension liabilities	7,806,584	1,267,039	1,228,524	7,845,099	-
Total other liabilities	10,863,741	3,336,790	2,955,278	11,245,253	1,457,562
Total long-term liabilities	\$ 86,218,229	\$ 67,209,528	\$ 77,567,746	\$ 75,860,011	\$ 8,262,173

Summaries of long-term obligation transactions for the School Board component unit for the year ended June 30, 2016, are as follows:

School Board

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016	Amounts Due Within One Year
Capital leases	\$ 2,471,023	\$ 14,283,059	\$ 4,087,922	\$ 12,666,160	\$ 4,092,460
Compensated absences	20,640,465	3,756,034	5,129,507	19,266,992	9,592,700
Judgments and claims	10,987,722	32,654	-	11,020,376	3,627,174
Net pension liabilities*	543,327,833	104,453,131	65,816,436	581,964,528	-
Total long-term liabilities	\$ 577,427,043	\$ 122,524,878	\$ 75,033,865	\$ 624,918,056	\$ 17,312,334

*Net pension liabilities have been restated as of July 1, 2015. See Note 16.

N. 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 \$301,320,813 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 \$5,235,090 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 \$108,060 in the government-wide financial statements.

10. Commitments and Contingent Liabilities

A. Lease Commitments

Rent expense for all operating leases was \$1,808,610 for the County and \$888,229 for the School Board for the fiscal year ended June 30, 2016.

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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, 2016, future operating lease payments for the County and School Board were as follows:

Year Ending	Future Operating Lease Payments	
<u>June 30</u>	<u>County</u>	<u>School Board</u>
2017	\$ 107,088	\$ 48,179
2018	15,405	34,798
2019	2,004	5,447
Total	<u>\$ 124,497</u>	<u>\$ 88,424</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 14A and 14F.

C. Contingent Liabilities

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

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

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 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 automobile, general, professional, medical and law enforcement liabilities.

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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, 2016 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. 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>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Workers' Compensation:				
Liability, July 1	\$ 11,370,391	\$ 13,030,745	\$ 10,987,722	\$ 13,604,123
Current year claims	3,388,000	3,411,000	3,957,000	3,194,000
Changes in estimates	(1,451,503)	(1,528,963)	(723,451)	(2,931,540)
Claim payments	<u>(2,966,035)</u>	<u>(3,542,391)</u>	<u>(3,200,895)</u>	<u>(2,878,861)</u>
Liability, June 30	<u>\$ 10,340,853</u>	<u>\$ 11,370,391</u>	<u>\$ 11,020,376</u>	<u>\$ 10,987,722</u>

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

	<u>2016</u>	<u>2015</u>
Risk Management Fund:		
Liability, July 1	\$ 5,421,614	\$ 4,258,757
Current year claims	2,828,643	4,034,065
Changes in estimates	(472,688)	303,605
Claim payments	<u>(2,537,984)</u>	<u>(3,174,813)</u>
Liability, June 30	<u>\$ 5,239,585</u>	<u>\$ 5,421,614</u>

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 the Virginia Retirement System (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.

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- 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 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 benefit 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 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.

County of Chesterfield, Virginia
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Employees covered by the benefit terms of the VRS Local Plans are as follows:

	Primary Government	Component Unit - School Board
Inactive members or their beneficiaries		
currently receiving benefits	1,866	748
Inactive members:		
Vested	524	113
Non-vested	728	355
Active elsewhere in VRS	874	204
Total inactive members	2,126	672
Active members	3,321	1,081
Total	7,313	2,501

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/2015-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 2016, the County's and School Board's actual contributions of \$36,169,150 and \$3,152,742, representing contribution rates of 20.29% and 15.90% of covered employee compensation, respectively, were equal to contractually required contributions. The contractually required contribution rates were determined as part of the June 30, 2013, 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 2016 was \$52,315,553. The contractually required contribution rate for the year ended June 30, 2016, excluding the 5% member rate, was 14.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of the June 30, 2013, 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 for the VRS Teachers' Pool was 18.20%; however, it was reduced to 17.64% as a result of the transfer. 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. Based on the provisions of Title 51.1-145 of the Code of Virginia, as amended, the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2016.

County of Chesterfield, Virginia
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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, 2016, the County reported a net pension liability of \$171,928,224, measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015. 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, 2016, the County recognized pension expense of \$13,003,622. Deferred outflows of resources and deferred inflows of resources related to the VRS Local Plan was reported from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between expected and actual earnings on plan investments	\$ -	\$ 20,002,792
Net difference between expected and actual experience	-	13,328,143
Contributions subsequent to the measurement date	<u>27,304,007</u>	<u>-</u>
Total	<u>\$ 27,304,007</u>	<u>\$ 33,330,935</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, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred Inflows of Resources	
Year ending June 30:	Amount
2017	\$ (11,747,709)
2018	(11,747,709)
2019	(11,747,710)
2020	<u>1,912,193</u>
Total	<u>\$ (33,330,935)</u>

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	Current Discount	1% Increase
	6%	7%	8%
Net pension liability	<u>\$300,207,047</u>	<u>\$171,928,224</u>	<u>\$65,391,872</u>

County of Chesterfield, Virginia
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Component Unit - School Board

At June 30, 2016, the School Board reported a net pension liability of \$19,479,328 measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

For the year ended June 30, 2016, the School Board recognized pension expense of \$1,839,664. 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 expected and actual earnings on plan investments	\$ -	\$ 2,502,642
Net difference between expected and actual experience	282,290	-
Contributions subsequent to the measurement date	2,166,398	-
Total	<u>\$ 2,448,688</u>	<u>\$ 2,502,642</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, 2017. 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 Inflow/Outflows of Resources</u>
2017	\$ 862,091
2018	862,091
2019	951,236
2020	(455,066)
Total	<u>\$ 2,220,352</u>

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 6%</u>	<u>Current Discount 7%</u>	<u>1% Increase 8%</u>
Net pension liability	\$33,591,276	\$19,479,328	\$7,647,227

b. VRS Teachers' Pool

At June 30, 2016, the School Board reported a net pension liability of \$463,287,000 for its proportionate share of the net pension liability in the VRS Teachers' Pool. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School Board's proportionate share of net pension liability was based on actual

County of Chesterfield, Virginia
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contributions made to the plan during the measurement period. At the measurement date, the School Board's proportionate share was 3.68087%, which was an increase of 0.02295% from June 30, 2014.

For the year ended June 30, 2016, the School Board recognized pension expense of \$35,561,000. Deferred outflows of resources and deferred inflows of resources to pensions were reported from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between expected and actual earnings on plan investments	\$ -	\$ 28,370,000
Difference between actual and expected experience	-	6,380,000
Changes in proportionate share of contributions	6,606,000	-
Contributions subsequent to the measurement date	<u>38,757,881</u>	<u>-</u>
Total	<u>\$ 45,363,881</u>	<u>\$ 34,750,000</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, 2017. 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
2017	\$ (10,930,000)
2018	(10,930,000)
2019	(10,930,000)
2020	5,041,000
2021	<u>(395,000)</u>
Total	<u>\$ (28,144,000)</u>

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.

	1% Decrease 6%	Current Discount 7%	1% Increase 8%
Net Pension Liability	\$ 677,977,000	\$ 463,287,000	\$ 286,552,000

4. Actuarial Assumptions

Total pension liabilities in the VRS plans were based on an actuarial valuation as of June 30, 2014, 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, 2015.

County of Chesterfield, Virginia
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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, 2015, 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:	14% of deaths are assumed to be service related
Pre-retirement.....	RP-2000 Employee Mortality Table with Scale AA 2020 with males set forward 4 years and females set back 2 years
Post-retirement.....	RP-2000 Combined Mortality Table with Scale AA to 2020 with males set forward 1 year

*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.

2. Hazardous Duty

The following assumptions, applied to all periods included in the measure and rolled forward to the measurement date of June 30, 2015, 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:	60% of deaths are assumed to be service related
Pre-retirement.....	RP-2000 Employee Mortality Table with Scale AA 2020 with males set forward 4 years and females set back 2 years
Post-retirement.....	RP-2000 Combined Mortality Table with Scale AA to 2020 with males set forward 1 year
Post-disablement.....	RP-2000 Disability Life Mortality Table projected to 2020 with males set back 3 years and no provision for future mortality improvement

*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

County of Chesterfield, Virginia
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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, 2015, 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-2000 Employee Mortality Table with Scale AA 2020 with males set back 3 years and females set back 5 years
Post-retirement	RP-2000 Combined Mortality Table with Scale AA to 2020 with males set back 2 years and females set back 3 years
Post-disablement.....	RP-2000 Disability Life Mortality Table projected to 2020 with males set back 1 year and no provision for future mortality improvement

*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.

County of Chesterfield, Virginia
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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:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Weighted Average Long-term Expected Real Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non-Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	<u>100.00%</u>		5.83%
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>8.33%</u>

*Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real rate of return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, 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.

County of Chesterfield, Virginia
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5. Changes in Net Pension Liabilities

a. VRS Local Plan - Primary Government

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance at June 30, 2014	\$ 928,909,691	\$ 756,108,779	\$ 172,800,912
Changes:			
Service Cost	22,190,584	-	22,190,584
Interest	63,626,498	-	63,626,498
Difference between expected and actual experience	(17,191,373.00)	-	(17,191,373)
Contributions - employer	-	26,685,876	(26,685,876)
Contributions - employee	-	8,787,349	(8,787,349)
Net investment income	-	34,502,076	(34,502,076.00)
Benefit payments, including refunds	(39,919,429.00)	(39,919,429)	-
Administrative expense	-	(469,584)	469,584
Other changes	-	(7,320)	7,320
Net changes	<u>28,706,280</u>	<u>29,578,968</u>	<u>(872,688)</u>
Balance at June 30, 2015	<u>\$ 957,615,971</u>	<u>\$ 785,687,747</u>	<u>\$ 171,928,224</u>

b. VRS Local Plan - School Board Component Unit

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance at June 30, 2014	\$ 111,590,718	\$ 94,655,376	\$ 16,935,342
Changes:			
Service cost	2,915,998	-	2,915,998
Interest	7,583,876	-	7,583,876
Difference between expected and actual experience	406,101	-	406,101
Contributions - employer	-	2,839,204	(2,839,204)
Contributions - employee	-	1,317,080	(1,317,080)
Net investment income	-	4,266,413	(4,266,413)
Benefit payments, including refunds of employee contributions	(6,499,271)	(6,499,271)	-
Administrative expense	-	(59,811)	59,811
Other changes	-	(897)	897
Net Changes	<u>4,406,704</u>	<u>1,862,718</u>	<u>2,543,986</u>
Balance at June 30, 2015	<u>\$ 115,997,422</u>	<u>\$ 96,518,094</u>	<u>\$ 19,479,328</u>

County of Chesterfield, Virginia
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6. Payables to the VRS Plans

At June 30, 2016, 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	\$4,202,271
VRS Local plan - School Board	169,764
VRS Teachers' Pool - School Board	3,149,621

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. 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, 2016:

Active members	2,563
Terminated members with vested rights	69
Retired members with benefits in pay status and beneficiaries of deceased members receiving benefits	<u>302</u>
Total	<u>2,934</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, 2016 was determined as part of the June 30, 2014 actuarial valuation. The County contributed \$1,779,372, which was greater than the actuarially determined contribution of \$1,579,372.

4. Rate of Return

As of June 30, 2016, the annual money-weighted rate of return on cash flows on the plan investments, net of pension plan investment expense, was 0.30%. 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 \$4,098,886, measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016. 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, 2016, the County recognized pension expense of \$1,197,433.
- 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 expected and actual earnings on plan investments	\$ 2,400,580	\$ -
Economic gains/losses	<u>242,713</u>	<u>434,094</u>
Total	<u>\$ 2,643,293</u>	<u>\$ 434,094</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 Inflow/ Outflows of Resources</u>
2016	\$ 560,145
2017	560,145
2018	632,776
2019	456,133
Total	<u>\$ 2,209,199</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, 2015	\$ 35,417,228	\$ 32,634,991	\$ 2,782,237
Service cost	389,168	-	389,168
Interest	2,246,553	-	2,246,553
Differences between expected and actual experience	-	-	-
Change in assumptions	-	-	-
Contributions - employer	-	1,779,372	(1,779,372)
Net investment income (loss)	-	(78,505)	78,505
Administrative expenses	-	(67,274)	67,274
Economic gain	314,521	-	314,521
Benefit payments	(1,574,809)	(1,574,809)	-
Net changes	<u>1,375,433</u>	<u>58,784</u>	<u>1,316,649</u>
Balance at June 30, 2016	<u>\$ 36,792,661</u>	<u>\$ 32,693,775</u>	<u>\$ 4,098,886</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:

Valuation date.....	July 1, 2016
Investment rate of return.....	6.5%
Projected salary increases	3.5%
Inflation rate	3.0%
Mortality	1994 Group Annuity Mortality Tables for males and females, setback 1 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

County of Chesterfield, Virginia
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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.

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	Current Discount	1% Increase
	5.5%	6.5%	7.5%
Net pension liability	\$ 8,667,350	\$ 4,098,886	\$ 266,098

8. Fiduciary Net Position

As of June 30, 2016, the Plan fiduciary net position of \$32,633,774, as a percentage of the total pension liability, was 88.9%.

Chesterfield County, Virginia
Supplemental Retirement
Pension Trust

Assets	
Cash and cash equivalents	\$ 2,935,191
Accounts receivable	51,783
Due from broker	21,720
Investments	<u>29,685,080</u>
Total assets	<u>32,693,774</u>
Fiduciary net position	
Restricted for pension benefits	<u>\$ 32,693,774</u>
Additions:	
Contributions	\$ 1,779,372
Investment earnings	97,545
Less investment expenses	<u>(165,649)</u>
Net investment expenses	<u>(68,104)</u>
Total additions, net	<u>1,711,268</u>
Deductions:	
Benefit payments	1,574,809
Administrative expenses	<u>77,676</u>
Total deductions	<u>1,652,485</u>
Increase in net position restricted for pension benefits	58,783
Fiduciary net position - July 1, 2015	<u>32,634,991</u>
Fiduciary net position - June 30, 2016	<u>\$ 32,693,774</u>

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.

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. The Program does not issue separately audited financial statements.
- 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 ten years employment by Chesterfield County Public Schools, including the five years immediately preceding retirement. Employees must have at least twenty years in VRS and/or education, be at least age of 50, and not be retired on disability. An employee is vested under the Program when he reaches his normal retirement age defined as the time when services have been rendered in the part-time position classification selected by the employee. During the period the employee is providing services to the School Board in the part-time position, the employee's benefit is paid from the general assets of the School Board. If the employee does not complete the service required, the employee's benefits are forfeited. Benefit payments made after the first year shall be made from the Program's assets.

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

- b) Membership: Membership of the Program consisted of the following at June 30, 2016:

Active participants	4,596
Retirees (vested)	592
Retirees (non-vested)	<u>423</u>
Total	<u>5,611</u>

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, 2016, was determined as part of the June 30, 2016 valuation. Actual contributions are based upon

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2016

savings derived from employees electing to retire under the Program along with a supplement from the School Operating Fund. For a particular Program year, the actual contribution may not equal the recommended level of contribution; however, it is expected that the contribution will be sufficient to meet funding requirements over the longer term. The Program is funded from available budget allocations and interest earned from the Program. The School Board contributed \$10,305,625, which was less than the actuarially determined contribution, to the Program.

4. Rate of Return

As of June 30, 2016, the annual money-weighted rate of return on cash flows on the Program investments, net of investment expense, was 0.33%. 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, 2016, the School Board reported a net pension liability of \$99,198,200. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by the June 30, 2016 actuarial valuation date, with a measurement date and reporting date of June 30, 2016.
- b) Pension expense: For the year ended June 30, 2016, the School Board recognized pension expense of \$8,183,700.
- 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	\$ 1,221,751	\$ -
Difference between actual and expected experience	7,158,480	-
Change in assumptions	<u>9,088,900</u>	<u>1,708,705</u>
Total	<u>\$ 17,469,131</u>	<u>\$ 1,708,705</u>

County of Chesterfield, Virginia
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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:

<u>Year ending June 30:</u>	<u>Deferred Inflows/ Outflows of Resources</u>
2017	\$ 2,189,214
2018	2,189,214
2019	2,189,214
2020	2,018,379
2021	1,081,642
2022-2025	6,092,763
	<u>\$ 15,760,426</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, 2015	\$ 78,844,274	\$ 20,787,893	\$ 58,056,381
Service cost	1,915,218	-	1,915,218
Interest	4,964,736	-	4,964,736
Differences between expected and actual experience	34,341,399	-	34,341,399
Change in assumptions	10,225,013	-	10,225,013
Contributions - employer	-	10,305,625	(10,305,625)
Net investment income	-	72,592	(72,592)
Administrative expenses	-	(73,670)	73,670
Benefit payments	(11,252,201)	(11,252,201)	-
Net changes	<u>40,194,165</u>	<u>(947,654)</u>	<u>41,141,819</u>
Balance at June 30, 2016	<u>\$ 119,038,439</u>	<u>\$ 19,840,239</u>	<u>\$ 99,198,200</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, 2016, with a measurement date and reporting date of June 30, 2016.

Projected salary increase 3.0%
Inflation rate No inflation rate assumed
Mortality RP-2000 Mortality Table for males
and females projected to 2020 with
Scale AA

- 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 through June 30, 2038. The

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long-term expected rate of return on Program investments was applied to periods of projected benefit payments through this date and a municipal bond rate (2.4%) was used for the period thereafter to determine the total pension liability. This is equivalent to an average assumed rate of return of approximately 4.73%.

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 3.7%	Current Discount 4.7%	1% Increase 5.7%
Net pension liability	\$ 105,926,996	\$ 99,198,200	\$ 93,009,645

8. Fiduciary Net Position

As of June 30, 2016, the Plan fiduciary net position of \$ 19,840,238 as a percentage of the pension total liability was 16.67%.

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

Assets	
Cash, cash equivalents and investments	\$ 19,838,361
Interest Receivable	<u>1,877</u>
Total assets	<u>19,840,238</u>
Fiduciary Net Position	
Restricted for pension benefits	<u>\$ 19,840,238</u>
Additions:	
Contributions	\$ 10,305,625
Investment earnings	<u>72,592</u>
Total additions	<u>10,378,217</u>
Deductions:	
Benefit payments	11,245,933
Administrative expenses	<u>79,939</u>
Total deductions	<u>11,325,872</u>
Decrease in net position restricted for pension benefits	(947,655)
Fiduciary net position - July 1, 2015	<u>20,787,893</u>
Fiduciary net position - June 30, 2016	<u>\$ 19,840,238</u>

County of Chesterfield, Virginia
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13. Other Postemployment Benefits Plans

A. Postemployment Retiree Healthcare Benefits - Primary Government

1. Plan Description

The Other Postemployment Benefit (OPEB) Trust is a single employer defined benefit plan that provides health and dental insurance during retirement for certain qualified retirees and their dependents. Benefit provisions are established by the County Board and may be amended at any time. The Board of Trustees, appointed by the County Board, administers the plan. The OPEB Trust is considered part of the County'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, 2016 are:

Years of Service	Grandfathered	Non-grandfathered
0 to 9	-	-
10 to 14	50%	\$185 per month
15 to 19	100%*	\$276 per month
20 to 24	100%*	\$276 per month
25+	100%*	\$369 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 \$214 per month indexed at 3% per year plus \$40 reimbursement for prescription coverage. For all other employees, the County limits its contribution toward post-Medicare coverage based on years of service. The County will contribute \$4 per month for each year of service plus a static \$40 per month for a Medicare Part D plan cost reimbursement.

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

2. Funding Policy

As of June 30, 2016, the County has \$23,142,627 in net plan assets accumulated for payment of future benefits. The County made contributions and paid premiums to the trust in amounts greater than the annual required contribution (ARC) for the fiscal year ended June 30, 2016, and intends to fund at

County of Chesterfield, Virginia
Notes to Financial Statements
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least the ARC 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. Annual OPEB cost and Net OPEB (Asset)

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

Net Other Postemployment Benefits Obligation (NOPEBO) (ASSET)	
Annual required contribution (ARC)	\$ 8,979,908
Interest on NOPEBO	(127,008)
Adjustment to the ARC	<u>141,688</u>
Annual OPEB Cost	8,994,588
Contributions made	<u>(9,054,153)</u>
Increase in NOPEBO (asset)	(59,565)
NOPEBO (asset) beginning of year	<u>(1,814,403)</u>
NOPEBO (asset) end of year	<u>\$ (1,873,968)</u>

Three-year Trend Information

Fiscal Year Ended	Annual OPEB Cost	Percent Contributed	Net OPEB Obligation (Asset)
6/30/2016	\$ 8,994,588	100.67 %	\$ (1,873,968)
6/30/2015	8,488,544	104.56	(1,814,403)
6/30/2014	8,292,480	100.00	(1,427,473)

4. Funded Status and Funding Progress

As of June 30, 2016, the plan was 20.60% funded. The actuarial accrued liability for benefits was \$112,162,326 and the actuarial value of assets was \$23,142,627 leaving \$89,219,699 unfunded. The ratio of the unfunded actuarial liability to annual covered payroll of \$181,773,143 was 49.08%. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information since inception that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

5. Actuarial Methods and Assumptions

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

County of Chesterfield, Virginia
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The actuarial assumptions at June 30, 2016 included (a) 7.0% discount rate (b) medical benefit cost trend increases of 5.7%, 5.9% and 5.6% in plan years 2016 through 2018 (c) dental cost trend of 5.0% annually (d) payroll growth rate of 2.5% and (e) inflation rate of return of 2.5%. Plan liabilities were determined using the projected unit of credit actuarial cost method. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis for a period of 18 years.

