

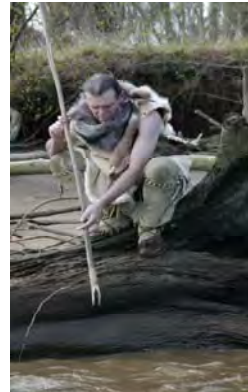
The Comprehensive Annual Financial Report

For the year ended June 30, 2011

Chesterfield County, Virginia



1611 – 2011: The 400th Anniversary of Sir Thomas Dale's founding of the Citie of Henricus, the colony of Virginia's second settlement.



COUNTY OF CHESTERFIELD, VIRGINIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2011

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

Chesterfield County, Virginia

MISSION

*Providing a FIRST CHOICE Community through Excellence in
Public Service*

VISION

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

GUIDING PRINCIPLES AND VALUES

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

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

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

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INTRODUCTORY SECTION





Chesterfield County, Virginia

James J. L. Stegmaier, County Administrator

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BOARD OF SUPERVISORS

ARTHUR S. WARREN, CHAIRMAN
Glover Hill District

DOROTHY JAECKLE, VICE CHAIRMAN
Bermuda District

JAMES M. "Jim" HOLLAND
Dale District

MARLEEN K. DURFEE
Matoaca District

DANIEL A. GECKER
Midlothian District

November 18, 2011

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

Members of the Board:

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of Chesterfield County (the County) for the fiscal year ended June 30, 2011. State law requires that local governments have all their accounts and records, including accounts and records of their constitutional officers, audited annually as of June 30 by an independent certified public accountant and that they submit an audited financial report on or before November 30 to the Auditor of Public Accounts of the Commonwealth of Virginia (APA). The Accounting Department has prepared this report in accordance with the standards of financial reporting as prescribed by the Governmental Accounting Standards Board, the Financial Accounting Standards Board, and the Auditor of Public Accounts.

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 government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with U. S. generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

KPMG LLP, a firm of licensed certified public accountants, audited the County's basic financial statements. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the County for the fiscal year ended June 30, 2011, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the County's basic financial statements for the fiscal year ended June 30, 2011, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the basic financial statements of the County was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditors to report not only on the fair presentation of the basic financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the compliance section of this report.

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

Profile of the Government

The County is located in east-central Virginia, adjacent to the City of Richmond, and is a growing suburban, residential area, with concurrent commercial growth and industrial development. The County encompasses a land area of approximately 446 square miles with a population of approximately 318,000. A large portion of the land in the County, especially in the southwestern area, remains rural. The County is empowered to levy a property tax on both real and personal properties located within its boundaries.

Effective January 1, 1988, the County began operating pursuant to a County Charter approved by the citizens of the County in a referendum election and subsequently enacted by the Virginia General Assembly. The governing body of the County is the Board of Supervisors (Board) that establishes policies for the administration of the County. The Board is composed of five members, one member elected from each of five magisterial districts. Members must be a resident of the district that he or she serves and are elected for four-year terms. The current Board was elected on November 6, 2007. The Board appoints a chief executive officer, known as a County Administrator, who serves at the pleasure of the Board and carries out the policies established by the Board.

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

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

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

Factors Affecting Economic Condition

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

Local economy

Economic activity in the County is closely associated with that of the Richmond metropolitan area. Historically, Chesterfield has attracted a highly skilled labor force to quality jobs created in the region, which positions the County to prosper during healthy economic times and to weather downturns in the economy favorably when compared to other localities within the Richmond metropolitan area. Although the County's annual unemployment rate of 6.9% in calendar year 2010 was an increase over the previous year's annual rate of 6.6%, increases in the unemployment rate for the County from a month to month perspective appear to be leveling. The County fared better than the 2010 unemployment rates of the Richmond/Petersburg metropolitan statistical area (Richmond/Petersburg MSA) of 7.7% and was comparable to the Commonwealth of Virginia (Commonwealth) rate of 6.9%. The County's unemployment rate for July 2011 was 6.1% compared to the MSA's rate of 7.0% and the Commonwealth's rate of 6.2%. Improvements in unemployment are expected to be gradual and somewhat uneven at times as the economy rebuilds job growth lost during the recession.

Labor Market Characteristics

Year	Civilian Labor Force	Total Employment	Percentage Unemployed			
			Chesterfield County	Richmond/ Petersburg MSA	Commonwealth of Virginia	United States
2001	144,404	140,677	2.6%	3.1%	3.2%	4.7%
2002	148,227	143,184	3.4	4.1	4.2	5.8
2003	151,694	146,367	3.5	4.2	4.1	6.0
2004	156,178	151,071	3.3	3.9	3.7	5.5
2005	160,184	155,193	3.1	3.7	3.5	5.1
2006	165,499	160,994	2.7	3.2	3.0	4.6
2007	166,852	162,534	2.6	3.1	3.0	4.6
2008	169,833	163,645	3.6	4.2	3.9	5.8
2009	170,089	158,843	6.6	7.5	6.7	9.3
2010	169,486	157,790	6.9	7.7	6.9	9.6

The County recognizes the importance of expanding its business and industrial tax base to ease the burden on residential property owners and is committed to promoting economic development. The Department of Economic Development assisted in both existing company expansions and new company locations and business announcements included investments of approximately \$142.0 million and the creation of over 700 new jobs. Economic development successes for fiscal year 2011 reflect the County's ability to attract a broad range of services and industry to the area and encompass projects in the manufacturing, healthcare, product distribution, technology, sports and entertainment sectors.

Merit Medical Systems announced an expansion of its operations in the County that will create 75 new jobs. Merit Medical Systems is a leading manufacturer that internationally markets its proprietary disposable medical devices used in international and diagnostic procedures, particularly in cardiology, radiology and gastroenterology.

Construction began on the first phase of a new bowling and entertainment complex. Uptown Alley will feature 40 bowling lanes, 2 full service restaurants, arcades and private party rooms. The \$19.6 million venture is expected to open in June 2012 and to generate 100 full-time and part-time jobs.

Volkswagen of America selected Priority Automotive to build a new dealership in the I-95 corridor in the County. Priority Automotive is investing \$7.5 million and creating more than 50 new employment

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opportunities with this venture. Construction is underway and expected to be completed in late calendar year 2011.

Emerson Ecologics, a leading provider of professional-grade nutritional supplements to the healthcare practitioner market, announced it will invest up to \$1.0 million to open a distribution facility in the County. The project will immediately create 35 new jobs growing to a total of 60 jobs over the next three years. The location chosen for the facility met the company's need for a strategic location that allows access to their customer base within a two-day delivery cycle. This project marks Emerson Ecologics' first operation in Virginia.

Subsequent to fiscal year end, Networking Technologies and Support, Incorporated (NTS) announced it will invest \$1.5 million to expand its headquarters operation in the County. The project will create 140 new jobs over the next 3 years. NTS, which began as a two-person IT company, has grown to a national business that serves 15 states. The company is a full service systems integrator providing customers with a single source for a broad range of high-technology products and services.

Historically, trends in taxable retail sales in the County have compared favorably to both the Richmond/Petersburg MSA and the Commonwealth. During the ongoing economic recession, retail sales in the County and the Commonwealth increased slightly for the first time in three years while retail sales in the Richmond/Petersburg MSA continued to decline. The average annual rate of change in the County over the period 2001-2010 was 2.8% compared to 2.5% for the Richmond/Petersburg MSA and 2.6% for the Commonwealth.

Taxable Retail Sales⁽¹⁾
(\$ in 000's)

<u>Calendar Year</u>	<u>Chesterfield County</u>	<u>% Change</u>	<u>Richmond/Petersburg MSA</u>	<u>% Change</u>	<u>Commonwealth of Virginia</u>	<u>% Change</u>
2001	2,623,909	1.4	11,158,573	(1.6)	68,725,289	0.1
2002	2,713,035	3.4	11,392,015	2.1	70,645,313	2.8
2003	2,946,806	8.6	12,070,640	6.0	74,973,562	6.1
2004	3,083,206	4.6	13,146,796	8.9	81,291,117	8.3
2006	3,419,399	5.5	14,516,521	5.2	89,478,625	5.0
2007	3,593,576	5.1	15,198,975	4.7	92,043,249	2.9
2008	3,563,713	(0.8)	14,932,705	(1.8)	90,106,122	(2.1)
2009	3,345,048	(6.1)	14,150,214	(5.2)	85,869,132	(4.7)
2010	3,363,333	0.5	13,967,670	(1.3)	86,420,964	0.6

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

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

The County continues to expand its revenue base by attracting an increasingly diversified pool of taxpayers and employers. In the current fiscal year, the top ten taxpayers accounted for 5.5% of the County's total assessed value tax base. This indicator compares favorably to 8.0% in fiscal year 2002. As of January 2011, the top ten employers accounted for 7.9% of total County employment. This indicator compares favorably to 9.0% in the same time period for 2002. The County's taxpayer and employment bases contain a broad range of industries including manufacturing, healthcare, retail sales and financial services. Detailed information regarding these statistics can be found on pages 159 and 165, respectively.

Long-term financial planning

The County prepares and approves a biennial financial plan which balances revenues and expenditures within available resources and forecasts projections for the three years succeeding each biennium. These multi-year projections permit policy makers and staff to foresee future needs and to plan for managed growth of services. Additionally, the multi-year budgeting process allows the County to rationally plan for multi-year acquisitions and program financing, thereby allowing for maximized cash flow and investment. Development of this plan is guided by the strategic plan and provides a means to link both individual and departmental performance to the County's overall mission, vision and goals. The

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fiscal year 2012 financial plan is a well developed financial plan that makes measurable progress on long standing priorities that include public safety and economic development initiatives and reflects an ongoing commitment to providing first class education opportunities and maintaining programs or services that directly impact citizens with no further reduction in workforce. Development of the plan included a comprehensive review of the County's key financial policies resulting in an increase in the County's unassigned fund balance requirement from 7.5% to 8.0%.

Real property tax revenues continue to be the County's main funding source, representing 42.0% of the General Fund budget in fiscal year 2012. Total real property revenues for fiscal year 2012 are budgeted at \$296.3 million, a decrease of \$7.1 million that reflects a projected 2.3% decline in the County's total taxable assessed value for the tax year. Taxable assessed values continue to be impacted by a soft housing market and are not expected to recover in tax year 2012. Personal property taxes are another major source of local revenue for the County and are budgeted at \$46.7 million, reflecting a decrease of \$1.6 million (3.4%) from the fiscal year 2011 original budget. The expected decrease in personal property tax collections is reflective of a sustained increase in crude oil prices and associated geopolitical unrest that could potentially place significant downward pressure on vehicle assessed values, particularly for trucks and sports utility vehicles, during tax year 2012. State revenues are budgeted at \$124.8 million which reflects a \$9.1 million (7.9%) increase from the fiscal year 2011 original budget.