Chesterfield County, Virginia
Postemployment Retiree Healthcare
Benefits Trust - County

Assets	
Cash and investments	\$ 23,972,096
Liabilities	
Due to broker	<u>829,469</u>
Fiduciary net position	
Restricted for other postemployment benefits	<u>\$ 23,142,627</u>
Additions:	
Contributions	\$ 9,054,153
Investment earnings	(96,105)
Less investment expenses	<u>(24,000)</u>
Net investment loss	<u>(120,105)</u>
Total additions, net	<u>8,934,048</u>
Deductions:	
Benefit payments	8,224,684
Administrative expenses	<u>500</u>
Total deductions	<u>8,225,184</u>
Increase in net position restricted for other postemployment benefits	708,864
Fiduciary net position - July 1, 2015	<u>22,433,763</u>
Fiduciary net position - June 30, 2016	<u>\$ 23,142,627</u>

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

1. Plan Description

The Other Postemployment Benefit (OPEB) Trust is a single employer defined benefit plan that provides health and dental insurance during retirement for certain qualified retirees and their dependents. Benefit provisions are established by the County Board and may be amended at any time. The Board of Trustees, appointed by the County Board, administers the plan. The OPEB Trust is considered part of the County'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.

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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, 2015, are:

Years of Service	Grandfathered	Non-grandfathered
0 to 9	-	-
10 to 14	100%*	-
15 to 19	100%*	\$185 per month
20 to 24	100%*	\$276 per month
25+	100%*	\$369 per month

**as a percentage of the School Board's 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 \$214 per month indexed at 3% per year plus \$40 reimbursement for prescription coverage. For all other employees, the School Board limits its contribution toward post-Medicare coverage based on years of service. The School Board will contribute \$4 per month for each year of service plus a static \$40 per month for a Medicare Part D plan cost reimbursement.

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

2. Funding Policy

As of July 1, 2016, the School Board has \$10,989,579 in plan assets accumulated for payment of future benefits. The School Board made contributions and paid premiums to the trust in amounts approximately equal to the annual required contribution (ARC) for the fiscal year ended June 30, 2016, and intends to fund at least the ARC 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. Annual OPEB cost and Net OPEB (Asset)

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

County of Chesterfield, Virginia
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The following table shows the components of the School Board's annual OPEB cost for the year, the amount contributed to the plan, and changes in the School Board's net OPEB asset.

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

Annual required contribution (ARC)	\$ 17,877,831
Interest on NOPEBO	(99,267)
Adjustment to the ARC	(1,207,626)
Annual OPEB Cost	16,570,938
Contributions made	(17,876,107)
Increase in NOPEBO (asset)	(1,305,169)
NOPEBO (asset) beginning of year	(112,925)
NOPEBO (asset) end of year	<u>\$ (1,418,094)</u>

Three-year Trend Information

Fiscal Year Ended	Annual OPEB Cost	Percent Contributed	Net OPEB Obligation (Asset)
6/30/2016	\$ 16,570,938	107.90 %	\$ (1,418,094)
6/30/2015	16,632,253	100.00	(112,925)
6/30/2014	17,756,563	100.00	(112,925)

4. Funded Status and Funding Progress

As of July 1, 2016, the plan was 5.20% funded. The actuarial accrued liability for benefits was \$211,428,436 and the actuarial value of assets was \$10,989,579 leaving \$200,438,858 unfunded. The ratio of the unfunded actuarial liability to annual covered payroll of \$311,222,914 was 64.4%. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information since inception that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

5. Actuarial Methods and Assumptions

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

The actuarial assumptions at June 30, 2016, included (a) 7.0% discount rate (b) medical benefit cost trend increases of 5.7% in plan year 2016 (c) dental cost trend of 5.0% annually (d) payroll growth rate of 2.5% and (e) inflation rate of return of 2.3%. Plan liabilities were determined using the projected unit of credit actuarial cost method. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over a closed period of 23 years.

County of Chesterfield, Virginia
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Chesterfield County, Virginia
Postemployment Retiree Healthcare
Benefits Trust - Schools

Assets	
Cash and investments	\$ 12,022,055
Liabilities	
Due to broker	1,032,476
Fiduciary Net Position	
Restricted for other postemployment benefits	\$ 10,989,579
Additions:	
Contributions	\$ 20,817,462
Investment earnings	(42,895)
Less investment expenses	(10,482)
Net investment loss	(53,377)
Total additions, net	20,764,085
Deductions:	
Benefit payments	19,784,986
Administrative expenses	500
Total deductions	19,785,486
Increase in net position restricted for other postemployment benefits	978,599
Fiduciary net position - July 1, 2015	10,010,980
Fiduciary net position - June 30, 2016	\$ 10,989,579

C. Postemployment Line of Duty Benefits - Primary Government

1. Plan Description

The Other Postemployment Benefit (OPEB) - Line of Duty Trust, created during fiscal year 2012, is a single employer defined benefit plan that provides death and healthcare benefits to certain law enforcement and rescue personnel, and their beneficiaries, who were disabled or killed in the line of duty. Benefit provisions and eligibility requirements are established by title 9.1 Chapter 4 of the Code of Virginia. There were approximately 1,403 participants in the program in fiscal year 2016. A Board of Trustees, appointed by the County Board, administers the plan. The OPEB - Line of Duty Trust is considered part of the County's reporting entity and is included in the County's financial statements as an OPEB Trust Fund. No separately audited financial statements are available. The County joined other Virginia localities by opting to participate in the Virginia Municipal League/Virginia Association of Counties (VML/VACO) Trust Fund for the purpose of investing OPEB contributions. VML/VACO issues audited financial statements which can be obtained by contacting the VML/VACO Finance Program, 919 E. Main Street Suite 1100, Richmond, Virginia 23219.

2. Funding Policy

As of June 30, 2016, the County has \$6,054,348 in net plan assets accumulated for payment of future benefits. The County made contributions of \$605,075 for the fiscal year ended June 30, 2016, which was less than the ARC, and intends to fund at least the ARC amount in future fiscal years. Actual contributions to the plan are appropriated on an annual basis.

County of Chesterfield, Virginia
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3. Annual OPEB cost and Net OPEB Obligation

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

Net Other Postemployment Benefits Obligation (NOPEBO) (ASSET)	
Annual required contribution (ARC)	\$ 611,046
Interest on NOPEBO	(153,872)
Adjustment to the ARC	<u>120,643</u>
Annual OPEB Cost	577,817
Contributions made	<u>(605,075)</u>
Increase in NOPEBO (asset)	(27,258)
NOPEBO (asset) beginning of year	<u>(2,198,168)</u>
NOPEBO (asset) end of year	<u>\$ (2,225,426)</u>

Three-year Trend Information

Fiscal Year Ended	Annual OPEB Cost	Percent Contributed	Net OPEB Obligation (Asset)
6/30/2016	\$ 577,817	104.72 %	\$ (2,225,426)
6/30/2015	992,987	104.29	(2,198,168)
6/30/2014	950,043	87.74	(2,155,593)

4. Funded Status and Funding Progress

As of June 30, 2016, the plan was 55.70% funded. The actuarial accrued liability for benefits was \$10,869,925 and the actuarial value of assets was \$6,054,348 leaving \$4,815,577 unfunded. The ratio of the unfunded actuarial liability to annual covered payroll of \$65,256,708 was 7.38%. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information since inception that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

5. Actuarial Methods and Assumptions

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

The actuarial assumptions at June 30, 2016, included (a) 7.0% discount rate (b) medical benefit cost trend increases of 5.7% in plan year 2016 (c) dental cost trend of 5.0% annually and (d) implicit

County of Chesterfield, Virginia
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inflation rate of 2.3%. Plan liabilities were determined using the projected unit of credit actuarial cost method with attribution to the event that caused the death or disability. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis for a period of 30 years.

Chesterfield County, Virginia	
Postemployment Line of Duty	
Benefits Trust - County	
Assets	
Cash and investments	\$ 6,414,755
Liabilities	
Due to broker	<u>360,407</u>
Fiduciary net position	
Restricted for other postemployment benefits	<u>\$ 6,054,348</u>
Additions:	
Contributions	\$ 605,075
Investment earnings	(24,532)
Less investment expenses	<u>(5,984)</u>
Net investment loss	<u>(30,516)</u>
Total additions, net	<u>574,559</u>
Deductions:	
Benefit payments	244,668
Administrative expenses	<u>500</u>
Total deductions	<u>245,168</u>
Increase in net position restricted for other postemployment benefits	329,391
Fiduciary net position - July 1, 2015	<u>5,724,957</u>
Fiduciary net position - June 30, 2016	<u>\$ 6,054,348</u>

14. Joint Ventures

A. Appomattox River Water Authority

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

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

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Notes to Financial Statements
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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, 2016, were \$6,326,186. 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 2016.

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

C. Greater Richmond Convention Center Authority

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

Each participating jurisdiction is authorized to levy an 8% transient occupancy tax and has agreed in the Hotel Tax Payment Agreement to appropriate and to pay to the Convention Authority an amount equal to the total amount of transient occupancy tax collected. The County recorded an expenditure of \$4,931,324 for transient occupancy tax to the Convention Authority during the year ended June 30, 2016.

Each participating jurisdiction intends that its respective tax payment will be sufficient to fund its allocated share of operating costs as defined in the Interlocal Agreement. The County received \$2,682,263 from the Convention Authority for tax payments made in excess of its allocated share of operating costs during the year ended June 30, 2016.

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

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2016

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 \$112,300 to the County for the year ended June 30, 2016. 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, 2016, there were two fixed GRTC routes in the County and a \$212,083 contribution was made by the County in fiscal year 2016. 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, 2016, were \$10,258,520. 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.

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

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2016

of wastewater services for the year ended June 30, 2016 were \$708,866. 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.

15. 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 2016, the County received \$122,779 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, 2016, were \$2,997,574.

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 \$385,000 for the year ended June 30, 2016.

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, 2016.

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

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2016

involved. The RRT has twenty-two members and the County has two representatives serving on RRT's Board of Directors and contributed \$880,271 for the year ended June 30, 2016.

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 \$211,726 for the year ended June 30, 2016.

G. Virginia's Gateway Region Board

Virginia's Gateway Region Board (VGRB), formerly named Appomattox Basin Industrial Development Corporation (ABIDCO), serves the Counties of Chesterfield, Dinwiddie, Prince George, Surry and Sussex, as well as the Cities of Colonial Heights, Hopewell and Petersburg in their efforts to provide balanced industrialization to commission members. The County has two representatives serving on VGRB's twenty-five member board and contributed \$63,574 to VGRB for the year ended June 30, 2016.

16. Prior Period Adjustment - Component Unit - School Board

A prior period adjustment was required to correct the application of retirement eligibility criteria consistent with the plan for the School Board component unit's Supplemental Retirement Program. Beginning unrestricted net position (deficit) and net pension liabilities balances for the year were increased by \$26,288,110 for June 30, 2015 to reflect this adjustment.

	Component Unit
	School Board
Government-wide restatement:	
Total net position (deficit) - July 1, 2015	\$ (494,037,865)
Net pension liabilities increase	(26,288,110)
Total net position (deficit) - July 1, 2015, restated	<u>\$ (520,325,975)</u>
Changes in long-term obligations restatement:	
Net pension liabilities - July 1, 2015	\$ 517,039,723
Net pension liabilities increase	26,288,110
Net pension liabilities - July 1, 2015, restated	<u>\$ 543,327,833</u>



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*

	<u>2014</u>	<u>2015</u>
Total pension liability		
Service cost	\$ 22,359,979	\$ 22,190,584
Interest	60,537,206	63,626,498
Difference between expected and actual experience	-	(17,191,373)
Benefit payments, including refunds of member contributions	<u>(37,609,453)</u>	<u>(39,919,429)</u>
Net change in total pension liability	45,287,732	28,706,280
Plan total pension liability - beginning	<u>883,621,959</u>	<u>928,909,691</u>
Plan total pension liability - ending	<u><u>\$ 928,909,691</u></u>	<u><u>\$ 957,615,971</u></u>
Plan fiduciary net position		
Contributions - employer	\$ 26,084,703	\$ 26,685,876
Contributions - employee	8,820,383	8,787,349
Net investment income	103,473,934	34,502,076
Benefit payments, including refunds of member contributions	(37,609,453)	(39,919,429)
Administrative expense	(554,506)	(469,584)
Other changes	<u>5,455</u>	<u>(7,320)</u>
Net change in Plan fiduciary net position	100,220,516	29,578,968
Plan fiduciary net position - beginning	<u>655,888,263</u>	<u>756,108,779</u>
Plan fiduciary net position - ending	<u><u>\$ 756,108,779</u></u>	<u><u>\$ 785,687,747</u></u>
Plan net pension liability - ending	<u><u>\$ 172,800,912</u></u>	<u><u>\$ 171,928,224</u></u>
Plan fiduciary net position as a percentage of the total pension liability	81.40%	82.05%
Covered-employee payroll	\$ 173,942,815	\$ 175,451,036
Plan net position liability as a percentage of covered-employee payroll	99.34%	97.99%

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.

Schedule of County Contributions*

	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 26,687,165	\$ 27,304,007
Contributions in relation to contractually required contribution	<u>26,687,165</u>	<u>27,304,007</u>
Contribution excess	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered-employee payroll	\$ 173,942,815	\$ 175,451,036
Contributions as a percentage of covered-employee payroll	15.34%	15.56%

Notes to Schedule:

Actuarially determined contributions are developed using the entry age cost method for both normal costs and amortization of the unfunded actuarial accrued liability. There have been no significant changes to the benefit provisions since the prior actuarial valuation.

Methods and assumptions used to determine contribution rates:

	<u>Non-Hazardous</u>	<u>Hazardous Duty</u>
Actuarial cost method	Entry age normal cost method	Entry Age Actuarial Cost
Amortization method	Level percent closed	Level percent closed
Remaining amortization period	29 years	20 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

* Schedules are intended to show information for 10 years. Since 2015 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)
Supplemental Retirement Plan (Plan)

Schedule of Changes in Net Pension Liability and Related Ratios*

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Total pension liability			
Service cost	\$ 436,406	\$ 403,634	\$ 389,168
Interest	2,175,203	2,230,938	2,246,553
Difference between expected and actual experience	(326,029)	(771,910)	314,521
Benefit payments, including refunds of member contributions	(1,380,465)	(1,467,615)	(1,574,809)
Net change in total pension liability	905,115	395,047	1,375,433
Plan total pension liability - beginning	34,117,066	35,022,181	35,417,228
Plan total pension liability - ending	<u>\$ 35,022,181</u>	<u>\$ 35,417,228</u>	<u>\$ 36,792,661</u>
Plan fiduciary net position			
Contributions - employer	\$ 2,400,000	\$ 2,200,000	\$ 1,779,372
Net investment income	3,988,515	836,727	(78,505)
Benefit payments, including refunds of member contributions	(1,292,402)	(1,467,615)	(1,574,809)
Administrative expense	(88,063)	(76,370)	(67,274)
Net change in Plan fiduciary net position	5,008,050	1,492,742	58,784
Plan fiduciary net position - beginning	26,134,199	31,142,249	32,634,991
Plan fiduciary net position - ending	<u>\$ 31,142,249</u>	<u>\$ 32,634,991</u>	<u>\$ 32,693,775</u>
Plan net pension liability - ending	<u>\$ 3,879,932</u>	<u>\$ 2,782,237</u>	<u>\$ 4,098,886</u>
Plan fiduciary net position as a percentage of the total pension liability	88.92%	92.14%	88.86%
Covered-employee payroll	\$ 152,639,449	\$ 146,058,394	\$ 137,953,101
Plan net position liability as a percentage of covered-employee payroll	2.54%	1.90%	2.97%

Notes to Schedule:

There were no benefit changes or changes to actuarial assumptions or methods for the 2014-2016 Plan year.

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Annual money-weighted rate of return	16.08%	3.37%	0.30%

Schedule of County Contributions*

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actuarially determined contribution	\$ 1,850,332	\$ 1,703,209	\$ 1,579,372
Contributions in relation to the actuarially determined contribution	2,400,000	2,200,000	1,779,372
Contribution excess	<u>\$ (549,668)</u>	<u>\$ (496,791)</u>	<u>\$ (200,000)</u>
Covered-employee payroll	\$ 152,639,449	\$ 146,058,394	\$ 137,953,101
Contributions as a percentage of covered-employee payroll	1.57%	1.51%	1.29%

Notes to Schedule:

Actuarially determined contributions are developed using the entry age cost method for both normal costs and amortization of the unfunded actuarial accrued liability.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Actuarial Cost
Amortization method	Level Dollar
Amortization period	20 years closed - actuarial gains and losses; 40 years closed-other
Asset valuation method	Adjusted Market Value
Inflation rate	3.0%
Projected salary increases	3.5% per annum, compounded annually
Investment rate of return	6.5% per annum, compounded annually
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%
Mortality	1994 Group Annuity Mortality Tables for males and females, setback one year, with no projection scale

Other information:

The Plan was closed to all employees hired or rehired with an effective date on or after July 1, 2012.

* 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 and School Board Component Unit
 (See Accompanying Report of the Independent Auditor)

Primary Government
Other Postemployment Benefits Plan - Retiree Healthcare

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Unit Credit	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2016	\$ 23,142,627	\$ 112,162,326	\$ 89,219,699	20.60 %	\$ 181,773,143	49.08 %
7/1/2015	22,433,762	108,533,051	86,099,289	20.67	174,662,020	49.29
7/1/2014	21,277,961	107,592,178	86,314,217	19.78	174,662,020	49.42
7/1/2013	18,235,054	116,627,914	98,392,860	15.64	173,533,265	56.70
7/1/2012	15,207,379	113,027,051	97,819,672	13.45	173,533,265	56.37
7/1/2011	13,697,793	98,574,753	84,876,960	13.90	167,420,404	50.70

Primary Government
Other Postemployment Benefits Plan - Line of Duty

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Unit Credit	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2016	\$ 6,054,348	\$ 10,869,925	\$ 4,815,577	55.70 %	\$ 65,256,708	7.38 %
7/1/2015	5,724,957	10,020,020	4,295,063	57.14	60,439,854	7.11
7/1/2014	4,922,775	12,165,779	7,243,004	40.46	60,439,854	11.98
7/1/2013	3,899,867	9,929,322	6,029,455	39.28	59,044,641	10.21
7/1/2012	2,979,062	9,221,148	6,242,086	32.31	59,044,641	10.57

School Board Component Unit
Other Postemployment Benefits Plan - Retiree Healthcare

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Unit Credit	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2016	\$ 10,989,579	\$ 211,428,436	\$ 200,438,858	5.20 %	\$ 311,222,914	64.40 %
7/1/2015	10,010,980	209,375,812	199,364,832	4.80	303,632,112	65.66
7/1/2014	8,673,702	205,546,119	196,872,417	4.22	296,226,450	66.46
7/1/2013	6,877,165	218,951,407	212,074,242	3.14	289,001,415	73.38
7/1/2012	5,423,624	231,569,855	226,146,231	2.34	277,171,421	81.59
7/1/2011	5,494,060	204,508,430	199,014,370	2.69	301,795,172	65.94

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*

	<u>2014</u>	<u>2015</u>
Total pension liability		
Service cost	\$ 2,949,849	\$ 2,915,998
Interest	7,295,839	7,583,876
Difference between expected and actual experience	-	406,101
Benefit payments, including refunds of member contributions	<u>(5,762,476)</u>	<u>(6,499,271)</u>
Net change in total pension liability	4,483,212	4,406,704
Plan total pension liability - beginning	<u>107,107,506</u>	<u>111,590,718</u>
Plan total pension liability - ending	<u><u>\$ 111,590,718</u></u>	<u><u>\$ 115,997,422</u></u>
Plan fiduciary net position		
Contributions - employer	\$ 3,168,042	\$ 2,839,204
Contributions - employee	1,388,336	1,317,080
Net investment income	12,967,640	4,266,413
Benefit payments, including refunds of member contributions	(5,762,476)	(6,499,271)
Administrative expense	(70,338)	(59,811)
Other changes	<u>683</u>	<u>(897)</u>
Net change in Plan fiduciary net position	11,691,887	1,862,718
Plan fiduciary net position - beginning	<u>82,963,489</u>	<u>94,655,376</u>
Plan fiduciary net position - ending	<u><u>\$ 94,655,376</u></u>	<u><u>\$ 96,518,094</u></u>
Plan net pension liability - ending	<u><u>\$ 16,935,342</u></u>	<u><u>\$ 19,479,328</u></u>
Plan fiduciary net position as a percentage of the total pension liability	84.82%	83.21%
Covered-employee payroll	\$ 27,158,776	\$ 25,240,789
Plan net position liability as a percentage of covered-employee payroll	62.36%	77.17%

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.

Schedule of School Board Contributions*

	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 2,839,118	\$ 2,166,398
Contributions in relation to contractually required contribution	<u>2,839,118</u>	<u>2,166,398</u>
Contribution excess	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered-employee payroll	\$ 27,158,776	\$ 25,240,789
Contributions as a percentage of covered-employee payroll	10.90%	8.58%

Notes to Schedule:

Actuarially determined contributions are developed using the entry age cost method for both normal costs and amortization of the unfunded actuarial accrued liability. There have been no significant changes to the benefit

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal cost method
Amortization method	Level percent closed
Amortization period	29 years
Asset valuation method	5-year smoothed market
Inflation rate	2.5%
Projected salary increases	3.5% - 5.35 % per annum, compounded annually
Investment rate of return	7.0% per annum, compounded annually

* Schedules are intended to show information for 10 years. Since 2015 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>
Proportionate Share of the Net Pension Liability	3.65792%	3.68087%
Proportionate Share of the Net Pension Liability	\$ 442,048,000	\$ 463,287,000
Covered employee payroll	272,561,876	267,295,731
Proportionate Share of the Net Pension Liability as a percentage of covered employee payroll	162.18%	173.32%
Plan Fiduciary Net Position as percentage of the Total Pension Liability	70.88%	70.68%

Notes to Schedule:

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

Schedule of School Board Contributions*

	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 39,521,472	\$ 38,757,881
Contributions in relation to contractually required contribution	39,521,472	38,757,881
Contribution excess	\$ -	\$ -
Covered-employee payroll	\$ 272,561,876	\$ 267,295,731
Contributions as a percentage of covered-employee payroll	14.50%	14.50%

Notes to Schedule:

Actuarially determined contributions are developed using the entry age cost method for both normal costs and amortization of the unfunded actuarial accrued liability. 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 Actuarial Cost
Amortization method	Level percent closed
Amortization period	29 years
Asset valuation method	5-year smoothed market
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

* Schedules are intended to show information for 10 years. Since 2015 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)
School Board Component Unit
(See Accompanying Report of the Independent Auditor)
Supplemental Retirement Program (Program)

Schedule of Changes in Net Pension Liability and Related Ratios*

	2014	2015	2016
Total pension liability			
Service cost	\$ 1,938,164	\$ 1,668,165	\$ 1,915,218
Interest	6,885,837	5,057,421	4,964,736
Difference between expected and actual experience	(5,862,476)	-	8,053,289
Changes of assumptions	3,954,534	(2,088,417)	10,225,013
Benefit payments, including refunds of member contributions	(12,252,008)	(12,268,111)	(11,252,201)
Net change in total pension liability	(5,335,949)	(7,630,942)	13,906,055
Program total pension liability - beginning	91,811,165	86,475,216	105,132,384
Program total pension liability - ending	<u>\$ 86,475,216</u>	<u>\$ 78,844,274</u>	<u>\$ 119,038,439</u>
Program fiduciary net position			
Contributions - employer	\$ 9,386,241	\$ 11,161,699	\$ 10,305,625
Net investment income	3,277,353	522,611	72,592
Benefit payments, including refunds of member contributions	(12,252,008)	(12,268,111)	(11,252,201)
Administrative expense	(63,582)	(84,314)	(73,670)
Net change in Program fiduciary net position	348,004	(668,115)	(947,654)
Program fiduciary net position - beginning	21,108,004	21,456,008	20,787,893
Program fiduciary net position - ending	<u>\$ 21,456,008</u>	<u>\$ 20,787,893</u>	<u>\$ 19,840,239</u>
Program net pension liability - ending	<u>\$ 65,019,208</u>	<u>\$ 58,056,381</u>	<u>\$ 99,198,200</u>
Program fiduciary net position as a percentage of the total pension liability	24.81%	26.37%	16.67%
Covered-employee payroll	\$ 258,789,820	\$ 267,847,464	\$ 205,589,540
Program net position liability as a percentage of covered-employee payroll	25.12%	21.68%	48.25%

Notes to Schedule:

Beginning balance for FY2016 was adjusted to correct for the application of retirement eligibility criteria consistent with the plan.