The County annually prepares a Capital Improvement Program (CIP). This CIP serves as a planning tool for the efficient, effective and equitable distribution of public improvements throughout the County. The CIP represents a balance between finite resources and an ever-increasing number of competing County priorities and aligns with the County's strategic plan. The current environment of declining revenue streams and a diminished pace of new housing and commercial investment has required a fresh approach to prioritizing capital facility needs. To address this reality, the early years of the five-year plan emphasize projects that minimize increases in ongoing operating costs while investing in economic development projects, maintenance of existing infrastructure and key road projects. The later years of the five-year plan include new and expanded facilities to meet community needs for quality education, public safety, parks and library services.

The CIP for fiscal years 2012-2016 (FY2012-2016 CIP) continues the priorities established in the November 2004 bond referendum where the citizens of the County overwhelmingly passed a \$341.7 million bond referendum for a variety of school, public safety, library, parks and recreation and road improvement projects. The remaining series of bonds on the referendum are planned to be sold by the close of fiscal year 2015. The FY2012-2016 CIP totals \$453.7 million and is comprised of County improvements of \$161.6 million, School Board project improvements of \$134.6 million and Utilities Department improvements of \$157.5 million.

This FY2012-2016 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, this FY2012-2016 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. This FY2012-2016 CIP proposes current revenue funding levels (including cash proffers) of 50% for the County projects and 28% for School projects over the five-year planning period.

In response to the fiscal challenges inherent to the economic environment, the County adopts a prudent approach toward financial and debt management. The portion of the County's operating budget dedicated for repayment of debt is capped by policy at 10% of general government expenditures. The FY2012-2016 CIP proposes an even lower percentage with the intention of maintaining a debt ratio closer to 8.5% of general government expenditures. The County's policy of funding a large portion of capital expenditures on a "pay as we go" basis by consistently reserving 5% of operating expenditures for capital investments further enhances debt management. In addition, each year the County dedicates 8.0% of total general fund expenditures to fund balance. This is a tenet of the Board's commitment to prudent financial planning because it eliminates the need for short-term borrowing, ensures that current obligations including debt payments can be met, and provides a cushion against the potential impact of unexpected change in revenues.

The County's fiscally responsible financial policies, solid financial results and sound management were reaffirmed early in fiscal year 2011. The County's "AAA" general obligation bond rating from all three major rating agencies was confirmed when it entered the bond market in September 2010 to sell \$7.2 million of public facility revenue refunding bonds and \$8.3 million of taxable recovery zone economic development revenue bonds through the Chesterfield County Economic Development Authority. In March 2011, Fitch Ratings affirmed the County's Water and Sewer Revenue Bonds as "AAA". Fitch cited sound management practices, affordable and competitive user rates, ample treatment capacity, sufficient water supply, low debt levels and manageable future capital needs as the rationale for their rating.

Major initiatives

Construction of the Interstate 295/Meadowville interchange project is underway as the result of a successful partnership between the County, the Commonwealth and the federal government that secured funding for this project. The interchange, scheduled for completion in December 2011, will serve the County's 1,200 acre Meadowville Technology Park (Park), one of the premiere economic development sites in the Commonwealth. The interchange is expected to stimulate development activity in the Park.

The County's focus on expanding its sports tourism profile attracted more than 34,000 out-of-town visitors during the year, generating more than \$12 million of economic impact for local businesses. These results will continue to grow with the completion the Richmond Aquatics Center, the second phase of Ukrop Park. The facility is expected to serve as a catalyst for regional aquatics and community-wide focus on water safety, health and fitness, sports tourism and competitive swimming. The Richmond Aquatics Center, at over 50,000 square feet, will feature three pools including the 2008 Olympic Trials Pool purchased for the facility.

In October 2004, the County was successful in purchasing Cloverleaf Mall as a major redevelopment initiative along the eastern Midlothian Turnpike corridor and completed its acquisition by purchasing the ground lease associated with this property in fiscal year 2009. In October 2011, the County completed the sale of the first 28.4 acres of the property transfer to Crosland Investments LLC, one of the southeast's leading real estate, development and redevelopment companies. Phase one of the 83 acre development project, now called Stonebridge, will include a new 123,600 square foot Kroger with a fuel station and 20,400 square feet of smaller commercial spaces. Kroger expects to open its new location in Fall 2012.

In support of entrepreneurship, the County's Economic Development Department and Library System launched a new small business initiative, "My Business Starts Here". The first "Small Business Resource Center" opened in September 2010 inside the Meadowdale Library and is equipped with tools and resources for small businesses.

Awards and Acknowledgements

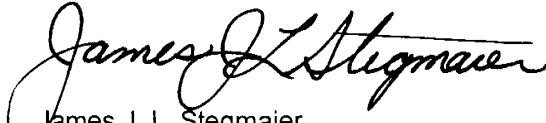
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Chesterfield County for its CAFR for the fiscal year ended June 30, 2010. This was the thirtieth consecutive year that the County has achieved 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 accounting principles generally accepted in the United States of America and applicable legal requirements. A Certificate of Achievement is valid for one year. We believe our current CAFR continues to meet the Certificate of Achievement Program's requirements and are submitting it to GFOA to determine its eligibility for another certificate.

The Budget and Management Department received the Distinguished Budget Presentation from the GFOA for its biennial budget for the fiscal years beginning July 1, 2010, and ending June 30, 2012. To achieve this award, a government must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications device. This is the highest form of recognition for excellence in local government budgeting.