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 5 years.

	2014	2015	2016
Discount rate used to estimate total pension liability	6.16%	6.60%	4.73%
Annual money-weighted rate of return	15.75%	2.36%	0.33%

Schedule of School Board Contributions*

	2014	2015	2016
Actuarially determined contribution	\$ 14,424,056	\$ 13,306,271	\$ 13,352,847
Contributions in relation to the actuarially determined contribution	9,386,241	11,161,699	10,305,625
Contribution deficiency	<u>\$ 5,037,815</u>	<u>\$ 2,144,572</u>	<u>\$ 3,047,222</u>
Covered-employee payroll	\$ 258,789,820	\$ 267,847,464	\$ 205,589,540
Contributions as a percentage of covered-employee payroll	3.63%	4.17%	5.01%

Notes to Schedule:

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.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar
Amortization period	20 years rolling for actives, 3 year layered for retirees
Asset valuation method	Fair Market Value
Inflation rate	No inflation rate assumed
Projected salary increases	3.5% per annum, compounded annually
Investment rate of return	7.5%
Retirement age	Participants eligible for an unreduced pension from VRS are assumed to retire at higher rates
Mortality	Based on the RP-2000 Mortality Table for males and females projected to 2020 with Scale AA

Other information:

The Program was closed to all employees hired or rehired with an effective date on or after July 1, 2013.

* 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.



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.

Permanent Fund

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

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

County of Chesterfield, Virginia
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2016

	<u>Special Revenue Funds</u>		<u>Permanent Fund</u>	<u>Total Non-major Governmental Funds</u>
	<u>Grants</u>	<u>Children's Services</u>	<u>T. F. Jeffress Memorial</u>	
ASSETS				
Cash and cash equivalents	\$ 6,006,833	\$ 34,433	\$ 14,574	\$ 6,055,840
Accounts receivable, net	1,191,637	257,743	-	1,449,380
Due from other governments	1,323,200	2,148,662	-	3,471,862
Total assets	<u>\$ 8,521,670</u>	<u>\$ 2,440,838</u>	<u>\$ 14,574</u>	<u>\$ 10,977,082</u>
LIABILITIES				
Accounts payable	\$ 672,572	\$ 1,439,760	\$ -	\$ 2,112,332
Due to General Fund	-	300,000	-	300,000
Accrued liabilities	298,748	21,095	-	319,843
Unearned revenues	34,813	-	-	34,813
Total liabilities	<u>1,006,133</u>	<u>1,760,855</u>	<u>-</u>	<u>2,766,988</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	576,610	123,691	-	700,301
FUND BALANCES				
Nonspendable	-	-	5,000	5,000
Restricted	2,062,405	-	9,574	2,071,979
Assigned	4,876,522	556,292	-	5,432,814
Total fund balances	<u>6,938,927</u>	<u>556,292</u>	<u>14,574</u>	<u>7,509,793</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,521,670</u>	<u>\$ 2,440,838</u>	<u>\$ 14,574</u>	<u>\$ 10,977,082</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, 2016

	<u>Special Revenue Funds</u>		<u>Permanent Fund</u>	<u>Total Non-major Governmental Funds</u>
	<u>Grants</u>	<u>Children's Services</u>	<u>T. F. Jeffress Memorial Fund</u>	
Revenues				
From local sources:				
Use of money and property	\$ 734	\$ -	\$ 47	\$ 781
Charges for services	7,510,501	127,194	-	7,637,695
Miscellaneous	78,654	-	-	78,654
Recovered costs	73,360	352,897	-	426,257
Donations and contributions	102,849	-	-	102,849
From component unit - School Board	-	2,621,100	-	2,621,100
From other governments	5,530,724	6,914,879	-	12,445,603
Total revenues	<u>13,296,822</u>	<u>10,016,070</u>	<u>47</u>	<u>23,312,939</u>
Expenses				
Administration of justice	771,659	-	-	771,659
Public safety	8,796,693	-	-	8,796,693
Health and welfare	2,053,566	12,419,233	-	14,472,799
Parks, recreation and cultural	101,672	-	-	101,672
Community development	1,285,664	-	-	1,285,664
Total expenditures	<u>13,009,254</u>	<u>12,419,233</u>	<u>-</u>	<u>25,428,487</u>
Excess (deficiency) of revenues over (under) expenditures	<u>287,568</u>	<u>(2,403,163)</u>	<u>47</u>	<u>(2,115,548)</u>
Other financing sources (uses)				
Transfers in	1,515,845	1,538,595	-	3,054,440
Transfers out	(1,369,419)	-	-	(1,369,419)
Total other financing sources (uses), net	<u>146,426</u>	<u>1,538,595</u>	<u>-</u>	<u>1,685,021</u>
Net change in fund balances	433,994	(864,568)	47	(430,527)
Total fund balances, July 1, 2015	<u>6,504,933</u>	<u>1,420,860</u>	<u>14,527</u>	<u>7,940,320</u>
Total fund balances, June 30, 2016	<u>\$ 6,938,927</u>	<u>\$ 556,292</u>	<u>\$ 14,574</u>	<u>\$ 7,509,793</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, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
From local sources:				
General property taxes:				
Real property taxes	\$ 314,259,900	\$ 314,259,900	\$ 313,731,924	\$ (527,976)
Real and personal public service corporation taxes	13,125,000	13,125,000	12,861,027	(263,973)
Personal property taxes	60,532,700	60,532,700	65,834,774	5,302,074
Machinery and tools taxes	4,990,500	4,990,500	4,564,090	(426,410)
Penalties and interest	3,400,000	3,400,000	3,006,417	(393,583)
Special assessments and service districts	2,934,700	2,934,700	3,865,636	930,936
Total general property taxes	399,242,800	399,242,800	403,863,868	4,621,068
Other local taxes:				
Bank stock tax	1,743,000	1,743,000	2,024,598	281,598
Business license taxes	19,861,600	19,911,600	20,742,026	830,426
Consumer utility taxes	8,098,100	8,098,100	7,867,528	(230,572)
Local sales and use taxes	47,308,500	47,308,500	45,306,831	(2,001,669)
Motor vehicle licenses	14,548,900	14,548,900	14,275,048	(273,852)
Recordation tax	4,314,900	4,314,900	5,655,737	1,340,837
Short-term rental tax	333,800	333,800	510,890	177,090
Telecommunications tax	14,987,500	14,987,500	14,110,196	(877,304)
Transient occupancy tax	4,487,600	4,907,600	4,931,324	23,724
Incremental sales tax	672,900	672,900	787,723	114,823
Total other local taxes	116,356,800	116,826,800	116,211,901	(614,899)
Permits, privilege fees and regulatory licenses:				
Animal licenses	73,000	75,310	61,585	(13,725)
Building permits	4,084,800	4,086,065	4,952,657	866,592
DMV stop fees	550,000	550,000	521,263	(28,737)
Erosion control fees	88,500	88,500	98,100	9,600
Permits and other licenses	344,800	354,363	490,379	136,016
Plan review fees	200,200	200,200	324,549	124,349
Planning fees	675,700	675,700	837,594	161,894
Total permits, privilege fees and regulatory licenses	6,017,000	6,030,138	7,286,127	1,255,989
Fines and forfeitures	1,951,500	2,080,337	1,811,841	(268,496)
Use of money and property:				
Use of money	434,000	437,100	723,513	286,413
Use of property	672,800	672,800	762,079	89,279
Total use of money and property	1,106,800	1,109,900	1,485,592	375,692
Charges for services:				
Annual recycling fees	1,984,500	1,984,500	1,971,100	(13,400)
Building inspection administrative fee	38,700	38,700	48,425	9,725
Building rental	158,700	158,700	158,680	(20)
Courthouse maintenance fees	95,000	95,000	69,312	(25,688)
Employee Medical Center	616,500	616,500	659,590	43,090
False alarm charges	120,000	120,000	87,170	(32,830)
Juvenile Detention Home fees	165,000	165,000	175,800	10,800
Landfill fees	1,397,900	1,397,900	1,515,137	117,237
Law Library	111,400	111,400	106,910	(4,490)
Library fines and services	311,700	311,700	190,077	(121,623)
Med-flight services	174,100	524,100	493,470	(30,630)

(Continued)

County of Chesterfield, Virginia
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
Charges for services: (continued)				
Mental Health Support Services	\$ 19,619,300	\$ 19,619,300	\$ 20,076,007	\$ 456,707
Parks and Recreation fees	451,600	451,600	537,693	86,093
Police miscellaneous fees	115,000	115,000	106,216	(8,784)
Police officers fees	1,000,000	1,000,000	1,117,342	117,342
Recycling proceeds	132,600	132,600	105,867	(26,733)
Sale of publications and maps	11,700	11,700	4,329	(7,371)
Sheriff fees	886,500	892,400	687,112	(205,288)
Traffic offenses	450,000	450,000	459,763	9,763
Treasurer's administrative fees	1,210,000	1,210,000	1,320,334	110,334
Other	3,278,100	3,343,035	3,439,795	96,760
Total charges for services	32,328,300	32,749,135	33,330,129	580,994
Miscellaneous:				
Public phone commission	75,000	75,000	142,233	67,233
Other miscellaneous	890,500	1,349,407	2,748,251	1,398,844
Total miscellaneous	965,500	1,424,407	2,890,484	1,466,077
Recovered costs:				
Interfund reimbursements	1,504,100	1,601,447	1,419,647	(181,800)
Reimbursed by other localities	723,800	723,800	768,036	44,236
Reimbursement from Schools	7,782,600	7,782,600	7,679,600	(103,000)
Other	2,149,900	2,149,900	2,695,354	545,454
Total recovered costs	12,160,400	12,257,747	12,562,637	304,890
Donations and contributions	22,300	39,939	115,611	75,672
Total revenues from local sources	570,151,400	571,761,203	579,558,190	7,796,987
From other governments:				
From the Commonwealth:				
Non-categorical aid:				
Clerk's excess fees	375,000	405,000	416,636	11,636
Mobile home sales tax	55,000	55,000	54,191	(809)
Personal property tax relief	41,092,000	41,092,000	41,092,048	48
Rolling stock tax	125,000	125,000	124,807	(193)
State recordation tax	1,324,000	1,324,000	1,133,123	(190,877)
Vehicle rental tax	1,045,200	1,045,200	1,131,020	85,820
Total non-categorical aid	44,016,200	44,046,200	43,951,825	(94,375)
Shared expenditures:				
Clerk of Circuit Court	1,048,100	1,136,100	1,151,539	15,439
Commissioner of the Revenue	443,300	443,300	519,607	76,307
Commonwealth's Attorney	1,965,900	2,125,900	2,196,012	70,112
Sheriff	2,830,700	2,830,700	3,098,888	268,188
Treasurer	405,900	405,900	482,564	76,664
Other	71,000	272,000	202,096	(69,904)
Total shared expenditures	6,764,900	7,213,900	7,650,706	436,806
From other governments:				
From the Commonwealth:				
Categorical aid:				
Annexation House Bill 599	7,458,800	7,458,800	7,458,784	(16)
Chesterfield County Jail	494,000	494,000	602,575	108,575
Education-state sales tax	59,390,000	59,390,000	60,640,194	1,250,194
Emergency medical services	314,000	339,000	323,855	(15,145)

(Continued)

County of Chesterfield, Virginia
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2016

	<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	\$ 949,700	\$ 1,009,700	\$ 1,002,273	\$ (7,427)
Juvenile Detention Home	1,810,000	1,935,000	1,943,057	8,057
Library	186,200	186,200	195,743	9,543
Mental Health Support Services	4,592,400	4,592,400	4,661,067	68,667
Sheriff programs	2,098,700	2,098,700	2,161,950	63,250
Welfare	4,601,700	4,798,800	4,463,770	(335,030)
Other	2,109,900	2,329,618	12,774,521	10,444,903
Total categorical aid	84,005,400	84,632,218	96,227,789	11,595,571
Total from the Commonwealth	134,786,500	135,892,318	147,830,320	11,938,002
From the federal government:				
Categorical aid:				
Mental Health Block Grant	870,500	870,500	892,934	22,434
Public safety	111,600	127,968	106,022	(21,946)
Welfare	7,201,200	7,677,000	8,450,599	773,599
Other	105,000	105,000	92,230	(12,770)
Total from the federal government	8,288,300	8,780,468	9,541,785	761,317
Total revenues from other governments	143,074,800	144,672,786	157,372,105	12,699,319
Total revenues	713,226,200	716,433,989	736,930,295	20,496,306
Expenditures				
General government:				
Accounting	3,752,235	3,882,234	3,728,618	153,616
Board of Supervisors	384,335	368,835	347,904	20,931
Budget and Management	1,046,100	1,078,600	1,064,837	13,763
Clerk to the Board	266,618	261,793	245,932	15,861
Commissioner of the Revenue	3,131,500	3,156,500	3,141,870	14,630
Communications and Media	768,800	828,800	825,233	3,567
County Administration	1,051,936	1,205,936	1,136,825	69,111
County Attorney	1,656,300	1,776,300	1,723,682	52,618
Document Services	922,715	962,715	949,614	13,101
Employee benefits	7,494,500	4,122,055	3,307,135	814,920
General Services	448,290	481,700	460,803	20,897
Human Resource Management	3,162,677	3,287,419	3,283,472	3,947
Information Systems Technology	13,202,822	13,802,672	13,774,094	28,578
Interest paid on tax refunds	68,000	68,000	7,946	60,054
Intergovernmental Relations	181,100	181,100	174,436	6,664
Internal Audit	852,000	847,725	805,226	42,499
Learning and Performance Center	1,186,327	1,183,127	1,101,971	81,156
License Inspector	526,700	546,200	536,709	9,491
Management Services Administration	312,350	352,350	319,624	32,726
Non-departmental	7,000	251,970	194,964	57,006
Purchasing	1,663,100	1,748,100	1,714,791	33,309
Real Estate Assessments	2,900,000	2,851,000	2,677,423	173,577
Registrar	997,300	1,442,300	1,398,590	43,710
Treasurer	3,787,038	3,738,038	3,597,818	140,220
Total general government	49,769,743	48,425,469	46,519,517	1,905,952

(Continued)

County of Chesterfield, Virginia
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2016

	<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	\$ 3,641,600	\$ 3,791,600	\$ 3,749,273	\$ 42,327
Circuit Court Judges	574,211	709,212	688,506	20,706
Commonwealth's Attorney	4,410,400	4,584,680	4,535,603	49,077
General District Court	192,536	342,536	271,959	70,577
Juvenile and Domestic Relations Court	101,180	131,180	117,351	13,829
Law Library	115,906	115,906	110,133	5,773
Magistrate	6,400	6,400	5,492	908
Total administration of justice	<u>9,042,233</u>	<u>9,681,514</u>	<u>9,478,317</u>	<u>203,197</u>
Public safety:				
Building Inspections	5,025,602	4,993,602	4,866,898	126,704
Community Corrections	2,864,310	2,913,810	2,858,398	55,412
Emergency Communications Center	6,953,000	6,904,000	6,794,824	109,176
Fire and EMS	54,717,413	57,493,828	55,460,012	2,033,816
Juvenile Detention Home	4,415,710	4,854,178	4,704,750	149,428
Juvenile Probation	100,157	94,557	82,301	12,256
Police	63,998,756	64,738,829	62,047,363	2,691,466
Regional Jail	11,534,000	11,120,000	10,258,520	861,480
Sheriff and Jail	21,387,893	21,904,175	21,470,382	433,793
Total public safety	<u>170,996,841</u>	<u>175,016,979</u>	<u>168,543,448</u>	<u>6,473,531</u>
Public works:				
Buildings and Grounds	6,636,615	6,792,150	6,606,643	185,507
Environmental Engineering	5,034,538	5,116,379	4,795,177	321,202
Hydrant rental and right of way	45,000	47,500	46,570	930
Street lights and road improvements	821,210	864,625	847,247	17,378
Waste and Resource Recovery	4,979,481	5,073,317	5,033,981	39,336
Total public works	<u>17,516,844</u>	<u>17,893,971</u>	<u>17,329,618</u>	<u>564,353</u>
Health and welfare:				
Health	5,529,700	5,611,700	5,608,324	3,376
Human Services Administration	464,283	462,283	445,394	16,889
Mental Health Support Services	38,776,383	38,358,783	38,008,640	350,143
Social Services	17,255,315	17,938,215	17,811,944	126,271
Tax relief for the elderly	5,547,100	5,862,100	5,744,939	117,161
Youth Planning and Development	308,900	291,600	286,234	5,366
Total health and welfare	<u>67,881,681</u>	<u>68,524,681</u>	<u>67,905,475</u>	<u>619,206</u>
Parks, recreation and cultural:				
Community Contracts	683,100	683,100	660,692	22,408
District Improvements Funds	167,500	89,832	-	89,832
Library	8,157,673	8,140,908	7,889,696	251,212
Parks and Recreation	10,904,645	10,971,519	10,606,427	365,092
Total parks, recreation and cultural	<u>19,912,918</u>	<u>19,885,359</u>	<u>19,156,815</u>	<u>728,544</u>

(Continued)

County of Chesterfield, Virginia
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Community development:				
Community Development Administration	\$ 1,203,900	\$ 1,270,900	\$ 1,222,556	\$ 48,344
Convention Center	4,487,600	4,907,600	4,931,323	(23,723)
Cooperative Extension	420,714	420,714	411,318	9,396
Economic Development	2,864,771	2,979,771	2,930,888	48,883
Economic development incentives	245,000	295,000	258,865	36,135
Planning	4,142,920	4,099,920	4,089,605	10,315
Tax increment financing payments	3,472,600	3,561,490	3,559,664	1,826
Transportation	1,347,329	1,319,329	1,296,677	22,652
Total community development	18,184,834	18,854,724	18,700,896	153,828
Non-departmental	602,500	602,500	-	602,500
Debt service:				
Retirement of principal	13,736,800	13,209,778	13,209,778	-
Interest	7,322,000	5,476,358	5,476,358	-
Other	899,800	1,674,459	671,612	1,002,847
Total debt service	21,958,600	20,360,595	19,357,748	1,002,847
Total expenditures	375,866,194	379,245,792	366,991,834	12,253,958
Excess of revenues over expenditures	337,360,006	337,188,197	369,938,461	32,750,264
Other financing sources (uses)				
Transfers in:				
Grant Funds	1,297,100	1,369,419	1,369,419	-
Water Fund	3,600	3,600	3,600	-
Wastewater Fund	2,400	2,400	2,400	-
Vehicle and Communications Maintenance Fund	13,700	13,700	13,700	-
Total transfers in	1,316,800	1,389,119	1,389,119	-
Transfers out:				
County Capital Projects Fund	(23,886,000)	(93,890,764)	(19,318,507)	74,572,257
Grants Fund	(854,100)	(2,249,566)	(1,150,577)	1,098,989
Children's Services Fund	(1,251,400)	(1,093,395)	(1,093,395)	-
Airport Fund	-	(170,039)	(29,989)	140,050
Capital Projects Management Fund	-	(128,550)	(128,550)	-
School Operating Fund	(328,584,100)	(325,614,822)	(309,043,988)	16,570,834
Total transfers out	(354,575,600)	(423,147,136)	(330,765,006)	92,382,130
Premium on refunding bonds issued	-	6,539,573	6,539,573	-
Premium on bonds issued	-	92,168	92,168	-
Payment to refunded bonds escrow agent	-	(42,781,878)	(42,781,878)	-
Proceeds from refunding bonds issued	-	36,399,953	36,399,953	-
Total other financing uses, net	(353,258,800)	(421,508,201)	(329,126,071)	92,382,130
Net change in fund balance	(15,898,794)	(84,320,004)	40,812,390	125,132,394
Fund balance, July 1, 2015	272,233,378	272,233,378	272,233,378	-
Fund balance, June 30, 2016	\$ 256,334,584	\$ 187,913,374	\$ 313,045,768	\$ 125,132,394

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, 2016

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues				
Charges for services	\$ -	\$ -	\$ 127,194	\$ 127,194
Recovered costs	334,600	334,600	352,897	18,297
From the Commonwealth	5,364,300	7,036,147	6,764,105	(272,042)
From the federal government	-	-	150,774	150,774
Total revenues	5,698,900	7,370,747	7,394,970	24,223
Expenditures				
Health and welfare	9,926,800	12,420,442	12,419,233	1,209
Deficiency of revenues (under) over expenditures	(4,227,900)	(5,049,695)	(5,024,263)	25,432
Other financing sources				
Transfers in	1,696,600	1,538,595	1,538,595	-
Transfers from component unit - School Board	2,531,300	2,621,100	2,621,100	-
Total other financing sources, net	4,227,900	4,159,695	4,159,695	-
Net change in fund balance	-	(890,000)	(864,568)	25,432
Fund balance, July 1, 2015	1,420,860	1,420,860	1,420,860	-
Fund balance, June 30, 2016	\$ 1,420,860	\$ 530,860	\$ 556,292	\$ 25,432

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.	\$ 7,394,970
Transfers from the School Board component unit are revenues for financial reporting purposes.	2,621,100
Total revenues on the Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-major Governmental Funds.	\$ 10,016,070

Other financing sources

Total other financing sources, net, on the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual.	\$ 4,159,695
Transfers from the School Board component unit are revenues for financial reporting purposes.	(2,621,100)
Total other financing sources, net, on the Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-major Governmental Funds.	\$ 1,538,595

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, 2016

	Enterprise Funds		
	Economic Development Authority	Airport	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,689,659	\$ 338,592	\$ 3,028,251
Restricted cash equivalents with trustees	6,775,656	-	6,775,656
Receivables	-	40,656	40,656
Due from other governments	-	6,410	6,410
Due from other funds	8,731	-	8,731
Total current assets	9,474,046	385,658	9,859,704
Non-current assets:			
Capital assets:			
Land and land improvements	11,707,207	1,663,935	13,371,142
Buildings	-	7,158,781	7,158,781
Improvements other than buildings	1,936,873	27,201,405	29,138,278
Infrastructure	2,134,862	-	2,134,862
Machinery and equipment	-	1,707,713	1,707,713
Construction in progress	2,341,697	650,516	2,992,213
Total capital assets	18,120,639	38,382,350	56,502,989
Less accumulated depreciation	(642,056)	(21,446,810)	(22,088,866)
Net capital assets	17,478,583	16,935,540	34,414,123
Total assets	26,952,629	17,321,198	44,273,827
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	-	32,583	32,583
Deferred pension contributions	-	19,562	19,562
Total deferred outflows of resources	-	52,145	52,145
LIABILITIES			
Current liabilities:			
Accounts payable	28,867	7,166	36,033
Due to other funds	6,721,595	-	6,721,595
Accrued liabilities	673,543	21,684	695,227
Compensated absences	-	13,808	13,808
Judgments and claims	-	83	83
Certificates of participation, net	-	87,824	87,824
Revenue bonds payable, net	-	2,729	2,729
Total current liabilities	7,424,005	133,294	7,557,299
Non-current liabilities:			
Retainages payable	122,085	-	122,085
Compensated absences	-	14,338	14,338
Judgments and claims	-	170	170
Net pension liabilities	-	116,698	116,698
Certificates of participation, net	-	654,195	654,195
Revenue bond payable, net	-	50,838	50,838
Total non-current liabilities	122,085	836,239	958,324
Total liabilities	7,546,090	969,533	8,515,623
DEFERRED INFLOWS OF RESOURCES			
Deferred pension investment experience	-	19,319	19,319
Deferred inflow economic experience	-	6,093	6,093
Total deferred inflows of resources	-	25,412	25,412
NET POSITION			
Net investment in capital assets	17,478,583	16,172,537	33,651,120
Unrestricted	1,927,956	205,861	2,133,817
Total net position	\$ 19,406,539	\$ 16,378,398	\$ 35,784,937

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, 2016

	Enterprise Funds		
	<u>Economic Development Authority</u>	<u>Airport</u>	<u>Total</u>
Operating revenues			
Charges for services	\$ 217,701	\$ 742,299	\$ 960,000
From the Commonwealth	-	4,060	4,060
Other	32,483	13,659	46,142
Total operating revenues	<u>250,184</u>	<u>760,018</u>	<u>1,010,202</u>
Operating expenses			
Salaries and wages	-	261,819	261,819
Contractual services	37,832	145,647	183,479
Materials and supplies	-	18,071	18,071
Heat, light and power	-	75,110	75,110
Depreciation	217,804	1,269,950	1,487,754
Repairs and maintenance	-	31,181	31,181
Other	519,694	9,113	528,807
Total operating expenses	<u>775,330</u>	<u>1,810,891</u>	<u>2,586,221</u>
Operating loss	<u>(525,146)</u>	<u>(1,050,873)</u>	<u>(1,576,019)</u>
Non-operating revenues (expenses)			
Interest and dividend income	1,629	-	1,629
Interest expense	-	(25,762)	(25,762)
Other	(155,509)	(83,355)	(238,864)
Total non-operating expenses, net	<u>(153,880)</u>	<u>(109,117)</u>	<u>(262,997)</u>
Loss before capital contributions and transfers	(679,026)	(1,159,990)	(1,839,016)
Capital contributions	-	65,241	65,241
Transfers in	258,865	29,989	288,854
Change in net position	(420,161)	(1,064,760)	(1,484,921)
Total net position - July 1, 2015	<u>19,826,700</u>	<u>17,443,158</u>	<u>37,269,858</u>
Total net position - June 30, 2016	<u>\$ 19,406,539</u>	<u>\$ 16,378,398</u>	<u>\$ 35,784,937</u>

See accompanying independent auditors' report.

County of Chesterfield, Virginia
Combining Statement of Cash Flows
Non-major Enterprise Funds
For the Year Ended June 30, 2016

	Enterprise Funds		
	Economic Development Authority	Airport	Total
Cash flows from operating activities			
Receipts from customers	\$ 261,250	\$ 778,591	\$ 1,039,841
Payments to suppliers	(858,450)	(292,277)	(1,150,727)
Payments to employees	-	(256,728)	(256,728)
Net cash provided by (used in) operating activities	(597,200)	229,586	(367,614)
Cash flows from non-capital financing activities			
Transfers in	605,543	29,989	635,532
Cash flows from capital and related financing activities			
Repayment to General Fund	-	(26,000)	(26,000)
Payment from County Capital Projects Fund	6,899,800	-	6,899,800
Purchase of capital assets	(2,035,767)	(42,965)	(2,078,732)
Capital contributions	-	52,075	52,075
Payment of other debt expenses	-	(635)	(635)
Proceeds from sale of refunding bonds	-	53,567	53,567
Payment to escrow agent	-	(53,164)	(53,164)
Interest paid on certificates of participation	-	(34,571)	(34,571)
Principal paid on certificates of participation	-	(93,111)	(93,111)
Net cash provided by (used in) capital and related financing activities	4,864,033	(144,804)	4,719,229
Cash flows from investing activities			
Interest received	3,103	-	3,103
Net increase in cash and cash equivalents	4,875,479	114,771	4,990,250
Cash and cash equivalents, July 1, 2015	4,589,836	223,821	4,813,657
Cash and cash equivalents, June 30, 2016	\$ 9,465,315	\$ 338,592	\$ 9,803,907
Reconciliation of operating loss to net cash provided by (used in) operating activities:			
Operating loss	\$ (525,146)	\$ (1,050,873)	\$ (1,576,019)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation	217,804	1,269,950	1,487,754
Changes in assets and liabilities:			
Receivables, net	11,068	18,573	29,641
Accounts and other payables	(300,926)	(8,064)	(308,990)
Net cash provided by (used in) operating activities	\$ (597,200)	\$ 229,586	\$ (367,614)
Noncash transactions related to financing, capital and investing activities:			
Contributions of capital assets	\$ -	\$ 15,376	\$ 15,376

See accompanying independent auditors' report.

Internal Service Funds

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

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

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

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

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, 2016

	Vehicle and Communications Maintenance	Risk Management	Capital Projects Management	Healthcare	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 13,437,945	\$ 17,971,580	\$ 183,007	\$ 2,150,927	\$ 33,743,459
Receivables	206,227	54,366	-	-	260,593
Inventories	666,431	-	-	-	666,431
Total current assets	<u>14,310,603</u>	<u>18,025,946</u>	<u>183,007</u>	<u>2,150,927</u>	<u>34,670,483</u>
Non-current assets:					
Capital assets:					
Land	-	193,685	-	-	193,685
Buildings	2,092,638	123,832	14,992	-	2,231,462
Improvements other than buildings	311,805	-	-	-	311,805
Machinery and equipment	15,380,427	82,424	15,447	-	15,478,298
Construction in progress	-	46,122	-	-	46,122
Total capital assets	<u>17,784,870</u>	<u>446,063</u>	<u>30,439</u>	<u>-</u>	<u>18,261,372</u>
Less accumulated depreciation	<u>(11,837,951)</u>	<u>(141,944)</u>	<u>(25,618)</u>	<u>-</u>	<u>(12,005,513)</u>
Net capital assets	<u>5,946,919</u>	<u>304,119</u>	<u>4,821</u>	<u>-</u>	<u>6,255,859</u>
Total assets	<u>20,257,522</u>	<u>18,330,065</u>	<u>187,828</u>	<u>2,150,927</u>	<u>40,926,342</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred pension contributions	405,989	94,143	54,320	-	554,452
Deferred pension investment experience	2,302	946	6,218	-	9,466
Total deferred outflows of resources	<u>408,291</u>	<u>95,089</u>	<u>60,538</u>	<u>-</u>	<u>563,918</u>
LIABILITIES					
Current liabilities:					
Accounts payable	862,673	156,189	520	35,280	1,054,662
Accrued liabilities	369,575	75,157	42,232	-	486,964
Compensated absences	237,065	49,977	47,917	-	334,959
Judgments and claims	7,562	4,056,429	-	9,462,328	13,526,319
Total current liabilities	<u>1,476,875</u>	<u>4,337,752</u>	<u>90,669</u>	<u>9,497,608</u>	<u>15,402,904</u>
Non-current liabilities:					
Compensated absences	183,296	20,943	34,130	-	238,369
Judgments and claims	15,412	1,183,156	-	-	1,198,568
Net pension liabilities	<u>2,852,549</u>	<u>397,424</u>	<u>361,155</u>	<u>-</u>	<u>3,611,128</u>
Total non-current liabilities	<u>3,051,257</u>	<u>1,601,523</u>	<u>395,285</u>	<u>-</u>	<u>5,048,065</u>
Total liabilities	<u>4,528,132</u>	<u>5,939,275</u>	<u>485,954</u>	<u>9,497,608</u>	<u>20,450,969</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred pension investment experience	471,771	65,494	58,102	-	595,367
Deferred pension economic experience	<u>148,712</u>	<u>20,764</u>	<u>18,633</u>	<u>-</u>	<u>188,109</u>
Total deferred inflows of resources	<u>620,483</u>	<u>86,258</u>	<u>76,735</u>	<u>-</u>	<u>783,476</u>
NET POSITION					
Investment in capital assets	5,946,919	304,119	4,821	-	6,255,859
Unrestricted	<u>9,570,279</u>	<u>12,095,502</u>	<u>(319,144)</u>	<u>(7,346,681)</u>	<u>13,999,956</u>
Total net position	<u>\$ 15,517,198</u>	<u>\$ 12,399,621</u>	<u>\$ (314,323)</u>	<u>\$ (7,346,681)</u>	<u>\$ 20,255,815</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, 2016

	Vehicle and Communications Maintenance	Risk Management	Capital Projects Management	Healthcare	Total
Operating revenues					
Charges for services	\$ 17,997,585	\$ 7,537,500	\$ 642,617	\$ 102,127,511	\$ 128,305,213
Other	34,302	340,383	-	-	374,685
Total operating revenues	<u>18,031,887</u>	<u>7,877,883</u>	<u>642,617</u>	<u>102,127,511</u>	<u>128,679,898</u>
Operating expenses					
Salaries and wages	5,526,672	1,183,593	673,332	-	7,383,597
Contractual services	609,991	633,399	29,269	-	1,272,659
Materials and supplies	7,511,146	32,530	5,922	-	7,549,598
Heat, light and power	49,660	4,519	-	-	54,179
Depreciation	1,392,580	2,477	2,296	-	1,397,353
Repairs and maintenance	1,075,357	49,740	7,618	-	1,132,715
Insurance	-	2,938,340	-	-	2,938,340
Claims	-	2,679,848	-	104,052,805	106,732,653
Other	36,645	17,914	3,327	-	57,886
Total operating expenses	<u>16,202,051</u>	<u>7,542,360</u>	<u>721,764</u>	<u>104,052,805</u>	<u>128,518,980</u>
Operating income (loss)	<u>1,829,836</u>	<u>335,523</u>	<u>(79,147)</u>	<u>(1,925,294)</u>	<u>160,918</u>
Non-operating revenues					
Interest and dividend income	-	65,329	-	-	65,329
Gain on disposal of capital assets	94,830	-	-	-	94,830
Other	(34,787)	-	-	-	(34,787)
Total non-operating revenues	<u>60,043</u>	<u>65,329</u>	<u>-</u>	<u>-</u>	<u>125,372</u>
Income (loss) before capital contributions and transfers	1,889,879	400,852	(79,147)	(1,925,294)	286,290
Capital contributions	71,986	-	-	-	71,986
Transfers in	-	-	128,550	-	128,550
Transfers out	(17,450)	-	-	-	(17,450)
Change in net position	1,944,415	400,852	49,403	(1,925,294)	469,376
Total net position - July 1, 2015	<u>13,572,783</u>	<u>11,998,769</u>	<u>(363,726)</u>	<u>(5,421,387)</u>	<u>19,786,439</u>
Total net position - June 30, 2016	<u>\$ 15,517,198</u>	<u>\$ 12,399,621</u>	<u>\$ (314,323)</u>	<u>\$ (7,346,681)</u>	<u>\$ 20,255,815</u>

See accompanying independent auditors' report.

County of Chesterfield, Virginia
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2016

	<u>Vehicle and Communications Maintenance</u>	<u>Risk Management</u>	<u>Capital Projects Management</u>	<u>Healthcare</u>	<u>Total</u>
Cash flows from operating activities					
Receipts from customers	\$ 18,108,306	\$ 7,877,883	\$ 642,617	\$ 102,127,511	\$ 128,756,317
Payments to suppliers	(9,442,645)	(3,772,236)	(47,393)	-	(13,262,274)
Payments to employees	(5,530,557)	(1,200,187)	(668,997)	-	(7,399,741)
Claims paid	-	(2,769,696)	-	(105,803,352)	(108,573,048)
Other receipts	(16,357)	-	-	-	(16,357)
Net cash provided by (used in) operating activities	<u>3,118,747</u>	<u>135,764</u>	<u>(73,773)</u>	<u>(3,675,841)</u>	<u>(495,103)</u>
Cash flows from non-capital financing activities					
Transfers In	-	-	128,550	-	128,550
Transfers out	(17,450)	-	-	-	(17,450)
Net cash provided by (used in) non-capital financing activities	<u>(17,450)</u>	<u>-</u>	<u>128,550</u>	<u>-</u>	<u>111,100</u>
Cash flows from capital and related financing activities					
Purchase of capital assets	(1,591,629)	(46,122)	-	-	(1,637,751)
Proceeds from sale of capital assets	186,348	-	-	-	186,348
Net cash used in capital and related financing activities	<u>(1,405,281)</u>	<u>(46,122)</u>	<u>-</u>	<u>-</u>	<u>(1,451,403)</u>
Cash flows from investing activities					
Interest received	-	65,329	-	-	65,329
Net increase (decrease) in cash and cash equivalents	1,696,016	154,971	54,777	(3,675,841)	(1,770,077)
Cash and cash equivalents, July 1, 2015	11,741,929	17,816,609	128,230	5,826,768	35,513,536
Cash and cash equivalents, June 30, 2016	<u>\$ 13,437,945</u>	<u>\$ 17,971,580</u>	<u>\$ 183,007</u>	<u>\$ 2,150,927</u>	<u>\$ 33,743,459</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 1,829,836	\$ 335,523	\$ (79,147)	\$ (1,925,294)	\$ 160,918
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	1,392,580	2,477	2,296	-	1,397,353
Changes in assets and liabilities:					
Receivables, net	60,062	143,239	-	-	203,301
Inventories	(5,350)	-	-	-	(5,350)
Accounts and other payables	(158,381)	(345,475)	3,078	(1,750,547)	(2,251,325)
Net cash provided by (used in) operating activities	<u>\$ 3,118,747</u>	<u>\$ 135,764</u>	<u>\$ (73,773)</u>	<u>\$ (3,675,841)</u>	<u>\$ (495,103)</u>
Noncash transactions related to financing, capital and investing activities are as follows:					
Contributions of capital assets	\$ 71,986	\$ -	\$ -	\$ -	\$ 71,986

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, 2016

	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
ASSETS					
Cash and cash equivalents	\$ 2,935,191	\$ 829,469	\$ 1,032,476	\$ 360,407	\$ 5,157,543
Accounts receivable	51,783	5	-	2	51,790
Due from broker	21,720	-	-	-	21,720
Investments:					
Mutual funds	2,557,810	-	-	-	2,557,810
Common and preferred stocks	11,328,825	-	-	-	11,328,825
Corporate bonds	4,290,075	-	-	-	4,290,075
U.S. government and agency securities	2,401,475	-	-	-	2,401,475
Exchange traded funds	5,064,931	-	-	-	5,064,931
Collateralized mortgage backed securities	89,708	-	-	-	89,708
Fund of funds	3,952,256	-	-	-	3,952,256
Pooled funds	-	23,142,622	10,989,579	6,054,346	40,186,547
Total investments	29,685,080	23,142,622	10,989,579	6,054,346	69,871,627
Total assets	32,693,774	23,972,096	12,022,055	6,414,755	75,102,680
LIABILITIES					
Due to broker	-	829,469	1,032,476	360,407	2,222,352
Total liabilities	-	829,469	1,032,476	360,407	2,222,352
FIDUCIARY NET POSITION					
Restricted for pension/other postemployment benefits	\$ 32,693,774	\$ 23,142,627	\$ 10,989,579	\$ 6,054,348	\$ 72,880,328

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, 2016

	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
Additions:					
Contributions					
Employer	\$ 1,779,372	\$ 7,146,361	\$ 17,276,159	\$ 605,075	\$ 26,806,967
Employee	-	1,907,792	3,541,303	-	5,449,095
Investment earnings:					
Interest and dividends	725,579	6,748	2,408	1,022	735,757
Net decrease in the fair value of investments	(628,034)	(102,853)	(45,303)	(25,554)	(801,744)
Total investment income (loss)	97,545	(96,105)	(42,895)	(24,532)	(65,987)
Less investment expenses	(165,649)	(24,000)	(10,482)	(5,984)	(206,115)
Net investment expenses	(68,104)	(120,105)	(53,377)	(30,516)	(272,102)
Total additions, net	1,711,268	8,934,048	20,764,085	574,559	31,983,960
Deductions:					
Benefit payments	1,574,809	8,224,684	19,784,986	244,668	29,829,147
Administrative expenses	77,676	500	500	500	79,176
Total deductions	1,652,485	8,225,184	19,785,486	245,168	29,908,323
Increase in net position restricted for pensions/other postemployment benefits	58,783	708,864	978,599	329,391	2,075,637
Fiduciary net position - July 1, 2015	32,634,991	22,433,763	10,010,980	5,724,957	70,804,691
Fiduciary net position - June 30, 2016	\$ 32,693,774	\$ 23,142,627	\$ 10,989,579	\$ 6,054,348	\$ 72,880,328

See accompanying independent auditors' report.