The National Institute of Governmental Purchasing (NIGP) of the United States, Canada, Ireland, and England established an agency accreditation program that recognizes excellence in public purchasing, by establishing a body of standards that should be in place for a quality purchasing operation. In fiscal year 2009, NIGP reaccruited the Chesterfield County Purchasing Department with the Outstanding Agency Accreditation Achievement Award for demonstrating excellence in public purchasing. When certification was first obtained in 1999, Chesterfield County's Purchasing Department was the eighth agency overall and the first locality or state agency in Virginia to receive this award.

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

Respectfully submitted,



James J. L. Stegmaier
County Administrator



Patsy J. Brown, CPA
Director of Accounting

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Chesterfield
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

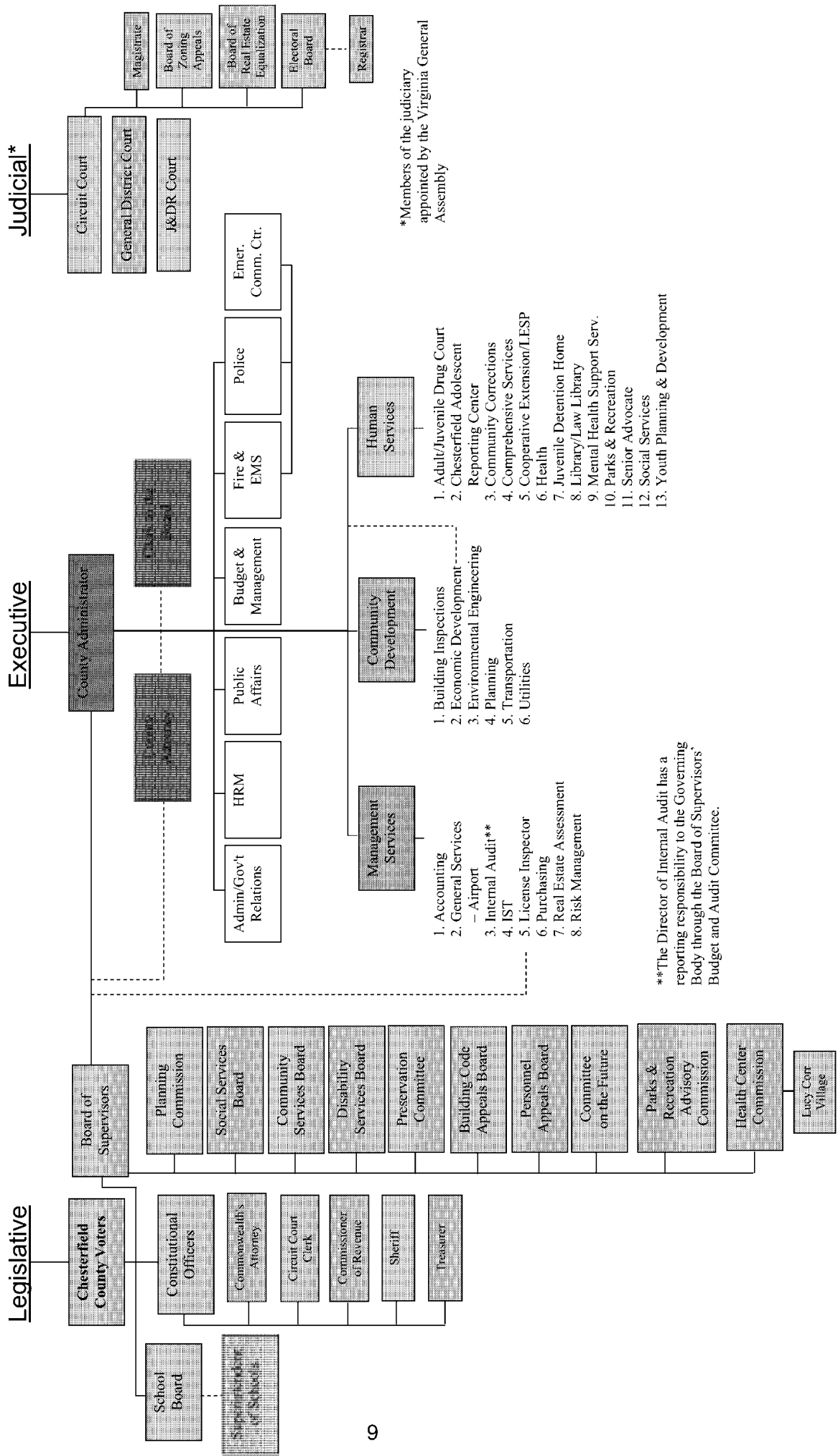
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

CHESTERFIELD COUNTY ORGANIZATIONAL STRUCTURE



County of Chesterfield, Virginia
Directory of Officials
June 30, 2011

Primary Government Officials

BOARD OF SUPERVISORS

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

CONSTITUTIONAL OFFICERS

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

ADMINISTRATIVE OFFICERS

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

School Board Component Unit Officials

SCHOOL BOARD

Dianne E. Pettitt, Chairman Clover Hill District
Patricia M. Carpenter, Vice Chairman Midlothian District
U. Omarh Rajah Matoaca District
Marshall W. Trammell, Jr. Bermuda District
David S. Wyman Dale District

ADMINISTRATIVE OFFICERS

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

FINANCIAL SECTION



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

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Chesterfield, Virginia (the County) as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Economic Development Authority and the Health Center Commission, discretely presented component units of the County, which represent 42%, 21%, and 4%, respectively, of the total assets, net assets, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions on the financial statements insofar as they relate to the amounts included for the Economic Development Authority and the Health Center Commission are based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns* (Specifications) issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and Specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of June 30, 2011, and the respective changes in financial position, and where applicable, cash



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

As discussed in note 1 to the financial statements, the County adopted the provisions of GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2011 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 14 through 27 and Schedules of Funding Progress and Employers' Contributions on pages 108 and 109 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying supplementary information listed as the Financial Section – Supplementary Information in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and NonProfit Organizations* and is not a required part of the basic financial statements. The Financial Section – Supplementary Information and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken 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 express no opinion on them.