County of Chesterfield, Virginia
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2016

	Greater Richmond Convention Center Authority	Special Welfare	MHSS SSA	Police Safekeeping	Inmate Trust	Jail Canteen	Appomattox Regional Governor's School	Total
ASSETS								
Cash and cash equivalents	\$ 9,692,222	\$ 40,135	\$ 164,821	\$ 505,137	\$ 21,489	\$ 278,806	\$ 1,495,621	\$ 12,198,231
Accounts receivable	397,500	-	-	-	-	5,656	15	403,171
Due from other governments	5,369	-	-	-	-	-	21,141	26,510
Restricted assets:								
Cash and cash equivalents	8,023,399	-	-	-	-	-	-	8,023,399
Investments	15,864,865	-	-	-	-	-	-	15,864,865
Cash, cash equivalents and investments with trustee	1,827,619	-	-	-	-	-	-	1,827,619
Due from other governments	3,212,789	-	-	-	-	-	-	3,212,789
Interest receivable	73	-	-	-	-	-	-	73
Total restricted assets	28,928,745	-	-	-	-	-	-	28,928,745
Total assets	\$ 39,023,836	\$ 40,135	\$ 164,821	\$ 505,137	\$ 21,489	\$ 284,462	\$ 1,516,777	\$ 41,556,657
LIABILITIES								
Amounts held for others	\$ 39,023,836	\$ 40,135	\$ 164,821	\$ 505,137	\$ 21,489	\$ 284,462	\$ 1,516,777	\$ 41,556,657

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, 2016

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2016</u>
GREATER RICHMOND CONVENTION CENTER AUTHORITY				
Assets				
Cash and cash equivalents	\$ 7,707,966	\$ 12,143,484	\$ 10,159,228	\$ 9,692,222
Accounts receivable	612,260	397,500	612,260	397,500
Due from other governments	704,572	5,369	704,572	5,369
Restricted assets:				
Cash and cash equivalents	8,416,614	9,765,301	10,158,516	8,023,399
Investments	13,847,131	6,016,984	3,999,250	15,864,865
Cash, cash equivalents and investments with trustee	2,539,802	33,772,447	34,484,630	1,827,619
Due from other governments	2,278,416	3,212,789	2,278,416	3,212,789
Interest receivable	49	73	49	73
Total restricted assets	<u>27,082,012</u>	<u>52,767,594</u>	<u>50,920,861</u>	<u>28,928,745</u>
 Total assets	 <u>\$ 36,106,810</u>	 <u>\$ 65,313,947</u>	 <u>\$ 62,396,921</u>	 <u>\$ 39,023,836</u>
 Liabilities				
Amounts held for others	<u>\$ 36,106,810</u>	<u>\$ 65,313,947</u>	<u>\$ 62,396,921</u>	<u>\$ 39,023,836</u>
SPECIAL WELFARE				
Assets				
Cash and cash equivalents	<u>\$ 50,507</u>	<u>\$ 114,844</u>	<u>\$ 125,216</u>	<u>\$ 40,135</u>
 Liabilities				
Amounts held for others	<u>\$ 50,507</u>	<u>\$ 114,844</u>	<u>\$ 125,216</u>	<u>\$ 40,135</u>
MENTAL HEALTH SUPPORT SERVICES SOCIAL SECURITY ADMINISTRATION				
Assets				
Cash and cash equivalents	<u>\$ 92,534</u>	<u>\$ 727,818</u>	<u>\$ 655,531</u>	<u>\$ 164,821</u>
 Liabilities				
Amounts held for others	<u>\$ 92,534</u>	<u>\$ 727,818</u>	<u>\$ 655,531</u>	<u>\$ 164,821</u>
POLICE SAFEKEEPING				
Assets				
Cash and cash equivalents	<u>\$ 205,275</u>	<u>\$ 518,032</u>	<u>\$ 218,170</u>	<u>\$ 505,137</u>
 Liabilities				
Amounts held for others	<u>\$ 205,275</u>	<u>\$ 518,032</u>	<u>\$ 218,170</u>	<u>\$ 505,137</u>

(Continued)

County of Chesterfield, Virginia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2016

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
INMATE TRUST FUND				
Assets				
Cash and cash equivalents	\$ 32,695	\$ 641,342	\$ 652,548	\$ 21,489
Liabilities				
Amounts held for inmates	\$ 32,695	\$ 641,342	\$ 652,548	\$ 21,489
JAIL CANTEEN FUND				
Assets				
Cash and cash equivalents	\$ 340,116	\$ 78,367	\$ 139,677	\$ 278,806
Accounts receivable	8,440	5,656	8,440	5,656
Total assets	\$ 348,556	\$ 84,023	\$ 148,117	\$ 284,462
Liabilities				
Amounts held for others	\$ 348,556	\$ 84,023	\$ 148,117	\$ 284,462
APPOMATTOX REGIONAL GOVERNOR'S SCHOOL				
Assets				
Cash and cash equivalents	\$ 1,280,370	\$ 3,837,080	\$ 3,621,829	\$ 1,495,621
Accounts receivable	-	15	-	15
Due from other governments	29,428	21,141	29,428	21,141
Total assets	\$ 1,309,798	\$ 3,858,236	\$ 3,651,257	\$ 1,516,777
Liabilities				
Amounts held for others	\$ 1,309,798	\$ 3,858,236	\$ 3,651,257	\$ 1,516,777
TOTAL AGENCY FUNDS				
Assets				
Cash and cash equivalents	\$ 9,709,463	\$ 18,060,967	\$ 15,572,199	\$ 12,198,231
Accounts receivable	620,700	403,171	620,700	403,171
Due from other governments	734,000	26,510	734,000	26,510
Restricted assets:				
Cash and cash equivalents	8,416,614	9,765,301	10,158,516	8,023,399
Investments	13,847,131	6,016,984	3,999,250	15,864,865
Cash, cash equivalents and investments with trustees	2,539,802	33,772,447	34,484,630	1,827,619
Due from other governments	2,278,416	3,212,789	2,278,416	3,212,789
Interest receivable	49	73	49	73
Total restricted assets	27,082,012	52,767,594	50,920,861	28,928,745
Total assets	\$ 38,146,175	\$ 71,258,242	\$ 67,847,760	\$ 41,556,657
Liabilities				
Amounts held for others	\$ 38,146,175	\$ 71,258,242	\$ 67,847,760	\$ 41,556,657

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, 2016

	Watkins Centre Community Development <u>Authority</u>	Chippenham Place Community Development <u>Authority</u>	Total Non-major Component <u>Units</u>
ASSETS			
Cash and cash equivalents	\$ 301,974	\$ 1,113,088	\$ 1,415,062
Investments	1,800,000	-	1,800,000
Receivables	28,870	-	28,870
Prepays	1,012	-	1,012
Total assets	<u>2,131,856</u>	<u>1,113,088</u>	<u>3,244,944</u>
LIABILITIES			
Accounts payable and other liabilities	194,819	84,951	279,770
Non-current liabilities:			
Due within one year	2,316,546	369,625	2,686,171
Due in more than one year	<u>8,344,732</u>	<u>11,746,424</u>	<u>20,091,156</u>
Total liabilities	<u>10,856,097</u>	<u>12,201,000</u>	<u>23,057,097</u>
NET POSITION			
Restricted for debt service	-	708,903	708,903
Unrestricted (deficit)	<u>(8,724,241)</u>	<u>(11,796,815)</u>	<u>(20,521,056)</u>
Total net position (deficit)	<u>\$ (8,724,241)</u>	<u>\$ (11,087,912)</u>	<u>\$ (19,812,153)</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, 2016

<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	\$ 696,094	\$ (696,094)	\$ -	\$ (696,094)
Chippenham Place Community Development Authority	365,222	-	(365,222)	(365,222)
Total non-major component units	<u>\$ 1,061,316</u>	<u>(696,094)</u>	<u>(365,222)</u>	<u>(1,061,316)</u>
General revenues:				
Payment from County of Chesterfield		2,800,175	759,490	3,559,665
Investment earnings		86,473	159	86,632
Total general revenues		<u>2,886,648</u>	<u>759,649</u>	<u>3,646,297</u>
Change in net position		2,190,554	394,427	2,584,981
Total net position (deficit) - July 1, 2015		<u>(10,914,795)</u>	<u>(11,482,339)</u>	<u>(22,397,134)</u>
Total net position (deficit) - June 30, 2016		<u>\$ (8,724,241)</u>	<u>\$ (11,087,912)</u>	<u>\$ (19,812,153)</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, 2016

	<u>Total</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements other than Buildings</u>	<u>Machinery and Equipment</u>	<u>Infrastructure</u>
General government:						
Accounting	\$ 34,806	\$ -	\$ -	\$ -	\$ 34,806	\$ -
Board of Supervisors	7,933	-	-	-	7,933	-
Budget and Management	14,709	-	-	-	14,709	-
Commissioner of the Revenue	17,163	-	-	-	17,163	-
County Administration	1,126,244	-	-	-	1,126,244	-
General Services	9,308,002	584,665	8,177,416	-	545,921	-
Human Resource Management	51,965	-	-	-	51,965	-
Information Systems Technology	32,010,117	129,800	5,895,653	162,719	25,821,945	-
Internal Audit	313,695	150,000	151,006	-	12,689	-
Learning and Performance Center	17,460	-	-	-	17,460	-
Real Estate Assessments	567,113	85,500	442,144	-	39,469	-
Registrar	636,585	-	-	-	636,585	-
Treasurer	3,806,884	-	-	-	3,806,884	-
Total general government	<u>47,912,676</u>	<u>949,965</u>	<u>14,666,219</u>	<u>162,719</u>	<u>32,133,773</u>	<u>-</u>
Administration of justice:						
Circuit Court Clerk	325,340	-	-	-	325,340	-
Circuit Court Judges	270,016	-	-	-	270,016	-
Commonwealth's Attorney	135,010	-	114,473	-	20,537	-
Community Corrections	1,540,021	336,091	1,172,855	-	31,075	-
General District Court	33,428,004	22,441	32,503,462	118,080	784,021	-
Juvenile and Domestic Relations Court	17,412,144	53,173	17,250,223	-	108,748	-
Total administration of justice	<u>53,110,535</u>	<u>411,705</u>	<u>51,041,013</u>	<u>118,080</u>	<u>1,539,737</u>	<u>-</u>
Public safety:						
Animal Control	3,058,250	181,324	2,537,645	33,304	305,977	-
Building Inspections	2,214,745	105,932	110,100	-	1,998,713	-
Emergency Communications Center	29,743,757	71,740	63,857	-	29,608,160	-
Fire and EMS	95,025,510	3,049,656	41,484,825	1,221,341	49,269,688	-
Jail	31,952,431	19,950	31,145,693	-	786,788	-
Juvenile Detention Home	17,120,609	14,000	16,942,509	-	164,100	-
Juvenile Probation	41,884	-	-	-	41,884	-
Police	65,456,818	1,607,606	39,602,036	136,625	24,110,551	-
Sheriff	4,706,245	-	-	-	4,706,245	-
Youth Group Home	910,009	-	799,600	-	110,409	-
Total public safety	<u>250,230,258</u>	<u>5,050,208</u>	<u>132,686,265</u>	<u>1,391,270</u>	<u>111,102,515</u>	<u>-</u>
Public works:						
Buildings and Grounds	25,005,739	10,668,380	9,203,453	2,589,788	2,544,118	-
Environmental Engineering	39,991,933	1,100	355,951	-	1,877,952	37,756,930
Waste and Resource Recovery	10,654,578	800,254	688,185	7,934,260	1,231,879	-
Total public works	<u>75,652,250</u>	<u>11,469,734</u>	<u>10,247,589</u>	<u>10,524,048</u>	<u>5,653,949</u>	<u>37,756,930</u>
Health and welfare:						
Health	28,199	-	-	-	28,199	-
Mental Health Support Services	13,169,584	28,000	11,579,270	-	1,562,314	-
Social Services	7,354,229	297,200	7,001,955	-	55,074	-
Total health and welfare	<u>20,552,012</u>	<u>325,200</u>	<u>18,581,225</u>	<u>-</u>	<u>1,645,587</u>	<u>-</u>

(Continued)

County of Chesterfield, Virginia
 Schedule of Capital Assets Used in the Operation of Governmental Funds
 by Function and Activity
 June 30, 2016

	<u>Total</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements other than Buildings</u>	<u>Machinery and Equipment</u>	<u>Infrastructure</u>
Parks, recreation and cultural:						
Library	\$ 48,022,950	\$ 3,087,257	\$ 41,879,622	\$ 65,603	\$ 2,990,468	\$ -
Parks and Recreation	<u>78,141,460</u>	<u>15,834,901</u>	<u>9,264,076</u>	<u>48,721,515</u>	<u>4,320,968</u>	<u>-</u>
Total parks, recreation and cultural	<u>126,164,410</u>	<u>18,922,158</u>	<u>51,143,698</u>	<u>48,787,118</u>	<u>7,311,436</u>	<u>-</u>
Education:						
School Board	<u>974,505,070</u>	<u>28,290,648</u>	<u>927,087,215</u>	<u>19,127,207</u>	<u>-</u>	<u>-</u>
Community development:						
Community Development	21,316,126	-	18,712,365	-	2,603,761	-
Economic Development	<u>20,406</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,406</u>	<u>-</u>
Total community development	<u>21,336,532</u>	<u>-</u>	<u>18,712,365</u>	<u>-</u>	<u>2,624,167</u>	<u>-</u>
Total governmental funds' capital assets allocated by function	1,569,463,743	<u>\$ 65,419,618</u>	<u>\$ 1,224,165,589</u>	<u>\$ 80,110,442</u>	<u>\$ 162,011,164</u>	<u>\$ 37,756,930</u>
Redevelopment asset	7,368,104					
Construction in progress	<u>31,692,340</u>					
Total governmental funds' capital assets	<u>\$ 1,608,524,187</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, 2016

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2016</u>
General government:				
Accounting	\$ 34,806	\$ -	\$ -	\$ 34,806
Board of Supervisors	7,933	-	-	7,933
Budget and Management	14,709	-	-	14,709
Commissioner of the Revenue	17,163	-	-	17,163
County Administration	1,140,544	-	14,300	1,126,244
General Services	9,230,825	91,176	13,999	9,308,002
Human Resource Management	51,965	-	-	51,965
Information Systems Technology	29,844,324	2,165,793	-	32,010,117
Internal Audit	313,695	-	-	313,695
Learning and Performance Center	17,460	-	-	17,460
Real Estate Assessments	567,113	-	-	567,113
Registrar	381,535	255,050	-	636,585
Treasurer	1,558,834	2,248,050	-	3,806,884
Total general government	<u>43,180,906</u>	<u>4,760,069</u>	<u>28,299</u>	<u>47,912,676</u>
Administration of justice:				
Circuit Court Clerk	337,925	-	12,585	325,340
Circuit Court Judges	270,016	-	-	270,016
Commonwealth's Attorney	135,010	-	-	135,010
Community Corrections	1,524,814	15,207	-	1,540,021
General District Court	33,310,995	117,009	-	33,428,004
Juvenile and Domestic Relations Court	17,412,144	-	-	17,412,144
Total administration of justice	<u>52,990,904</u>	<u>132,216</u>	<u>12,585</u>	<u>53,110,535</u>
Public safety:				
Animal Control	3,023,211	56,871	21,832	3,058,250
Building Inspections	2,227,622	-	12,877	2,214,745
Emergency Communications Center	29,743,757	-	-	29,743,757
Fire and EMS	91,351,190	5,415,814	1,741,494	95,025,510
Jail	31,952,431	-	-	31,952,431
Juvenile Detention Home	17,120,609	-	-	17,120,609
Juvenile Probation	41,884	-	-	41,884
Police	55,463,387	10,914,946	921,515	65,456,818
Sheriff	4,680,444	25,801	-	4,706,245
Youth Group Home	910,009	-	-	910,009
Total public safety	<u>236,514,544</u>	<u>16,413,432</u>	<u>2,697,718</u>	<u>250,230,258</u>
Public works:				
Buildings and Grounds	23,826,037	1,179,702	-	25,005,739
Environmental Engineering	39,670,487	489,422	167,976	39,991,933
Waste and Resource Recovery	9,970,632	683,946	-	10,654,578
Total public works	<u>73,467,156</u>	<u>2,353,070</u>	<u>167,976</u>	<u>75,652,250</u>

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, 2016

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2016</u>
Health and welfare:				
Health	\$ 28,199	\$ -	\$ -	\$ 28,199
Mental Health Support Services	12,986,317	183,267	-	13,169,584
Social Services	7,354,229	-	-	7,354,229
Total health and welfare	<u>20,368,745</u>	<u>183,267</u>	<u>-</u>	<u>20,552,012</u>
Parks, recreation and cultural:				
Library	37,596,963	10,425,987	-	48,022,950
Parks and Recreation	73,908,389	4,326,683	93,612	78,141,460
Total parks, recreation and cultural	<u>111,505,352</u>	<u>14,752,670</u>	<u>93,612</u>	<u>126,164,410</u>
Education:				
School Board	<u>972,244,833</u>	<u>3,997,545</u>	<u>1,737,308</u>	<u>974,505,070</u>
Community development:				
Community Development	21,303,021	13,105	-	21,316,126
Economic Development	20,406	-	-	20,406
Total community development	<u>21,323,427</u>	<u>13,105</u>	<u>-</u>	<u>21,336,532</u>
Redevelopment asset	7,368,104	-	-	7,368,104
Construction in progress	<u>23,143,724</u>	<u>38,985,553</u>	<u>30,436,937</u>	<u>31,692,340</u>
Total governmental funds' capital assets	<u>\$ 1,562,107,695</u>	<u>\$ 81,590,927</u>	<u>\$ 35,174,435</u>	<u>\$ 1,608,524,187</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, 2016

Governmental funds' capital assets:

Land	\$ 65,419,618
Buildings	1,224,165,589
Improvements other than buildings	80,110,442
Machinery and equipment	162,011,164
Infrastructure	37,756,930
Redevelopment asset	7,368,104
Construction in progress	31,692,340
Total governmental funds' capital assets	<u>\$ 1,608,524,187</u>

Investment in governmental funds' capital assets by source:

General obligation bonds	\$ 1,089,131,727
General government revenues	360,791,975
Federal and State grants	27,184,059
Capital lease purchases	60,319,657
Special Revenue Fund revenues	7,238,359
Contributions from public	63,858,410
Total investment in governmental funds' capital assets	<u>\$ 1,608,524,187</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, 2016

	<u>Special Revenue Fund</u>
	<u>School Operating</u>
ASSETS	
Cash and cash equivalents	\$ 36,962,076
Cash, cash equivalents and investments with fiscal agent	5,747,900
Accounts receivable	1,098,245
Due from other governments	6,997,316
Due from primary government	56,039,394
Inventories	528,504
Total assets	<u>\$ 107,373,435</u>
LIABILITIES	
Accounts payable	\$ 9,217,642
Accrued liabilities	44,286,526
Retainages payable	21,210
Unearned revenues	606,871
Total liabilities	<u>54,132,249</u>
FUND BALANCE	
Nonspendable	528,504
Restricted	8,861,313
Assigned	43,851,369
Total fund balance	<u>53,241,186</u>
Total liabilities and fund balance	<u>\$ 107,373,435</u>
Reconciliation of total fund balances for governmental funds to total net position of governmental activities:	
Total fund balance for School Operating Fund	\$ 53,241,186
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.	
	37,092,017
Deferred outflows of resources used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Deferred pension contributions	\$ 40,924,279
Deferred pension investment experience	1,221,751
Deferred pension assumptions	9,371,190
Deferred pension proportionate share	6,606,000
Deferred pension economic experience	<u>7,158,480</u>
	65,281,700
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	(12,666,160)
Compensated absences	(19,266,992)
Judgments and claims	(11,020,376)
Net pension liabilities	(581,964,528)
Other postemployment benefits obligation - asset	1,418,094
Interest payable	<u>(108,060)</u>
	<u>(623,608,022)</u>
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds:	
Deferred pension investment experience	(30,872,642)
Deferred pension assumptions	(1,708,705)
Deferred pension investment experience	<u>(6,380,000)</u>
	<u>(38,961,347)</u>
Total net position of the School Board's governmental activities	<u>\$ (506,954,466)</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, 2016

Special Revenue Fund

	<u>School Operating</u>
Revenues	
From local sources:	
Use of money and property	\$ 1,048,544
Charges for services	14,119,453
Donations	605,919
Miscellaneous	2,574,596
Payment from primary government	268,106,031
From other governments	<u>278,291,178</u>
Total revenues	<u>564,745,721</u>
Expenditures	
Current:	
Education	569,432,135
Debt service	4,251,066
Payment to primary government	<u>9,427,230</u>
Total expenditures	<u>583,110,431</u>
Deficiency of revenues under expenditures	(18,364,710)
Other financing sources	
Proceeds from lease purchase	<u>14,283,059</u>
Net change in fund balance	(4,081,651)
Total fund balance, July 1, 2015	<u>57,322,837</u>
Total fund balance, June 30, 2016	<u>\$ 53,241,186</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, 2016

Reconciliation of Fund Balance of Governmental Funds to the Statement of Activities:

Net change in fund balance	\$	(4,081,651)
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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	\$ 19,891,717	
Depreciation	<u>(8,539,141)</u>	11,352,576

The net effect of miscellaneous transactions involving capital assets (prepayments, trade-ins, donations, and disposals) increased net position.

963,929

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	4,087,922	
Proceeds	<u>(14,283,059)</u>	(10,195,137)

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	1,373,473	
Judgments and claims	(32,654)	
Other postemployment benefits obligation	1,305,169	
Pension expense	12,769,154	
Interest payable	<u>(83,350)</u>	<u>15,331,792</u>

Change in net position of governmental activities	\$	<u>13,371,509</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, 2016

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues				
From local sources:				
Use of money and property	\$ 2,110,000	\$ 1,734,657	\$ 1,731,755	\$ (2,902)
Charges for services	15,177,450	14,873,455	14,803,419	(70,036)
Donations	435,000	600,364	605,919	5,555
Miscellaneous	1,377,000	2,591,153	2,574,596	(16,557)
Recovered costs	3,375,250	2,461,574	2,446,012	(15,562)
From the Commonwealth	243,214,200	246,647,209	243,680,348	(2,966,861)
From the federal government	35,191,900	39,257,212	34,610,830	(4,646,382)
Total revenues	<u>300,880,800</u>	<u>308,165,624</u>	<u>300,452,879</u>	<u>(7,712,745)</u>
Expenditures				
Current:				
Education:				
Instruction	426,322,183	438,593,843	419,517,790	19,076,053
Administration, attendance and health	22,103,945	22,888,562	20,213,144	2,675,418
Pupil transportation	33,139,212	42,795,504	37,484,472	5,311,032
Operations and maintenance	57,152,572	57,976,870	52,865,399	5,111,471
Technology	13,223,847	21,786,528	20,079,149	1,707,379
Food service	26,201,027	26,219,554	23,085,370	3,134,184
Debt service	47,769,000	48,065,916	45,486,158	2,579,758
Total expenditures	<u>625,911,786</u>	<u>658,326,777</u>	<u>618,731,482</u>	<u>39,595,295</u>
Deficiency of revenues over (under) expenditures	<u>(325,030,986)</u>	<u>(350,161,153)</u>	<u>(318,278,603)</u>	<u>31,882,550</u>
Other financing sources (uses)				
Transfers in:				
General Fund	319,584,100	325,614,822	309,043,988	(16,570,834)
School Capital Projects Fund	-	67,655	67,655	-
Total transfers in	<u>319,584,100</u>	<u>325,682,477</u>	<u>309,111,643</u>	<u>(16,570,834)</u>
Transfers out:				
School Capital Projects Fund	(2,054,300)	(30,748,008)	(6,806,130)	23,941,878
Childrens' Services Fund	(1,721,100)	(2,621,100)	(2,621,100)	-
Total transfers out	<u>(3,775,400)</u>	<u>(33,369,108)</u>	<u>(9,427,230)</u>	<u>23,941,878</u>
Lease purchase issued	-	14,283,059	14,283,059	-
Premium on bonds issued	-	95,556	95,556	-
Refunding bonds issued	-	78,600,371	78,600,371	-
Premium on refunding bonds issued	-	13,393,906	13,393,906	-
Payment to refunded bonds escrow agent	-	(91,860,353)	(91,860,353)	-
Total other financing sources, net	<u>315,808,700</u>	<u>306,825,908</u>	<u>314,196,952</u>	<u>7,371,044</u>
Net change in fund balance	<u>(9,222,286)</u>	<u>(43,335,245)</u>	<u>(4,081,651)</u>	<u>39,253,594</u>
Fund balance, July 1, 2015	<u>57,322,837</u>	<u>57,322,837</u>	<u>57,322,837</u>	<u>-</u>
Fund balance, June 30, 2016	<u>\$ 48,100,551</u>	<u>\$ 13,987,592</u>	<u>\$ 53,241,186</u>	<u>\$ 39,253,594</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, 2016

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.	\$ 300,452,879
For budgetary purposes, intrafund reimbursements and recovered costs are accounted for as revenues and expenditures but are eliminated for financial reporting purposes.	(3,813,189)
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>268,106,031</u>
Total revenues on the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund.	<u>\$ 564,745,721</u>

Expenditures

Total expenditures on the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual.	\$ 618,731,482
For budgetary purposes, intrafund reimbursements and recovered costs are accounted for as revenues and expenditures but are eliminated for financial reporting purposes.	(3,813,189)
Budgetary transfers to the primary government are expenditures for financial reporting purposes.	9,427,230
Payments of debt "on behalf" of the School Board are eliminated for financial reporting purposes.	<u>(41,235,092)</u>
Total expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund.	<u>\$ 583,110,431</u>

Other financing sources (uses)

Total other financing sources on the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual.	\$ 314,196,952
Budgetary transfers from the primary government are revenues for financial reporting purposes.	(309,111,643)
Net proceeds from debt issued by the primary government "on behalf" of the School Board are eliminated for financial reporting purposes.	(229,480)
Budgetary transfers to the primary government are expenditures for financial reporting purposes.	<u>9,427,230</u>
Total other financing sources on the Statement of Revenue, Expenditures and Changes in Fund Balance - Governmental Fund.	<u>\$ 14,283,059</u>

See accompanying independent auditors' report.

County of Chesterfield, Virginia
Discretely Presented Component Unit - School Board
Statement of Net Position
Fiduciary Funds
June 30, 2016

	<u>Pension Trust Fund</u>	<u>Agency Funds</u>
	<u>Supplemental Retirement Program Fund</u>	<u>School Activities Fund</u>
ASSETS		
Cash and cash equivalents	\$ 21,973	\$ 6,210,423
Cash, cash equivalents and investments with trustees	19,816,388	-
Interest receivable	1,877	-
Total assets	<u>19,840,238</u>	<u>\$ 6,210,423</u>
LIABILITIES		
Amounts held for others	<u>-</u>	<u>\$ 6,210,423</u>
NET POSITION		
Restricted for pension benefits	<u>\$ 19,840,238</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, 2016**

	<u>Pension Trust Fund</u>
	<u>Supplemental Retirement Program</u>
Additions	
Contributions	\$ 10,305,625
Investment earnings:	
Interest and dividends	410,456
Net decrease in the fair value of investments	<u>(337,864)</u>
Net investment earnings	<u>72,592</u>
Total additions	<u>10,378,217</u>
Deductions	
Benefit payments	11,245,933
Administrative expenses	<u>79,939</u>
Total deductions	<u>11,325,872</u>
Decrease in net position	(947,655)
Net position - July 1, 2015	<u>20,787,893</u>
Net position - June 30, 2016	<u><u>\$ 19,840,238</u></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, 2016

Federal Granting Agency/Recipient State Agency/Grant Program/ (Grant ID)	CFDA#	Total Federal Expenditures
Department of Agriculture		
Pass-through payments:		
Department of Agriculture & Consumer Services:		
National School Lunch Program (15141VA347N2535)	10.555 ⁽¹⁾	\$ 1,090,774
Department of Education:		
National School Lunch Program (201616N109941)	10.555 ⁽¹⁾	7,623,898
Department of Juvenile Justice:		
National School Lunch Program (Commodities)	10.555 ⁽¹⁾	70,985
Department of Education:		
School Breakfast Program (201616N109941)	10.553	<u>2,098,372</u>
Total Child Nutrition Cluster - 10.553/10.555		\$ 10,884,029
Department of Education:		
Fresh Fruit and Vegetable Program (201616L160341)	10.582	152,888
Department of Health:		
Child and Adult Care Food Program (59431)	10.558	38,363
Department of Social Services:		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (10116)	10.561	<u>1,619,448</u>
Total SNAP Cluster - 10.561		<u>1,619,448</u>
Total Department of Agriculture		<u>12,694,728</u>
Department of Defense		
Direct payments:		
JROTC	12.xxx	<u>314,546</u>
Total Department of Defense		<u>314,546</u>
Department of Education		
Direct payments:		
Impact Aid	84.041	78,049
Pass-through payments:		
City of Richmond School Board:		
Adult Education - Basic Grants to States (V002A150047)	84.002	340,097
Education for Homeless Children and Youth (No grant ID available)	84.196	23,542

⁽¹⁾ CFDA 10.555 Total \$8,785,657

County of Chesterfield, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Federal Granting Agency/Recipient State Agency/Grant Program/ (Grant ID)	CFDA#	Total Federal Expenditures
Department of Education (continued)		
Pass-through payments:		
Department of Education:		
Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants) (S330B140002)	84.330	\$ 12,259
Career and Technical Education - Basic Grants to States (V048A140046) (V048A150046)	84.048	650,879
English Language Acquisition State Grants (S365A140046) (S365A150046)	84.365	330,131
Improving Teacher Quality State Grants (S367A130044) (S367A140044) (S367A150044)	84.367	951,935
Mathematics and Science Partnerships (S366B130047-60730-021) (S366B140047-60730-021)	84.366	23,992
Preschool Development Grants (S419B150010-40002-021)	84.419	1,889,541
Special Education Grants to States (021-61110-H027A130172) (H027A130107) (H027A140107) (H027A150107)	84.027	\$ 10,797,322
Special Education Preschool Grants (H173A130112) (H173A140112)	84.173	<u>189,059</u>
Special Ed Cluster - 84.027 and 84.173		10,986,381
Special Education - Grants for Infants and Families (H181A140017)	84.181	327,963
Teacher Quality Partnership Grants (to VCU to CCPS)	84.336	108,216
Title I Grants to Local Educational Agencies (S010A140046) (S010A150046)	84.010	5,471,211
Title I State Agency Program for Neglected and Delinquent Children and Youth (S013A130046-021-86594) (S013A140046) (S013A150046-021-42948)	84.013	74,883
Twenty-First Century Community Learning Centers (021-60565-S287C130047) (021-60565-S287C140047) (021-60565-S287C150047)	84.287	<u>950,792</u>
Total Department of Education		<u>22,219,871</u>

County of Chesterfield, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Federal Granting Agency/Recipient State Agency/Grant Program/ (Grant ID)	CFDA#	Total Federal Expenditures
Department of Health and Human Services		
Direct payments:		
Head Start	93.600	\$ 1,329,687
(03CH3427-01-00)		
(03CH3427-02-00)		
(03CH3427-03-00)		
Pass-through payments:		
Department of Behavioral Health and Development Service:		
Block Grants for Community Mental Health Services	93.958	93,239
(50125)		
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	22,066
(No grant ID available)		
Block Grants for Prevention and Treatment of Substance Abuse	93.959	802,669
(50165)		
(50195)		
Department of Health:		
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke	93.757	14,006
Department of Social Services:		
Temporary Assistance for Needy Families	93.558	\$ 1,356,751
(FAM-15-084-01)		
(400116)		
TANF Cluster - 93.558		1,356,751
Adoption Assistance	93.659	926,110
(1120116)		
Chafee Education and Training Vouchers Program	93.599	2,483
(ETV)		
(9160115)		
Chafee Foster Care Independence Program	93.674	11,902
(9150115)		
Child Care Mandatory and Matching Funds of the Child Care and Development Fund Cluster	93.596	170,882
(760116)		
Children's Health Insurance Program	93.767	80,238
(540116)		
Foster Care Title IV-E	93.658	1,074,243
(1100116)		
Low-Income Home Energy Assistance	93.568	119,960
(600416)		
Medical Assistance Program	93.778	2,241,194
(1200116)		
Medicaid Cluster - 93.778		2,241,194
Promoting Safe and Stable Families	93.556	157,776
(950115)		

County of Chesterfield, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Federal Granting Agency/Recipient State Agency/Grant Program/ (Grant ID)	CFDA#	Total Federal Expenditures
Department of Health and Human Services (continued)		
Pass-through payments:		
Department of Social Services:		
Refugee and Entrant Assistance State Administered Programs (500116)	93.566	\$ 4,237
Department of Behavioral Health and Development Service:		
Social Services Block Grant (1000116)	93.667	948,043
Stephanie Tubbs Jones Child Welfare Services Program (900115)	93.645	<u>6,894</u>
Total Department of Health and Human Services		<u>9,362,380</u>
Department of Homeland Security		
Pass-through payments:		
Department of Emergency Management:		
Emergency Management Performance Grants (2012-DJ-BX-0767) (6417) (6879) (6927)	97.042	154,668
Homeland Security Grant Program (6791) (6829) (7025) (15VA-HSGP-0344) (15VA-HSGP-0359&0337) (15VA-HSGP-0435)	97.067	<u>316,974</u>
Total Department of Homeland Security		<u>471,642</u>
Department of Housing and Urban Development		
Direct payments:		
Community Development Block Grants/Entitlement Grants (B13UC510004) (B14UC510004) (B15UC510004)	14.218 ⁽²⁾	956,774
Home Investment Partnerships Program (M08UC510212) (M10UC510212) (M12UC510212) (M13UC510212) (M14UC510212) (M15UC510212)	14.239 ⁽³⁾	316,934

⁽²⁾Total Payments to Subrecipients CFDA #14.218 was \$398,914

⁽³⁾Total Payments to Subrecipients CFDA #14.239 was \$262,650

County of Chesterfield, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Federal Granting Agency/Recipient State Agency/Grant Program/ (Grant ID)	CFDA#	Total Federal Expenditures
Department of Housing and Urban Development (continued)		
Pass-through payments:		
Housing Development Authority:		
Section 8 Housing Choice Vouchers - Housing Voucher Cluster	14.871	\$ 197,664
Total Department of Housing and Urban Development		1,471,372
Department of Justice		
Direct payments:		
Criminal and Juvenile Justice and Mental Health Collaboration Program (2014-MO-BX-0035)	16.745	66,957
Drug Court Discretionary Grant Program (2013-DC-BS-0030) (2015-DC-BX-0003)	16.585	70,189
Edward Byrne Memorial Justice Assistance Grant Program (16-A3283BY11) (2013-DJ-BX-1044) (2015-DJ-BX-0903) (16-A3265BY11)	16.738	21,244
Equitable Sharing Program	16.922	181,563
Public Safety Partnership and Community Policing Grants (2014-ULWX-0026)	16.710	208,220
State Criminal Alien Assistance Program	16.606	72,035
Pass-through payments:		
Department of Criminal Justice Services:		
Crime Victim Assistance (16-V8587VW15)	16.575	289,326
Juvenile Justice and Delinquency Prevention Allocation to States (16-A3226JJ13)	16.540	14,203
Violence Against Women Formula Grants (15-R9845VA14) (15-S9370VA14) (15-S9371VA14) (16-S9845VA15) (16-T9370VA15) (16-T9371VA15)	16.588	127,963
Edward Byrne Memorial Justice Assistance Grant Program (16-A3265BY11) (16-A3283BY11)	16.738	18,304
Total Department of Justice		1,070,004

County of Chesterfield, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Federal Granting Agency/Recipient State Agency/Grant Program/ (Grant ID)	CFDA#	Total Federal Expenditures
Department of the Interior		
Direct payments:		
National Wildlife Refuge Fund	15.659	\$ 5,730
Total Department of the Interior		5,730
Department of Transportation		
Direct payments:		
Airport Improvement Program	20.106	28,061
Pass-through payments:		
Department of Motor Vehicles:		
Alcohol Open Container Requirements	20.607	144,186
(154AL-2015-55100-5849)		
(154AL-2016-56051-6251)		
State and Community Highway Safety	20.600	54,367
(SC-2015-55100-5839)		
(SC-2016-56056-6256)		
Department of Transportation:		
Highway Planning and Construction	20.205	\$ 6,373,335
(19060)		
(97687)		
(101020)		
(101028)		
(102952)		
(102957)		
(102959)		
(103608)		
(104884)		
(105192)		
(106201)		
(106465)		
(107879)		
Total Highway Planning and Construction Cluster - 20.205		6,373,335
Total Department of Transportation		6,599,949
Department of Treasury		
Pass-through payments:		
Office of the Attorney General:		
Equitable Sharing Program	21.000	10
(No grant ID available)		
Total Department of Treasury		10

County of Chesterfield, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Federal Granting Agency/Recipient State Agency/Grant Program/ (Grant ID)	CFDA#	Total Federal Expenditures
Environmental Protection Agency		
Pass-through payments:		
Department of Environmental Quality:		
Chesapeake Bay Program	66.466	\$ 4,350
(Contract #16086)		
Total Environmental Protection Agency		4,350
Grand Total		\$ 54,214,582

County of Chesterfield, Virginia
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

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 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>
<u>Primary Government</u>	
Governmental Activities	
General Fund	\$ 9,732,733
County Capital Projects Fund	6,333,855
Non-major - Childrens' Services Fund	150,774
Non-major - Grants Fund	<u>3,369,224</u>
Total Governmental Activities	19,586,586
Business-type Activities	
Non-major - Airport Fund	<u>28,061</u>
Total Primary Government	19,614,647
<u>Component Unit</u>	
Governmental Activities	
School Operating Fund	<u>34,599,935</u>
Total	<u>\$ 54,214,582</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>
Financial Trends	197-201
<i>These schedules contain trend information to help the reader understand how Chesterfield's financial performance and well-being have changed over time.</i>	
Revenue Capacity	202-206
<i>These schedules contain information to help the reader assess Chesterfield's most significant local revenue source, property tax.</i>	
Debt Capacity	207-209
<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>	
Demographic and Economic Information	210-211
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which Chesterfield operates.</i>	
Operating Information	212-214
<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)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities ⁽¹⁾⁽⁶⁾										
Net investment in capital assets	\$ 458,603,478	\$ 487,741,373	\$ 530,702,086	\$ 552,032,799	\$ 574,885,562	\$ 599,754,295	\$ 627,400,224	\$ 645,911,815	\$ 655,698,497	\$ 689,654,404
Restricted	23,244,451	50,295,285	42,099,392	52,160,770	58,812,683	61,519,784	51,154,743	58,156,804	67,370,966	70,554,116
Unrestricted ⁽⁵⁾	147,996,016	143,352,794	149,288,745	160,465,007	187,964,641	188,996,281	185,082,324	12,913,401	31,322,429	87,873,727
Total governmental activities net position ⁽³⁾⁽⁴⁾	\$ 629,843,945	\$ 681,389,452	\$ 722,090,223	\$ 764,658,576	\$ 821,662,886	\$ 850,270,360	\$ 863,637,291	\$ 716,982,020	\$ 754,391,892	\$ 848,082,247
Business-type activities										
Net investment in capital assets ⁽²⁾	\$ 643,325,018	\$ 682,591,012	\$ 714,330,054	\$ 741,730,464	\$ 765,410,845	\$ 770,297,665	\$ 785,112,123	\$ 787,859,447	\$ 795,520,705	\$ 809,352,317
Restricted	19,148,367	17,242,966	25,002,197	25,417,498	15,637,228	15,815,265	16,559,193	15,838,389	16,053,703	9,237,200
Unrestricted ⁽²⁾⁽⁵⁾	111,033,540	117,696,445	114,292,930	117,421,774	130,992,671	140,426,616	159,659,711	178,869,952	204,092,283	236,886,193
Total business-type activities net position ⁽³⁾⁽⁴⁾	\$ 773,506,925	\$ 817,530,423	\$ 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
Primary government										
Net investment in capital assets	\$ 1,101,928,496	\$ 1,170,332,385	\$ 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
Restricted	42,392,818	67,538,251	67,101,589	77,578,268	74,449,911	77,335,049	67,713,936	73,995,193	83,424,669	79,791,316
Unrestricted ⁽⁵⁾	259,029,556	261,049,239	263,581,675	277,886,781	318,957,312	329,422,897	344,742,035	191,783,353	235,414,712	324,759,920
Total primary government net position ⁽³⁾⁽⁴⁾	\$ 1,403,350,870	\$ 1,498,919,875	\$ 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) 2008 net assets were restated to reflect the County's adoption of GASB Statement 49.

(2) Net investment in capital assets and unrestricted net position have been restated to reclass intangible assets as capital assets for years 2006-2008.

(3) 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.

(4) Due to implementation of GASB 63 in 2013, all references to net assets have been changed to net position.

(5) Due to implementation of GASB 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.

(6) Due to the implementation of GASB 68 in 2015, 2014 net position was restated.

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities:										
General government	\$ 53,941,385	\$ 62,125,394	\$ 64,753,892	\$ 59,652,475	\$ 58,141,077	\$ 63,848,744	\$ 61,583,107	\$ 96,779,940	\$ 117,197,913	\$ 125,427,912
Administration of justice	9,578,091	9,433,583	10,165,647	9,689,658	9,838,076	10,074,871	9,672,405	11,684,376	10,653,019	11,101,741
Public safety	145,470,820	152,400,203	158,317,621	154,703,866	159,738,182	164,335,666	176,821,834	176,699,204	175,196,278	173,299,691
Public works	39,031,478	37,044,887	32,749,415	31,583,528	28,851,217	38,710,140	41,785,217	31,041,438	42,172,196	40,504,952
Health and welfare	67,477,015	72,490,313	73,645,385	70,707,991	72,416,110	72,359,200	73,067,353	74,100,466	76,361,327	80,438,889
Parks, recreation and cultural	22,528,120	25,048,041	26,279,170	23,871,068	21,531,768	24,969,646	22,970,560	23,224,544	23,582,693	24,321,586
Education - School Board	336,542,438	337,236,438	337,123,894	308,669,193	310,962,247	262,561,566	277,126,087	278,232,715	303,960,336	291,984,801
Community development	14,444,469	16,697,501	19,839,416	17,316,286	18,143,396	26,219,996	18,844,043	19,393,334	20,536,333	19,903,410
Interest on long-term debt	21,477,059	23,272,102	20,554,873	24,463,742	21,600,283	19,825,526	19,285,140	16,870,029	16,000,836	14,212,999
Total governmental activities expenses	710,490,875	735,748,462	743,429,313	700,657,807	701,222,356	682,905,355	701,155,746	728,026,046	785,660,931	781,195,981
Business-type activities:										
Water	30,001,661	33,897,447	34,499,851	36,788,760	36,717,857	37,959,144	40,454,185	38,375,432	38,754,527	40,998,118
Wastewater	26,829,256	28,359,324	28,938,778	28,892,927	30,679,018	36,165,218	41,534,715	39,090,012	38,114,324	39,897,750
Non-major funds	1,363,653	1,830,406	2,033,079	1,894,870	1,892,830	2,083,379	9,369,149	4,055,728	10,335,478	2,850,847
Total business-type activities expenses	58,194,570	64,087,177	65,471,708	67,576,557	69,289,705	76,207,741	91,358,049	81,521,172	87,204,329	83,746,715
Total primary government expenses	\$ 768,685,445	\$ 799,835,639	\$ 808,901,021	\$ 768,234,364	\$ 770,512,061	\$ 759,113,096	\$ 792,513,795	\$ 809,547,218	\$ 872,865,260	\$ 864,942,696
Program Revenues										
Governmental activities:										
Charges for services: ⁽⁵⁾										
General government	\$ 18,494,228	\$ 22,610,238	\$ 24,291,925	\$ 24,296,030	\$ 25,073,965	\$ 25,626,551	\$ 26,076,591	\$ 66,075,291	\$ 74,618,852	\$ 87,579,064
Public safety	12,854,109	15,189,151	15,444,515	13,374,815	14,615,801	14,839,567	16,973,314	16,485,692	18,371,561	18,657,124
Health and welfare	18,831,152	19,579,694	20,718,939	21,580,964	22,551,628	21,210,460	22,239,975	22,804,250	23,781,553	22,882,370
Other activities ⁽⁶⁾	13,475,548	14,099,296	11,831,679	11,385,840	13,727,131	14,101,549	14,594,343	14,743,719	17,153,696	16,427,067
Operating grants and contributions	101,631,282	103,539,529	96,146,925	90,963,621	94,216,649	96,081,067	96,078,901	98,916,691	102,888,009	124,992,376
Capital grants and contributions	23,599,820	22,402,657	8,057,210	7,117,695	19,507,591	19,066,565	23,441,463	21,062,977	25,298,534	22,966,675
Total governmental activities program revenues	188,886,139	197,420,565	176,491,193	168,718,965	189,692,765	190,925,759	199,404,587	240,088,620	262,112,205	293,504,676
Business-type activities:										
Charges for services:										
Water	31,263,930	33,171,182	33,557,269	35,294,123	34,918,515	35,354,772	38,354,424	38,445,173	42,259,584	43,582,483
Wastewater	28,040,156	28,844,584	31,135,811	32,991,772	34,197,043	35,363,104	37,315,136	38,392,347	41,235,104	43,742,327
Non-major funds	713,269	815,883	626,602	614,093	651,579	612,878	2,029,452	994,995	1,310,723	1,010,202
Operating grants and contributions	-	-	-	-	-	-	-	-	5,500,000	-
Capital grants and contributions	49,668,211	40,063,647	33,860,040	31,029,526	26,705,648	19,399,060	24,777,852	29,325,331	28,249,364	33,153,748
Total business-type activities program revenues	109,685,566	102,895,296	99,179,722	99,929,514	96,472,785	90,729,814	102,476,864	107,157,846	118,554,775	121,488,760
Total primary government program revenues	\$ 298,571,705	\$ 300,315,861	\$ 275,670,915	\$ 268,648,479	\$ 286,165,550	\$ 281,655,573	\$ 301,881,451	\$ 347,246,466	\$ 380,666,980	\$ 414,993,436

(Continued)