KPMG LLP

November 18, 2011

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

As management of Chesterfield County (County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal at the front of this report and the County's financial statements, which follow this analysis.

FINANCIAL HIGHLIGHTS

- ◆ The County's total net assets increased approximately \$84.5 million (5.1%). Net assets of the governmental-type activities increased \$57.0 million (7.5%) and net assets of the business-type activities increased \$27.5 million (3.1%).
- ◆ The County's unrestricted net assets increased approximately \$41.1 million (14.8%). Unrestricted net assets of the governmental-type activities increased \$27.5 million (17.1%) and unrestricted net assets of the business-type activities increased \$13.6 million (11.6%).
- ◆ The County's program and general revenues (including taxes) of \$765.8 million for governmental-type activities (excluding the special item and transfers) exceeded expenses of \$701.2 million by \$64.6 million.
- ◆ In the County's business-type activities, revenues decreased 4.1% to \$97.5 million while expenses increased 1.7% to \$69.3 million (excluding transfers).
- ◆ The total cost of the primary government's programs increased approximately \$2.3 million (0.3%) to \$770.5 million.
- ◆ The General Fund reported an ending fund balance amount of \$248.0 million, an increase of \$17.6 million (7.7%) in comparison with the prior year. Of the ending fund balance amount, \$53.5 million was unassigned.
- ◆ The County's outstanding debt decreased by \$30.4 million (4.5%). The County issued \$15.6 million in Virginia Public School Authority debt, \$7.2 million in refunding public facility revenue bonds and \$8.3 million in new support agreements in the current year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The notes, a component of the financial statements, provide additional details for understanding the information presented in the CAFR. The notes are followed by a section of required supplementary information that further explains and supports the pension and OPEB plan information reported in the financial statements.

The CAFR also includes a supplementary section containing combining schedules for the non-major governmental funds, the agency funds and the internal service funds, additional schedules and School Board component unit fund statements and schedules.

Government-wide Statements

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

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

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

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

Fund Financial Statements

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

The County has three kinds of funds:

- ◆ Governmental funds – Most of the County's basic services are included in governmental funds which focus on (1) how cash and other financial assets that are readily convertible to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the statements for governmental funds provide a detailed short-term view that assists the CAFR reader in determining the status of financial resources available for financing the County's programs in the near future. Because this information does not encompass the additional long-term focus of the government-wide statements, the County provides additional information either at the bottom of the governmental funds statements or on the following page that explains the differences between the short-term and long-term focus.
- ◆ Proprietary funds – Services that are intended to recover all or a significant portion of their costs through user fees are reported in proprietary funds. Proprietary fund financial statements, like the government-wide 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 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 statements because those funds provide supplies and services internally to the County's other programs and activities.

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

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net assets. The County's assets exceeded liabilities by \$1.7 billion at the close of the most recent fiscal year. This represents a 5.1% increase over the prior year.

TABLE 1
Chesterfield County's Net Assets
June 30, 2011 and 2010
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total Primary Government		School Board Component Unit	
	2011	2010	2011	2010	2011	2010	2011	2010
Assets								
Current and other assets	\$ 659.7	\$ 640.4	\$ 163.8	\$ 193.2	\$ 823.5	\$ 833.6	\$ 129.1	\$ 128.5
Capital assets	<u>998.2</u>	<u>986.7</u>	<u>854.2</u>	<u>816.1</u>	<u>1,852.4</u>	<u>1,802.8</u>	<u>10.7</u>	<u>13.6</u>
Total assets	<u>\$ 1,657.9</u>	<u>\$ 1,627.1</u>	<u>\$ 1,018.0</u>	<u>\$ 1,009.3</u>	<u>\$ 2,675.9</u>	<u>\$ 2,636.4</u>	<u>\$ 139.8</u>	<u>\$ 142.1</u>
Liabilities								
Long-term liabilities	\$ 589.1	\$ 616.1	\$ 93.7	\$ 102.4	\$ 682.8	\$ 718.5	\$ 29.9	\$ 29.6
Other liabilities	<u>247.1</u>	<u>246.3</u>	<u>12.3</u>	<u>22.4</u>	<u>259.4</u>	<u>268.7</u>	<u>38.3</u>	<u>39.3</u>
Total liabilities	<u>\$ 836.2</u>	<u>\$ 862.4</u>	<u>\$ 106.0</u>	<u>\$ 124.8</u>	<u>\$ 942.2</u>	<u>\$ 987.2</u>	<u>\$ 68.2</u>	<u>\$ 68.9</u>
Net assets								
Invested in capital assets, net of related debt	\$ 574.9	\$ 552.0	\$ 765.4	\$ 741.7	\$ 1,340.3	\$ 1,293.7	\$ 10.7	\$ 13.6
Restricted	<u>58.8</u>	<u>52.2</u>	<u>15.6</u>	<u>25.4</u>	<u>74.4</u>	<u>77.6</u>	<u>29.9</u>	<u>32.5</u>
Unrestricted	<u>188.0</u>	<u>160.5</u>	<u>131.0</u>	<u>117.4</u>	<u>319.0</u>	<u>277.9</u>	<u>31.0</u>	<u>27.1</u>
Total net assets	<u>\$ 821.7</u>	<u>\$ 764.7</u>	<u>\$ 912.0</u>	<u>\$ 884.5</u>	<u>\$ 1,733.7</u>	<u>\$ 1,649.2</u>	<u>\$ 71.6</u>	<u>\$ 73.2</u>

At the end of both the current and prior fiscal years, the County reported positive balances in all three categories of net assets, both for the primary government as a whole, as well as for its separate governmental and business-type activities. The largest portion (77.3%) of the County's net assets at June 30, 2011, is its investment in capital assets (e.g. land, buildings, machinery, equipment, infrastructure and intangible assets), less accumulated depreciation and any debt used to acquire those assets that remains outstanding at year-end. The County uses these capital assets to provide services to residents; consequently, these assets are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources required to repay the debt must be provided from other sources because capital assets are not generally liquidated for the purpose of retiring debt. An additional portion of the County's net assets (4.3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance is referred to as unrestricted net assets (18.4%). Unrestricted net assets are available to meet the County's ongoing obligations to residents and creditors.

School Board component unit assets exceeded liabilities by \$71.6 million at the end of the current fiscal year. This represents a decrease of \$1.6 million (2.2%) compared to the prior year (see Table 1). Net assets invested in capital assets decreased \$2.9 million because capital outlay for machinery and equipment was less than depreciation expense during the year. At June 30, 2011, the School Board reported unrestricted net assets of \$31.0 million, an increase of \$3.9 million from the prior year.

Changes in net assets. The County's total revenues (excluding transfers) increased over the prior year by \$21.6 million (2.6%) to \$863.3 million (see Table 2). The total cost of all programs increased \$2.3 million (0.3%) to \$770.5 million (see Table 2).

TABLE 2
Changes in Chesterfield County's Net Assets
For the Years Ended June 30, 2011 and 2010
(in millions of dollars)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>		<u>School Board Component Unit</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues:								
Program revenues:								
Charges for services	\$ 76.0	\$ 70.6	\$ 69.8	\$ 68.9	\$ 145.8	\$ 139.5	\$ 15.8	\$ 15.3
Operating grants and contributions	94.2	91.0	-	-	94.2	91.0	102.2	126.9
Capital grants and contributions	19.5	7.1	26.7	31.0	46.2	38.1	-	-
General revenues:								
Property taxes	367.0	371.0	-	-	367.0	371.0	-	-
Other taxes	79.8	76.4	-	-	79.8	76.4	-	-
Payment from School Board	61.4	55.7	-	-	61.4	55.7	-	-
Payment from County	-	-	-	-	-	-	286.4	286.5
Grants and contributions not restricted to specific programs	66.2	66.1	-	-	66.2	66.1	149.7	161.8
Other	<u>1.7</u>	<u>2.2</u>	<u>1.0</u>	<u>1.7</u>	<u>2.7</u>	<u>3.9</u>	<u>1.8</u>	<u>1.2</u>
Total revenues	<u>765.8</u>	<u>740.1</u>	<u>97.5</u>	<u>101.6</u>	<u>863.3</u>	<u>841.7</u>	<u>555.9</u>	<u>591.7</u>
Expenses:								
General government	58.1	59.6	-	-	58.1	59.6	-	-
Administration of justice	9.8	9.7	-	-	9.8	9.7	-	-
Public safety	159.8	154.7	-	-	159.8	154.7	-	-
Public works	28.9	31.6	-	-	28.9	31.6	-	-
Health and welfare	72.4	70.7	-	-	72.4	70.7	-	-
Parks, recreation and cultural	21.5	23.9	-	-	21.5	23.9	-	-
Education - School Board	311.0	308.7	-	-	311.0	308.7	557.5	593.2
Community development	18.1	17.3	-	-	18.1	17.3	-	-
Interest on long-term debt	21.6	24.4	-	-	21.6	24.4	-	-
Water	-	-	36.7	36.8	36.7	36.8	-	-
Wastewater	-	-	30.7	28.9	30.7	28.9	-	-
Airport	-	-	1.9	1.9	1.9	1.9	-	-
Total expenses	<u>701.2</u>	<u>700.6</u>	<u>69.3</u>	<u>67.6</u>	<u>770.5</u>	<u>768.2</u>	<u>557.5</u>	<u>593.2</u>
Increase in net assets before transfers	64.6	39.5	28.2	34.0	92.8	73.5	(1.6)	(1.5)
Special item	(8.3)	-	-	-	(8.3)	-	-	-
Transfers	<u>0.7</u>	<u>3.1</u>	<u>(0.7)</u>	<u>(3.1)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase in net assets	57.0	42.6	27.5	30.9	84.5	73.5	(1.6)	(1.5)
Net assets - July 1	<u>764.7</u>	<u>722.1</u>	<u>884.5</u>	<u>853.6</u>	<u>1,649.2</u>	<u>1,575.7</u>	<u>73.2</u>	<u>74.7</u>
Net assets - June 30	<u>\$ 821.7</u>	<u>\$ 764.7</u>	<u>\$ 912.0</u>	<u>\$ 884.5</u>	<u>\$ 1,733.7</u>	<u>\$ 1,649.2</u>	<u>\$ 71.6</u>	<u>\$ 73.2</u>

Approximately 43% of the County's revenues came from property taxes and approximately 9% came from other taxes. Another 24% of the total revenues came from grants and contributions. The remaining revenues are charges for services, payment from School Board, investment earnings and miscellaneous (see Figure A-1). The County's expenses cover a range of services with 70% related to public safety, health and welfare and education (see Figure A-2). Program revenues of the County's governmental activities covered 27% of its expenses.