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net (Expense)/Revenue										
Governmental activities	\$ (521,604,736)	\$ (538,327,897)	\$ (566,938,120)	\$ (531,938,842)	\$ (511,529,591)	\$ (491,979,596)	\$ (501,751,159)	\$ (487,937,426)	\$ (523,548,726)	\$ (487,691,305)
Business-type activities	51,490,996	38,808,119	33,708,014	32,352,957	27,183,080	14,522,073	11,118,815	25,636,674	31,350,446	37,742,045
Total primary government net expense	<u>\$ (470,113,740)</u>	<u>\$ (499,519,778)</u>	<u>\$ (533,230,106)</u>	<u>\$ (499,585,885)</u>	<u>\$ (484,346,511)</u>	<u>\$ (477,457,523)</u>	<u>\$ (490,632,344)</u>	<u>\$ (462,300,752)</u>	<u>\$ (492,198,280)</u>	<u>\$ (449,949,260)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes: ⁽¹⁾										
Property taxes, levied for general purposes	\$ 336,151,532	\$ 368,792,917	\$ 375,949,615	\$ 370,085,003	\$ 366,013,114	\$ 353,637,912	\$ 357,536,014	\$ 370,147,198	\$ 384,534,312	\$ 401,858,578
Property taxes, levied for special purposes	158,435	318,644	953,614	940,457	1,025,519	1,083,691	1,633,193	1,951,192	1,881,961	2,667,960
Utility taxes	17,092,203	19,539,935	19,760,114	7,510,925	7,676,851	7,513,492	7,692,460	7,802,992	7,927,826	7,867,528
Sales taxes	39,708,387	40,736,677	38,465,858	37,775,437	39,951,936	40,411,325	42,293,047	42,924,462	44,938,389	45,306,831
Motor vehicle licenses	6,626,608	6,204,690	7,386,980	6,698,408	6,813,084	6,872,589	7,097,823	12,194,196	14,167,545	14,275,048
Business license taxes	16,612,402	17,499,296	16,949,861	15,163,683	16,139,259	17,332,709	17,250,726	18,351,123	19,756,323	20,742,026
Other	18,678,250	15,014,721	13,019,147	9,259,788	9,240,961	10,508,806	10,662,930	10,261,244	11,315,246	13,122,548
Payment from School Board	64,127,744	52,059,151	74,630,044	55,662,221	61,378,052	10,243,723	7,988,893	5,375,603	10,293,109	9,427,230
Unrestricted grants and contributions ⁽²⁾	53,281,156	52,754,645	51,746,112	66,053,783	66,236,099	65,404,091	65,943,441	66,119,764	65,959,716	65,104,169
Investment earnings	13,396,400	14,571,536	5,823,371	1,517,603	1,096,015	730,507	633,538	540,383	322,164	1,121,270
Miscellaneous	506,935	298,620	1,425,727	713,621	607,932	6,239,952	814,327	15,663	859,804	603,354
Special item - Meadowville Support Agreement	-	-	-	-	(8,345,000)	-	-	-	-	-
Transfers	2,115,625	2,082,572	1,528,448	3,126,266	700,079	608,273	(2,154,078)	(183,577)	(997,797)	(714,882)
Total governmental activities	<u>568,455,677</u>	<u>589,873,404</u>	<u>607,638,891</u>	<u>574,507,195</u>	<u>568,533,901</u>	<u>520,587,070</u>	<u>517,392,314</u>	<u>535,500,243</u>	<u>560,958,598</u>	<u>581,381,660</u>
Business-type activities:										
Investment earnings	7,427,810	7,297,951	3,915,192	1,717,864	988,007	585,002	264,515	463,468	750,660	1,352,092
Miscellaneous	-	-	-	-	-	-	-	3,866,638	-	-
Transfers	(2,115,625)	(2,082,572)	(1,528,448)	(3,126,266)	(700,079)	(608,273)	2,154,078	183,577	997,797	714,882
Total business-type activities	<u>5,312,185</u>	<u>5,215,379</u>	<u>2,386,744</u>	<u>(1,408,402)</u>	<u>287,928</u>	<u>(23,271)</u>	<u>2,418,593</u>	<u>4,513,683</u>	<u>1,748,457</u>	<u>2,066,974</u>
Total primary government	<u>\$ 573,767,862</u>	<u>\$ 595,088,783</u>	<u>\$ 610,025,635</u>	<u>\$ 573,098,793</u>	<u>\$ 568,821,829</u>	<u>\$ 520,563,799</u>	<u>\$ 519,810,907</u>	<u>\$ 540,013,926</u>	<u>\$ 562,707,055</u>	<u>\$ 583,448,634</u>
Change in Net Position ⁽³⁾⁽⁴⁾										
Governmental activities	\$ 46,850,941	\$ 51,545,507	\$ 40,700,771	\$ 42,568,353	\$ 57,004,310	\$ 28,607,474	\$ 15,641,155	\$ 47,562,817	\$ 37,409,872	\$ 93,690,355
Business-type activities	56,803,181	44,023,498	36,094,758	30,944,555	27,471,008	14,498,802	13,537,408	30,150,357	33,098,903	39,809,019
Total primary government	<u>\$ 103,654,122</u>	<u>\$ 95,569,005</u>	<u>\$ 76,795,529</u>	<u>\$ 73,512,908</u>	<u>\$ 84,475,318</u>	<u>\$ 43,106,276</u>	<u>\$ 29,178,563</u>	<u>\$ 77,713,174</u>	<u>\$ 70,508,775</u>	<u>\$ 133,499,374</u>

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

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

(3) 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.

(4) Due to implementation of GASB 63 in 2013, all references to net assets have been changed to net position.

(5) 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 fund.

(6) Other activities: Administration of Justice, Public Works, Parks, Recreation and Cultural, Education and Community development.

Table III

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Reserved	\$ 56,654,285	\$ 60,076,202	\$ 67,004,317	\$ 68,057,843	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved:										
Designated	74,513,087	76,568,430	94,647,808	108,860,017	-	-	-	-	-	-
Undesignated	65,204,348	70,704,544	53,495,000	53,495,000	-	-	-	-	-	-
Total unreserved	139,717,435	147,272,974	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
Committed	-	-	-	-	690,074	736,367	755,493	710,785	725,267	1,484,040
Assigned	-	-	-	-	182,374,682	190,269,268	186,350,588	198,068,805	197,476,873	233,819,201
Unassigned	-	-	-	-	53,495,000	53,495,000	53,495,000	55,000,000	58,000,000	58,668,400
Total General Fund	\$ 196,371,720	\$ 207,349,176	\$ 215,147,125	\$ 230,412,860	\$ 248,045,929	\$ 257,962,492	\$ 254,155,151	\$ 268,380,360	\$ 272,233,378	\$ 313,045,768
All Other Governmental Funds										
Reserved	\$ 116,622,619	\$ 154,588,206	\$ 161,454,879	\$ 128,379,230	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
School Capital Projects Fund ⁽¹⁾	-	(10,590,936)	-	-	-	-	-	-	-	-
Special Revenue Funds	1,132,514.00	2,281,047	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
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
Total all other governmental funds	\$ 117,755,133	\$ 146,278,317	\$ 164,237,146	\$ 131,497,879	\$ 126,328,469	\$ 143,380,279	\$ 119,412,216	\$ 100,387,835	\$ 84,871,172	\$ 154,609,151

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

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

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
General property taxes	\$ 335,039,531	\$ 367,784,907	\$ 375,887,861	\$ 370,358,546	\$ 370,513,296	\$ 358,569,311	\$ 360,929,869	\$ 371,300,388	\$ 387,980,769	\$ 403,863,868
Other local taxes ⁽¹⁾	98,717,849	98,995,319	95,581,960	76,551,062	80,008,276	82,831,721	85,392,248	92,145,704	98,580,358	102,101,705
Permits, fees and licenses	7,279,086	6,411,648	4,542,125	3,984,902	3,586,770	3,864,896	5,208,451	4,760,670	6,821,163	6,764,863
Fines and forfeitures	1,584,802	2,555,991	2,097,014	2,119,362	2,296,228	2,301,977	2,278,991	3,204,800	2,496,443	1,811,841
Use of money and property	15,135,424	14,866,249	6,344,978	2,055,073	1,652,694	1,351,053	1,313,194	1,262,769	866,562	1,818,019
Charges for services	30,297,026	32,596,470	34,623,544	34,833,624	38,623,262	36,850,784	38,355,482	37,172,314	39,271,152	41,805,240
Donations and miscellaneous	10,490,692	11,576,794	7,782,805	6,499,504	8,559,883	16,211,413	12,774,759	19,100,597	11,069,175	10,402,779
Recovered costs	10,881,339	12,445,614	15,339,867	13,760,783	13,140,128	11,371,267	12,239,642	12,155,299	12,440,763	12,988,894
From component unit - School Board	64,105,686	51,289,900	74,630,044	55,662,221	61,378,052	10,243,723	7,988,893	5,375,603	10,293,109	9,427,230
From component unit - Other ⁽²⁾	-	-	-	-	-	2,769,593	-	-	552,324	-
From other governments ⁽¹⁾	168,430,765	168,241,737	149,519,290	157,456,277	168,557,560	169,439,273	173,418,402	177,141,197	184,495,752	195,931,063
Total revenues	741,962,200	766,764,629	766,349,488	723,281,354	748,316,149	695,805,011	699,899,931	723,619,341	754,867,570	786,915,502
Expenditures										
General government	38,878,557	46,365,935	45,833,201	43,215,375	42,636,365	46,315,295	44,647,030	46,364,334	45,747,255	46,519,517
Administration of justice	8,265,185	9,039,329	8,966,363	8,756,089	9,152,233	9,195,838	9,278,278	9,448,941	9,511,417	10,195,274
Public safety	139,138,082	145,924,583	150,999,210	151,122,446	156,223,287	156,149,460	168,719,717	172,409,410	174,546,991	177,339,678
Public works	18,601,326	19,995,286	19,849,499	18,365,860	17,330,421	18,329,261	19,045,092	16,660,840	16,707,503	17,329,618
Health and welfare	66,941,306	72,087,641	72,934,960	69,919,248	72,668,435	71,807,826	72,032,431	73,968,332	76,045,471	81,622,971
Parks, recreation and cultural	19,054,909	21,326,681	21,505,518	19,681,201	22,374,211	18,012,985	18,126,307	18,635,571	18,352,707	19,258,487
Education - School Board	311,151,647	314,603,869	316,956,577	286,137,953	286,952,462	237,812,405	250,493,166	251,029,300	271,952,519	268,106,031
Community development	13,775,065	14,966,770	18,177,218	15,893,983	16,956,080	25,316,409	17,854,792	18,567,487	20,104,987	19,727,695
Debt service:										
Principal	39,106,776	41,352,282	43,910,171	44,075,601	45,453,298	43,650,523	44,454,795	45,917,114	49,466,021	41,579,430
Interest	20,248,273	22,184,734	23,992,255	23,841,263	23,687,589	22,493,861	21,155,270	20,734,214	18,269,647	17,737,591
Other	964,441	550,556	565,906	85,997	667,429	1,318,521	261,685	427,758	110,342	1,275,819
Capital outlay	113,531,642	120,755,601	99,877,943	62,797,936	59,272,863	66,143,705	80,530,541	73,868,935	69,836,981	76,490,074
Total expenditures	789,657,209	829,155,267	823,568,821	743,892,952	753,374,673	716,546,089	746,599,104	748,032,236	770,651,841	777,182,185
Excess of expenditures over (under) revenues	(47,695,009)	(62,390,638)	(57,219,333)	(20,611,598)	(5,058,524)	(20,741,078)	(46,699,173)	(24,412,895)	(15,784,271)	9,733,317
Other Financing Sources (Uses)										
Transfers in	26,656,114	30,525,922	32,521,513	26,765,458	21,388,162	22,438,998	27,079,327	24,769,872	30,229,920	24,801,835
Transfers out	(24,544,948)	(28,506,784)	(30,981,265)	(23,627,392)	(20,625,300)	(21,433,578)	(29,169,767)	(24,824,689)	(31,214,517)	(25,194,469)
Certificates of participation issued	-	22,885,927	7,371,199	-	-	-	-	-	-	-
Bonds issued	75,256,772	76,985,213	74,043,219	-	16,822,749	40,385,607	21,014,209	16,157,318	-	100,910,386
Refunding bonds and certificates of participation issued	-	-	22,425,825	-	7,399,075	82,654,235	-	51,645,470	-	134,941,531
Payments to escrow agent	(25,626,218)	-	(22,404,380)	-	(7,462,503)	(82,086,894)	-	(51,587,953)	-	(134,642,231)
Sale of redevelopment asset	-	-	-	-	-	5,751,083	-	3,453,705	5,105,223	-
Total other financing sources, net	77,421,956	101,891,278	82,976,111	3,138,066	17,522,183	47,709,451	18,923,769	19,613,723	4,120,626	100,817,052
Net change in fund balances	\$ 29,726,947	\$ 39,500,640	\$ 25,756,778	\$ (17,473,532)	\$ 12,463,659	\$ 26,968,373	\$ (27,775,404)	\$ (4,799,172)	\$ (11,663,645)	\$ 110,550,369
Debt service as a percentage of noncapital expenditures	8.40%	8.68%	9.12%	9.71%	9.70%	9.70%	9.74%	9.46%	9.18%	8.14%

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)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Real property taxes	\$ 267,879,286	\$ 295,937,075	\$ 310,906,883	\$ 303,352,142	\$ 295,381,760	\$ 285,653,410	\$ 282,586,919	\$ 289,899,514	\$ 302,662,551	\$ 313,731,924
Property taxes for special purposes	158,435.00	318,644	953,614	1,357,751	2,196,240	2,632,222	2,970,251	3,184,749	3,331,972	3,865,636
Personal property taxes ⁽¹⁾	90,857,452	94,275,917	87,280,037	86,882,112	93,145,764	90,652,518	95,133,946	98,447,249	102,263,777	106,926,822
Real and personal public service corporation taxes	9,357,842	10,772,082	11,462,397	12,475,064	12,646,051	12,612,667	13,243,578	12,709,368	12,681,584	12,861,027
Machinery and tools taxes	5,629,855	4,369,496	4,333,848	4,339,276	4,281,381	4,725,416	4,769,060	4,773,224	4,912,750	4,564,090
Local sales and use tax ⁽²⁾	39,708,387	40,736,677	38,465,858	37,918,258	40,138,121	40,604,124	42,688,309	43,536,148	45,413,418	46,094,554
Business license taxes	16,612,402	17,499,296	16,949,861	15,163,683	16,139,258	17,332,709	17,250,726	18,351,123	19,766,323	20,742,026
Consumer utility tax ⁽⁴⁾	17,092,203	19,539,935	7,499,495	7,510,925	7,676,851	7,513,492	7,692,460	7,802,992	7,927,826	7,867,528
Emergency 911 tax ⁽³⁾	1,748,921	-	-	-	-	-	-	-	-	-
Motor vehicle licenses	6,626,608	6,204,690	7,386,980	6,698,408	6,813,084	6,872,589	7,097,823	12,194,196	14,167,545	14,275,048
Recordation tax	7,626,619	6,096,549	4,306,611	3,905,500	3,479,084	4,048,619	4,630,333	4,209,707	4,715,219	5,655,737
Transient occupancy tax	4,183,839	4,468,629	3,960,301	3,503,222	3,727,095	4,081,220	4,202,868	4,072,726	4,463,850	4,931,324
Cable franchise fees ⁽⁴⁾	3,773,163	3,227,272	3,332,022	-	-	-	-	-	-	-
Other taxes ^{(4) (5)}	4,256,532	4,418,519	16,677,576	4,895,315	5,960,726	5,792,299	5,147,892	5,357,144	5,356,360	5,541,905
Total	\$ 475,511,544	\$ 507,864,781	\$ 513,515,483	\$ 488,001,656	\$ 491,585,415	\$ 482,521,285	\$ 487,414,165	\$ 504,538,140	\$ 527,653,175	\$ 547,057,621

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

⁽²⁾ Includes Watkins Centre and Chippenham Place Community Development Authorities incremental sales tax.

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

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

⁽⁵⁾ Includes penalties and interest on property taxes.

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

<u>Fiscal Year</u>	<u>Assessed Values</u>					<u>Total</u>
	<u>Real Estate ⁽²⁾</u>		<u>Personal property</u>	<u>Machinery and tools</u>	<u>Public service</u>	
	<u>Residential</u>	<u>Commercial/Industrial</u>				
2007	\$ 23,439,147,536	\$ 5,458,439,780	\$ 3,330,659,179	\$ 543,314,870	\$ 926,030,901	\$ 33,697,592,266
2008	26,476,217,323	6,286,058,061	3,436,200,412	435,488,170	1,114,518,126	37,748,482,092
2009	26,444,495,499	6,538,019,297	3,072,809,133	438,809,420	1,198,254,238	37,692,387,587
2010	25,404,972,139	6,199,204,274	3,047,498,874	435,428,490	1,294,938,309	36,382,042,086
2011	24,371,644,507	6,209,724,943	3,167,813,011	436,491,890	1,323,381,861	35,509,056,212
2012	23,297,692,124	6,377,907,210	3,291,845,888	471,584,010	1,314,798,015	34,753,827,247
2013	23,270,154,936	6,549,579,765	3,483,680,323	477,379,120	1,388,250,675	35,169,044,819
2014	24,137,868,679	6,750,914,605	3,495,271,898	478,934,270	1,326,654,615	36,189,644,067
2015	25,216,056,226	6,978,880,525	3,678,673,795	492,208,390	1,306,718,575	37,672,537,511
2016	26,301,749,013	7,275,677,327	3,825,378,513	464,611,380	1,346,367,453	39,213,783,686

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	Real estate ⁽⁵⁾	Personal Property							Total ⁽⁶⁾ direct tax rate	
		Airplanes	Motor vehicles clean special fuels	Motor ⁽¹⁾ vehicles of voluntary personnel	Wild or exotic animals	Special equipped motor vehicles physically handicap	Vehicle ⁽²⁾ trailer and semi-trailer	All ⁽³⁾ others		Machinery and tools
2007	\$ 1.04/0.97 ⁽⁴⁾	\$ 0.50	\$ 3.24	\$ 0.96	\$ 0.01	\$ 0.01	\$ 0.96	\$ 3.60	\$ 1.00	\$ 1.26
2008	0.97/0.95 ⁽⁴⁾	0.50	3.24	0.96	0.01	0.01	0.96	3.60	1.00	1.20
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 ⁽⁴⁾	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

Source: Chesterfield County Accounting Department

- (1) Includes motor vehicles owned by members of volunteer rescue squads, volunteer fire departments, volunteer police chaplains, and auxiliary police officers.
- (2) Includes motor vehicles, trailers, and semi-trailers with a gross vehicle weight of 10,000 pounds or more to transport property for hire by a motor carrier engaged in interstate commerce.
- (3) Includes automobiles (except those mentioned above), boats, boat trailers, other motor vehicles and all tangible personal property used or held with any mining, manufacturing or other business, trade, occupation or profession, including furnishings, furniture, and appliances in rental units.
- (4) The real estate tax rate was different for each half of the fiscal year.
- (5) In 2006, the County initiated a supplemental property tax in the Powhite-Charter Colony Parkway Interchange Service District. Real property in the district is charged this supplemental tax rate of \$0.15 per \$100 in addition to the real estate rate.
- (6) The total direct tax rate for each fiscal year is per \$100 of assessed valuation and is calculated on a weighted average basis with no adjustment for prorated personal property tax valuations.

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

	2016			2007		
	<u>Taxpayer</u>	<u>Assessed value⁽¹⁾</u>	<u>Percentage of total assessed valuation</u>	<u>Assessed value⁽¹⁾</u>	<u>Percentage of total assessed valuation</u>	<u>Rank</u>
	Dominion Virginia Power	\$ 903,705,969	2.30 %	\$ 581,992,776	1.72 %	1
	E. I. duPont De Nemours and Company	221,028,090	0.56	278,133,412	0.82	2
	Verizon Communications	206,639,000	0.53	166,635,880	0.49	3
	Bon Secours St. Francis Medical Center	139,509,100	0.36	89,539,700	0.27	6
	RPI Chesterfield, LLC	129,690,600	0.33			
	Philip Morris USA	102,309,900	0.26	109,310,045	0.32	4
	Zaremba Metropolitan Mid LLC	84,137,900	0.21			
	Capital One, NA	83,411,400	0.21			
	Columbia Gas of Virginia, Inc.	79,284,119	0.20			
	C. J. W. Medical Center	68,314,200	0.17	68,797,825	0.20	8
	Brandywine Operating Partnership			76,243,700	0.23	7
	Macerich Partnership			103,333,481	0.31	5
	Wal-Mart Stores, Inc.			55,238,777	0.16	9
	Occidental Development Limited			40,538,200	0.12	10
	Liberty Property Development Corporation					
		<u>\$ 2,018,030,278</u>	<u>5.13%</u>	<u>\$ 1,569,763,796</u>	<u>4.65%</u>	

Source: Assessor and Commissioner of Revenue, Chesterfield County

(1) 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)	Adjustments	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
2007	\$ 379,450,995	\$ (2,412,244)	\$ 377,038,751	\$ 364,202,059	95.98 %	\$ 11,594,655	\$ 375,796,714	99.67 %
2008	411,660,361	(2,976,380)	408,683,981	393,666,244	95.63	13,350,175	407,016,419	99.59
2009	418,267,041	(2,586,874)	415,680,167	400,440,812	95.74	13,567,738	414,008,550	99.60
2010	413,886,463	(3,146,831)	410,739,632	395,328,026	95.52	13,908,505	409,236,531	99.63
2011	405,337,481	(2,769,170)	402,568,311	386,437,915	95.34	12,598,809	399,036,724	99.12
2012	399,214,675	(2,475,853)	396,738,822	380,070,636	95.20	12,514,824	392,585,460	98.95
2013	401,085,271	(2,406,925)	398,678,346	381,522,800	95.12	12,152,485	393,675,286	98.75
2014	409,264,558	(1,874,794)	407,389,764	391,757,210	95.72	11,415,234	403,172,444	98.96
2015	426,586,417	(1,501,401)	425,085,016	408,501,369	95.76	10,186,735	418,688,104	98.50
2016	444,012,047	-	444,012,047	424,981,948	95.71	-	424,981,948	95.71

Source: Chesterfield County Treasurer's Office

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

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 ⁽¹⁾	Support Agreement	Public facility lease revenue bonds	Certificates of participation ⁽²⁾	Capital leases	Revenue bonds	Certificates of participation	Total primary government	Percentage of personal income	Population
2007	\$ 428,611,296	\$ 726,218	\$ 16,510,000	\$ 10,465,000	\$ 66,583,208	\$ 1,690,270	\$ 63,401,752	\$ 1,647,591	\$ 589,635,335	4.71 %	306,000
2008	469,725,315	118,218	15,690,000	9,660,000	85,254,424	1,509,805	59,614,846	1,556,408	643,129,016	4.87	311,000
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	5.69	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	5.06	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	4.53	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	4.23	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	3.93	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	3.63	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	N/A	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	N/A	336,000

(1) Includes state literary loans, subfund revenue bonds and Chester Arts revenue bonds.

(2) Includes a taxable redevelopment facility note.

Note:

The County has no legal debt margin and there are no jurisdictions with overlapping general obligation debt incurring powers.

Population and personal income data can be found on Table XIII.