Figure A-1
Chesterfield County
Sources of Revenue for Fiscal Year 2011

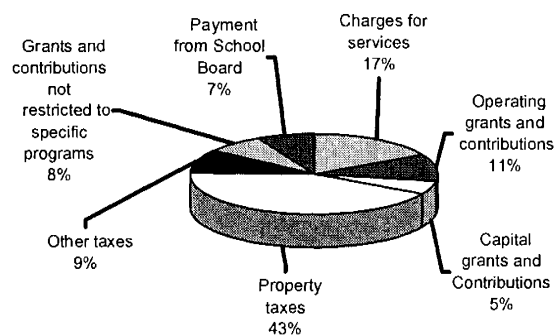
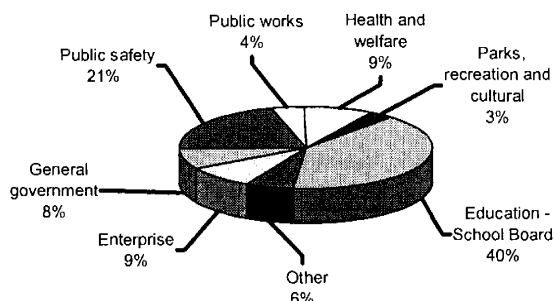


Figure A-2
Chesterfield County
Expenses by Function for Fiscal Year 2011



The School Board's total revenues decreased compared to the prior year by \$35.8 million to \$555.9 million. The total expenses of all School programs and services decreased over the prior year by 6.0% to \$557.5 million. Program revenues of School Board activities covered 21% of its expenses.

Governmental Activities

Governmental activities increased the County's net assets by \$57.0 million and accounted for 67.5% of the total growth in the net assets of the County. Revenues (excluding transfers) for governmental activities increased \$25.7 million (3.5%) and total expenses increased \$0.6 million (0.1%) when compared to the prior year. Key elements of these changes are as follows:

- ◆ Charges for services increased \$5.4 million (7.6%). In the current year, the County introduced a \$25 recycling fee levied on all single-family homes in the County to cover the costs associated with the County's curbside recycling program. Residents have the right to opt out of the curbside recycling program to avoid the fee. The recycling fee generated approximately \$2.0 million in new revenue for the County. Also, Mental Health Support Services generated approximately \$1.0 million in additional revenue through its operation of the Intermediate Care Facility - Mental Retardation which was in its first full year of operation in the current year. This facility is a residential home that provides a higher level of service to individuals where state health regulations require in-house nursing staff, access to a medical doctor for consultation and guidance and a higher staff-to-consumer ratio than typical group homes.
- ◆ Capital grants and contributions increased \$12.4 million (174.6%). The County received \$6.2 million in American Recovery and Reinvestment Act (ARRA) funding for the widening of Route 10 between I-95 and Ware Bottom Springs Road. The County expects to receive total funding of \$10.4 million in ARRA funding for this multi-year project. The County also received approximately \$6.0 million in donated land most of which are easements or sites for future parks or schools.
- ◆ Property tax revenues decreased \$4.0 million (1.1%) primarily due to a 2.4% decrease in the assessed valuation of taxable property over the preceding year. The assessed valuation for real property decreased 3.2% while the real estate tax rate was \$0.95 per \$100 of assessed value for both fiscal years. Residential property assessed valuations decreased 4.1% and commercial and industrial property assessed valuations increased 0.2%. Commercial and industrial property comprised 20.3% of the total real property taxable value. In an effort to be more responsive to market conditions, beginning in CY2009 assessments were determined using sales data through November of the previous year. Thus, CY2011 assessments were

developed from data as recent as November 2010. State code mandates that “annual assessments shall be made at 100% of fair market value.” The County’s median assessment to sales ratio for CY2010 was 97.1%.

- ◆ Other taxes increased \$3.4 million (4.5%) primarily due to increases of \$2.2 million in local sales and use taxes and \$1.0 million in business license taxes. The 1% local option of the sales and use tax is collected at the point of sale and the Commonwealth remits the tax to the County on a monthly basis. The County experienced a modest rebound in retail sales beginning after the first quarter of the current year. The business license tax is a tax on the gross receipts of businesses which operate in the County. The amount of business license revenue the County receives is dependent on the gross receipts of business in the prior calendar year. For example, the current year’s business license revenue was based on gross receipts from CY2010.
- ◆ The payment from School Board increased \$5.7 million (10.2%) over the last year. Payments related to the retirement of long-term debt increased \$1.4 million. The remaining payment from the School Board is primarily attributable to the funding School Capital Projects Funds receives on an annual basis from the School Board operations budget to fund capital outlay.
- ◆ The other, or miscellaneous, category of revenue decreased \$0.5 million (22.7%) which is primarily attributable to a decrease in investment earnings. The average yield on investments for the County in the current fiscal year was 0.382% compared to the three-month U. S. Treasury bill average of 0.116% and the iMoneyNet average of 0.045%. The average yield on investments in the prior fiscal year was 0.594%.