N/A = not available

County of Chesterfield, Virginia
Ratios of General Obligation Bonded Debt Outstanding
Last Ten Fiscal Years
(unaudited)

<u>Fiscal year</u>	<u>General obligation bonds outstanding</u>	<u>Estimated population ⁽¹⁾</u>	<u>Per capita</u>	<u>Assessed value of taxable property ⁽²⁾</u>	<u>Ratio to assessed value</u>
2007	\$419,520,000	306,000	\$1,371	\$33,697,592,266	1.24%
2008	458,620,000	311,000	1,475	37,748,482,092	1.21
2009	492,015,000	314,000	1,567	37,692,387,587	1.31
2010	454,770,000	316,000	1,439	36,382,042,086	1.25
2011	432,115,000	318,000	1,359	35,509,056,212	1.22
2012	427,010,000	319,000	1,339	34,753,827,247	1.23
2013	408,010,000	323,000	1,263	35,169,044,819	1.16
2014	385,075,000	328,000	1,174	36,189,644,067	1.06
2015	348,500,000	332,000	1,050	37,672,537,511	0.93
2016	381,765,000	336,000	1,136	39,213,783,686	0.97

Source:

(1) Population - Chesterfield County Planning Department estimates.

(2) Assessed value of taxable property - Chesterfield County Assessor's office.

County of Chesterfield, Virginia
Pledged Revenue Coverage
Last Ten Fiscal Years
(unaudited)

Water and Sewer Revenue Bonds									
Fiscal Year	Gross revenues⁽¹⁾	Less operating expenses⁽²⁾⁽³⁾	Net revenues available for debt service	Debt Service		Coverage			
				Principal	Interest				
2007	\$ 80,439,452	\$ 37,556,107	\$ 42,883,345	\$ 3,918,576	\$ 3,939,005	546%			
2008	81,314,558	40,712,319	40,602,239	3,810,398	5,888,418	419			
2009	81,850,504	41,245,910	40,604,594	5,261,821	6,079,815	358			
2010	78,143,427	40,437,936	37,705,491	5,256,452	7,776,051	289			
2011	78,585,637	40,861,691	37,723,946	8,159,642	10,479,723	202			
2012	80,633,543	43,998,256	36,635,287	3,540,000	3,372,880	530			
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			

(1) Operating revenues, interest and connection fees as described in Note 1.

(2) Net of depreciation and amortization.

(3) Operating expenses for prior years were restated to eliminate capacity rights amortization.

Note:

Beginning September 1985, the Chesterfield County Utilities Department operated under the terms and conditions of bond resolutions requiring the County to fix, establish, and maintain rates and charges (including interest) sufficient to produce revenue of not less than the total of budgeted operating expenses and 115% of the debt service to become due during such fiscal year. The above 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> ⁽¹⁾	<u>Personal income</u> ⁽²⁾ <u>(\$000)</u>	<u>Per capita income</u> ⁽²⁾	<u>Unemployment rate</u> ⁽³⁾	<u>Median age</u> ⁽¹⁾
2007	306,000	\$ 13,074,006	\$ 41,888	2.6 %	37.9
2008	311,000	13,588,828	43,425	3.7	36.0
2009	314,000	13,293,618	41,454	6.6	36.0
2010	316,000	13,668,541	41,883	7.3	35.9
2011	318,000	14,246,296	44,198	6.8	37.6
2012	319,000	14,941,541	46,889	6.1	37.6
2013	323,000	15,146,046	47,498	5.6	37.0
2014	328,000	15,787,470	48,133	5.1	37.5
2015	332,000	N/A	N/A	4.8	37.9
2016	336,000	N/A	N/A	3.8	38.0

Sources:

(1) Chesterfield County Planning Department estimates, years 2007-2015, U.S. Census Bureau, 2016

(2) U.S. Bureau of Economic Analysis (BEA) (prior years' estimates are updated periodically).

(3) Virginia Employment Commission (prior year rates are updated periodically).

N/A = not available

County of Chesterfield, Virginia
Principal Private Employers
Current Year and Nine Years Ago
(unaudited)

	2016 ⁽¹⁾			2007 ⁽²⁾		
	<u>Employee Class Size</u>	<u>Rank⁽⁴⁾</u>	<u>Percentage⁽³⁾ 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	1.14%			
HCA Virginia Health System/ C.J.W. Medical Center	1000 and over	1	1.14	1,400	4	0.87%
United Parcel Service	1000 and over	1	1.14	1,860	2	1.16
E.I. DuPont De Nemours Company	1000 and over	1	1.14	2,508	1	1.57
Wal Mart Stores Incorporated	1000 and over	1	1.14	1,325	5	0.83
Anteon Corporation	1000 and over	1	1.14			
Hill Phoenix	1000 and over	1	1.14	838	7	0.52
Bon Secours Richmond Health System/ St. Francis Medical Center	1000 and over	1	1.14	759	8	0.47
Kroger	1000 and over	1	1.14			
Integrity Staffing Solutions	500 to 999	10	0.43			
Capital One Financial Corporation	500 to 999	10	0.43	701	10	0.44
Food Lion, Inc.	500 to 999	10	0.43	888	6	0.55
Martin's Food Market	500 to 999	10	0.43			
Honeywell International, Inc.	500 to 999	10	0.43			
Interspan Inc.	500 to 999	10	0.43			
Ukrops Supermarkets, Inc.				1,637	3	1.02
Dupont Teijin Films				726	9	0.45
Total	22,497		12.84 %	12,642		7.90%
Total civilian labor force	175,370			160,125		

Source: (1) Virginia Employment Commission 1st Quarter 2016 Quarterly Census of Employment and Wages

(2) Chesterfield County Economic Development Department reported as of February 2015 and January 2007

(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>2007</u>	<u>2008</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>
Governmental activities										
General government	475	501	519	490	476	479	467	459	467	478
Administration of justice	161	161	160	156	154	157	159	156	150	158
Public safety:										
Fire	454	460	463	462	461	474	471	469	466	488
Police	551	568	567	593	575	573	600	595	601	608
Sheriff	242	245	244	235	222	246	238	253	250	269
Other	203	200	201	198	190	187	184	184	198	200
Total public safety	1,450	1,473	1,475	1,488	1,448	1,480	1,493	1,501	1,515	1,565
Public works	172	169	159	152	147	147	138	138	136	140
Health and welfare	530	566	580	547	554	553	557	574	570	576
Parks, recreation and cultural	174	184	187	179	161	165	162	165	164	162
Community development	84	90	91	84	74	74	75	71	75	73
Total governmental activities	3,046	3,144	3,171	3,096	3,014	3,055	3,051	3,064	3,077	3,151
Business-type activities ⁽¹⁾										
Water	146	151	153	148	151	152	151	148	149	150
Wastewater	125	129	129	130	128	128	126	124	129	129
Airport	4	4	5	5	4	5	3	3	3	3
Total business-type activities	275	284	287	283	283	285	280	275	281	282
Grand total	3,321	3,428	3,458	3,379	3,297	3,340	3,331	3,339	3,358	3,433
Number of County employees per 1,000 population	10.9	11.0	11.0	10.7	10.4	10.5	10.3	10.2	10.1	10.2

Source: Chesterfield County Accounting Department

(1) Excludes Economic Development Authority.

County of Chesterfield, Virginia
Operating Indicators by Function
Last Ten Fiscal Years
(unaudited)

	<u>2007</u>	<u>2008</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>
Police ⁽¹⁾										
Police Activities ⁽²⁾	380,982	415,521	485,401	591,749	672,668	726,521	725,962	730,179	693,517	677,212
IBR Group A Incidents/Part 1 Offenses	17,385	17,414	17,224	17,145	17,079	17,173	16,182	16,242	16,044	16,432
IBR Group A Clearance Rate/Uniform Clearance Rate	46%	44%	46%	48%	50%	51%	51%	53%	50%	51%
Average Response Time for Priority 1 (life threatening calls)	3.54 min.	3.62 min.	3.55 min.	3.23 min.	3.48 min.	3.41 min.	3.65 min.	3.93 min.	3.79 min.	3.57 min.
Fire and EMS										
Emergency operations dispatches	31,389	32,737	32,946	32,924	34,314	36,856	36,245	36,881	38,184	39,756
Emergency medical ambulance dispatches	23,492	24,835	25,354	25,784	26,143	27,846	28,322	28,319	29,122	29,731
Fire engine medical support calls	14,511	13,871	13,459	12,792	11,351	11,901	11,833	11,218	11,107	11,178
Firefighter staffed ambulance calls	17,853	19,777	20,220	20,804	22,967	22,776	23,648	24,789	24,372	25,598
Building inspections conducted	4,672	4,793	4,575	3,459	3,438	3,083	2,857	3,092	2,675	3,277
Construction plans reviewed	1,656	1,663	2,065	1,408	943	974	890	911	1,100	1,150
Library ^{(4) (7)}										
Total circulation ⁽⁵⁾	3,855,455	3,932,984	3,474,052	3,292,105	2,825,447	3,936,793	4,043,135	5,081,592	6,472,601	5,348,564
Number of visitors ⁽⁶⁾	1,779,176	1,736,740	1,877,105	1,858,961	1,465,236	1,345,052	4,639,926	3,927,804	3,661,350	3,214,190
Number of reference and general assistance questions ^{(6) (10)}	732,148	591,203	625,521	603,058	416,031	404,500	3,683,524	3,355,392	10,180,296	10,280,044
Number of public access computer sessions ^{(3) (6)}	N/A	N/A	548,332	557,588	444,636	376,970	449,030	565,293	698,891	440,464
Elections										
Registered voters	186,181	202,640	209,078	207,273	210,946	216,135	220,162	222,826	220,903	228,605
Utilities										
Water customers serviced	98,521	99,921	100,054	100,668	101,147	102,000	103,132	104,447	105,847	107,212
Wastewater customers serviced	82,681	83,948	84,067	84,566	85,010	85,843	86,893	88,122	89,406	90,660
Parks and Recreation										
Number of park visitors	3,817,965	3,919,823	4,061,315	4,670,192	4,710,680	4,212,834	4,674,494	N/A ⁽⁸⁾	5,335,987	5,810,922
Cost per visitor	\$ 0.24	\$ 0.22	\$ 0.27	\$ 0.20	\$ 0.18	\$ 0.25	\$ 0.24	N/A ⁽⁹⁾	\$ 0.27	\$ 0.22

Source: County Departments providing the service

(1) Information is compiled based on a calendar year prior to fiscal year 2010.

(2) Prior to fiscal year 2008 this category was labeled calls and assignments but now is all inclusive of the officer activities. Beginning in fiscal year 2013 this category was renamed from Police Initiated Activities to Police Activities to include assists. Fiscal years 2010, 2011 and 2012 counts were updated in fiscal year 2013 to reflect consistent reporting.

(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.

(5) Beginning in fiscal year 2012, includes traditional and electronic total circulation.

(6) Beginning in fiscal year 2012, is also included in total media.

(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>2007</u>	<u>2008</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>
Airport										
Number of airplane hangars	110	110	110	110	110	110	110	110	110	110
Police										
Number of stations	4	4	4	4	4	4	4	4	4	4
Fire Protection										
Number of fire companies	21	21	21	21	21	21	21	21	22	22
Library (1)										
Number of facilities	10	9	9	9	9	9	9	9	9	10
Utilities										
Water line in system (miles)	1,693	1,750	1,823	1,839	1,857	1,871	1,889	1,902	1,920	1,946
Wastewater line in system (miles)	1,850	1,898	1,926	1,945	1,962	1,970	1,984	2,000	2,022	2,044
Parks and Recreation (2)										
Number of parks	45	44	45	45	46	51	52	52	52	54
Park acreage	4,009	4,009	4,387	4,412	4,494	4,532	4,535	4,535	4,561	4,625
Number of athletic complexes maintained	11	11	11	11	11	11	11	11	11	11

Source: County Departments providing the service

(1) The Law Library relocated from the Courts Building to the Central Library in 2009.

(2) Information includes sites and acreage available to the public as a result of partnership agreements.

COMPLIANCE SECTION

**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, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 8, 2016. Our report included an emphasis paragraph indicating that the aggregate discretely presented component units' net position as of June 30, 2015 has been restated.

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* and disclosed two instances of noncompliance with the *Specifications for Audits of Counties, Cities and Towns*, which are described in the accompanying schedule of findings and questioned costs as items 2016-002 and 2016-003.

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
November 8, 2016

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, 2016. 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 the requirements of laws, regulations, contracts, and grants 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.

Basis for Qualified Opinion on the Medical Assistance Program

As described in the accompanying schedule of findings and questioned costs as item 2016-001, we were unable to obtain sufficient documentation supporting the compliance of the Medical Assistance Program (CFDA Number 93.778) requirements regarding participant eligibility, nor were we able to satisfy ourselves as to the County's compliance with those requirements by other auditing procedures. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

Qualified Opinion on the Medical Assistance Program

In our opinion, except for the possible effects of such noncompliance discussed in the *Basis for Qualified Opinion* paragraph, if any, as might have been determined had we been able to examine sufficient evidence regarding the County's compliance with the requirements of its Medical Assistance Program regarding eligibility, 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 the Medical Assistance Program for the year ended June 30, 2016.

Unmodified Opinion on Each of the Other Major Federal Programs

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 other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2016.

The County's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-001, that we consider to be a material weakness.

The County's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.



Richmond, Virginia
November 8, 2016

County of Chesterfield, Virginia

Schedule of Findings and Questioned Costs

Year Ended June 30, 2016

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: **Yes, 2016-001**
7. The type of report issued on compliance for major programs:

Qualified opinion due to scope limitation regarding eligibility of the Medical Assistance Program (CFDA Number 93.778)

Unmodified opinions over other applicable compliance requirements for all other major programs

8. Any audit findings which are required to be reported under the Uniform Guidance: **Yes**
9. The programs tested as major programs were:

<u>CFDA Number</u>	<u>Name of Federal Program and Cluster</u>
10.561	SNAP Cluster (CFDA Number 10.561)
84.027 and 84.173	Special Education Cluster (CFDA Numbers 84.027 and 84.173)
84.419	Preschool Development Grant (CFDA Number 84.419)
93.778	Medicaid Cluster (CFDA Number 93.778)

10. Dollar threshold used to distinguish between type A and type B programs: **\$1,626,437**
11. County of Chesterfield qualified 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:

2016-001: Material Weakness and Material Noncompliance – Eligibility

Program: Medical Assistance Program (CFDA Number 93.778 – US. Department of Health and Human Services – Virginia Department of Social Services; Federal Award Number: 1200116; Federal Award Year: 2016)

Condition: Of the twenty-five (25) participants selected for testing, our review noted the following exceptions:

County of Chesterfield, Virginia

Schedule of Findings and Questioned Costs (Continued)

Year ended June 30, 2016

- Three (3) participant case files did not contain evidence that the annual eligibility redetermination had been performed.
- One (1) participant case file did not have the required annual redetermination completed within 12 months.
- One (1) participant case file did not include evidence that the participants' Social Security Number or citizenship was verified.
- Twenty-five (25) of twenty-five (25) participant files available for review retained no physical evidence (e.g. Case Reading Sheet) of required supervisory review.

Criteria: Per 42 CFR Sections 435.907, 435.910, 435.913, 435.916 and 435.920, participants in the Medical Assistance Program must meet specified eligibility criteria to receive program assistance. For participants in the program longer than one year, a redetermination of eligibility is required to be performed at least every 12 months.

Cause: A lack of functioning controls over participant eligibility determination.

Effect: Noncompliance may result in costs disallowed by the grantor or reduced funding for this program.

Questioned Cost: Undeterminable

Recommendation: The County should implement a corrective action plan aimed at enhancing internal controls related to participant eligibility to ensure that accurate and complete documentation supporting all participant intake information is prepared and maintained in accordance with County and federal record retention requirements.

Views of Responsible Officials and Planned Corrective Action:

- **Contact Person:** Lucy Rodriguez, Assistant Director of Benefit Programs
- **Corrective Action:**
 - Management recognizes the importance of completing renewals timely and the importance of proper documentation in the case files. While the Virginia Department of Social Services (VDSS) Medicaid Manual indicates all renewals must be completed within 12 months, we have been striving to follow the VDSS performance indicator for Medicaid renewals of 97% even though we have been understaffed for many years. The VDSS recognized that we, as well as other localities, had a tremendous backlog of overdue Medicaid redeterminations and provided funding to hire additional staff and pay overtime costs to bring this work up to date. In April 2015, our timeliness of redetermination processing was at 64%. As of June 2016, our timeliness of redetermination processing was at 95%. Efforts continue to meet the VDSS standards as well as the 100% completion rate set by the federal government.
 - Implementation of the Case Monitoring Plan effective November 1, 2016. The plan added a requirement for supervisors to use the state's Rushmore Case Review system to document case reading findings. In addition, where case workers are responsible for both the Medical Assistance Program and the Supplemental Nutrition Assistance Program, the required review of three cases per worker per month mandate has been modified to include at least one Medical Assistance Program case.
 - Hiring temporary staff to file information in case records by December 1, 2016.
 - Conduct Medicaid policy refresher training.
 - Continue to offer overtime to eliminate the backlog of Medicaid reviews and ensure timely processing of current reviews.

County of Chesterfield, Virginia

Schedule of Findings and Questioned Costs (Continued)

Year ended June 30, 2016

- Continue to use available state reports to monitor weekly progress of Medicaid reviews and address performance issues with staff.
- **Anticipated Completion Date:**
 - Case Monitoring Plan: November 1, 2016 and monthly thereafter.
 - Policy refresher training: February 1, 2017.
 - Filing: December 1, 2016.

D. Findings and Questioned Costs Relating to Compliance with Commonwealth of Virginia Laws, Regulations, Contracts, and Grants

2016-002: Social Services System Access

Condition: For a sample of six (6) employees separated during the year, one (1) employee's system access was not removed within three days of their separation date.

Criteria: Per Section 15.2-2511 of the *Code of Virginia*, when an employee separates from the local social services department, his or her access privileges must be immediately removed from all systems that they were authorized to use.

Cause: Termination dates were not reported to the individual responsible for removing system access privileges in a timely manner.

Effect: Non-compliance may result in unauthorized individuals having system access.

Questioned Cost: Non-financial finding.

Recommendation: The County should implement corrective action aimed at enhancing internal controls related to the communication of the separation of social service employees to ensure that system access privileges of separated employees are removed immediately.

Views of Responsible Officials and Planned Corrective Action:

- **Contact Person:** Jay Payne, Assistant Director for Administration and Finance; Parik Patel, Automation Coordinator
- **Corrective Action:** Policy refresher training for all supervisors will be completed annually by the Automation Coordinator for all current supervisors, as well as for all new supervisors at the time of hire. The agency's HR Technicians will ensure that the Automation Coordinator is notified immediately when made aware of employee separations.
- **Anticipated Completion Date:** Refresher training will commence immediately and be completed by December 1, 2016 for all existing supervisors, and annually thereafter. New supervisors will be made aware of this requirement within during New Employee Orientation (external) or within 3 days of assuming supervisory duties (internal).

2016-003: Social Services Special Welfare

Condition: For 1 (one) of twenty-one (21) disbursements selected for testing, the County did not have supporting documentation available to verify the expenditure was in accordance with the Commonwealth's requirements.

County of Chesterfield, Virginia

Schedule of Findings and Questioned Costs (Continued)

Year ended June 30, 2016

Criteria: Per Section 3-15 of the *Specifications for Audits of Counties, Cities, and Towns*, published by the Commonwealth's Auditor of Public Accounts, all funds should be spent in accordance with any special stipulations.

Cause: Lack of supporting documentation for special welfare disbursement.

Effect: Non-compliance may result in sanctions by the Commonwealth.

Questioned Cost: Supporting documentation for a disbursement of \$626 was unavailable.

Recommendation: The County should implement corrective action aimed at ensuring retention of supporting documentation for all disbursements.

Views of Responsible Officials and Planned Corrective Action:

- **Contact Person:** Jay Payne, Assistant Director for Administration and Finance; Lillian Aghedo, Administrative Manager-Finance
- **Corrective Action:**
 - A foster parent was reimbursed for the purchase of a vehicle for a youth in foster care. While there was documentation for the purchase price of the vehicle, documentation for the insurance, taxes, and other DMV fees was missing from the file.
 - The Accounts Payable Specialist is responsible for ensuring that supporting documentation (approved by social worker) is on hand, complete and retained for all disbursements. The Administrative Manager-Finance will be responsible for ensuring that the Accounts Payable Specialist is held accountable for adhering to these guidelines. The Assistant Director for Administration and Finance is ultimately responsible for ensuring that Finance staff comply with all APA requirements.
- **Anticipated Completion Date:** Immediately.

E. Status of Prior Year Findings

2015-001: Social Services System User Access Review – not repeated

This report was prepared by the Accounting Department
Chesterfield County, Chesterfield, Virginia, 23832

ACCOUNTING DEPARTMENT EMPLOYEES

<i>June Albrecht</i>	<i>Michael Dance</i>	<i>Susan Kern</i>	<i>Drecilla Smith</i>
<i>Donna Arrington</i>	<i>Dana Davis</i>	<i>Lorraine Kosobucki</i>	<i>Kristie Smith</i>
<i>Debbie Baicy</i>	<i>Lorena Flanagan</i>	<i>Diane Lanier</i>	<i>Kristie Szafranski</i>
<i>Ronda Bailey</i>	<i>Elizabeth Fritts</i>	<i>Rebecca Longnaker</i>	<i>Kathy Taylor</i>
<i>Patricia Baskerville</i>	<i>April Green</i>	<i>Dawana Lowry</i>	<i>Lindsey Thornton</i>
<i>Karen Brittain</i>	<i>Anna Hall</i>	<i>Taylor McKay</i>	<i>Donna Tucker</i>
<i>Mattie Brown</i>	<i>Rawn Hyatt</i>	<i>Nicole Nicolosi</i>	<i>Catie Wilson</i>
<i>Patsy Brown</i>	<i>Antionette Jefferson</i>	<i>Loretta Otey</i>	<i>Consuela Wilson</i>
<i>Virginia Brown</i>	<i>Wanda Jenkins</i>	<i>Kevin Payne</i>	<i>Jackie Winston</i>
<i>Kristina Buchanan</i>	<i>Catherine Jeter</i>	<i>Shelly Pignona</i>	<i>Pam Young</i>
<i>Stephanie Burton</i>	<i>Kathy Jones</i>	<i>Bridget Pillow</i>	
<i>Kimberly Collette</i>	<i>Carol Kelley</i>	<i>Diane Shiflett</i>	

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Photos taken and provided by Catie Wilson



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