Overall, expenses of governmental activities were relatively flat with an increase of \$0.6 million (0.1%). This result reflects management’s commitment to reduce expenses with minimal impacts to front-line services, especially in the areas of public safety and education, while providing a one-time 3.0% performance based recognition payment to eligible County employees.

On September 1, 2010, the County entered into a support agreement with the Chesterfield County Economic Development Authority (EDA) as disclosed in note 9H. Under the terms of this agreement, the County agreed to make support payments directly to the EDA’s trustee in an amount sufficient to cover the debt service on the EDA’s Taxable Recovery Zone Economic Development Revenue Bonds. For fund statement reporting purposes, there was no current financial flow of resources for the County to report beyond these payments; however for government-wide reporting purposes, the County reported a special item of \$8.3 million on the Statement of Activities and a long-term obligation in the same amount on the Statement of Net Assets to reflect the County’s commitment for this support agreement.

Business-type Activities

Business-type activities increased the County’s net assets by \$27.5 million, accounting for 32.5% of the growth in overall net assets of the County. Revenues for business-type activities decreased \$4.1 million (4.0%) and expenses increased \$1.7 million (2.5%) when compared to the prior year. Key elements contributing to these results are as follows:

- ◆ Capital grants and contributions for business-type activities decreased by \$4.3 million (13.9%). Developer contributions of water and wastewater pipeline assets decreased by \$0.8 million and connection fees for water and wastewater operations increased \$0.3 million, both of which reflect the inability of the construction sector in the area to recover from the recent economic recession. Wastewater operations received \$1.2 million less in state grant funding for wastewater treatment plant improvements that address initiatives related to reducing nutrient loading to the Chesapeake Bay and its tributaries. The improvements in this multi-year project include new digesters, screening facilities, chemical tanks and feed systems and the installation of new biological nutrient removal technologies. Capital grants and contributions for the airport decreased \$2.0 million (91.5%) primarily due to the completion of a major taxiway rehabilitation project funded with federal and state funding.

Overall, expenses for business-type activities were relatively flat with an increase of \$1.7 million (2.5%). As in governmental activities, the County funded a one-time 3.0% performance based recognition payment to eligible County employees.

School Board Activities

The School Board's net assets decreased \$1.6 million (2.2%). Key elements of this change are as follows:

- ◆ Revenues decreased \$35.8 million (6.1%) to \$555.9 million. Operating grants and contributions decreased \$24.7 million (19.5%) primarily due to receiving \$24.9 million less in State Fiscal Stabilization Funds through ARRA. Grants and contributions not restricted to specific programs decreased \$12.1 million (7.5%) primarily due to receiving less state basic aid from the Commonwealth. In the current year, the Commonwealth reduced basic state aid provided to all localities, including the County, as a budget reduction measure. Basic state aid is based on a per pupil amount representing a basic operations cost for each school division. This projection is based on the number of instructional positions required by the Standards of Quality for Virginia, support costs (non-instructional positions) and other prevailing costs attributable to administration, instructional support, transportation, maintenance and fringe benefits. Basic state aid is then equalized using the composite index or ability to pay formula for each locality. The County's per pupil rate decreased from \$5,299 to \$4,991 and the state composite index decreased from 65.53% to 64.49%. In addition, the County's average student population decreased 224 from the prior year.
- ◆ Expenses decreased \$35.7 million (6.0%). In anticipation of state funding cuts, expenses were reduced in the following areas:
 - Approximately 174 full-time teaching positions were eliminated for an estimated savings of \$8.1 million. An additional \$3.5 million was saved by an across the board, 2% reduction in pay. Also, the number of teachers who retired doubled and, if replaced, new teachers were hired at lower salaries.
 - Approximately 33 full-time aide positions were eliminated for an estimated savings of \$0.6 million with remaining aides subject to the 2% reduction in pay.
 - Virginia Retirement System (VRS) rates decreased from 14.85% to 9.53% for a savings of approximately \$6.7 million.
 - Textbooks expenses decreased approximately \$2.3 million primarily because of expenses incurred in adopting a new science textbook in the prior year.
 - Payments to the County increased \$5.7 million (10.2%) due to funding provided to the School Capital Projects Fund from the School Board operations budget. This funding included heating, ventilation and air conditioning (HVAC) replacements at various schools and renovations at Falling Creek Middle School and Midlothian High School.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental Funds

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

Effective July 1, 2010, the County implemented GASB 54 titled "Fund Balance Reporting and Governmental Fund Type Definitions". This standard was developed to improve financial reporting by providing fund balance categories and classifications that will be easily understood. As of June 30, 2011, the County's governmental funds reported a combined fund balance of \$374.4 million, an increase of \$12.5 million from the previous year. \$131.5 million (35.1%) of this amount constitutes restricted fund balance; \$0.7 million (0.2%) represents committed fund balance; \$188.7 million (50.4%) represents assigned fund balance; and \$53.5 million (14.3%) is unassigned fund balance. Assigned fund balance includes funding earmarked by the County Board for various items including funding for: capital projects; the FY2012 budget; critical capital and one-time needs; Line of Duty Act liabilities; and revenue shortfalls in future fiscal years' budgets that may occur as the recovery period from the ongoing economic recovery continues. Note 2 of the financial statements provides additional fund balance details and a discussion of the criteria used by the County to classify fund balance into categories.

The General Fund is the operating fund of the County. At the end of the current fiscal year, assigned and unassigned fund balance of the General Fund was \$235.9 million and total fund balance was \$248.0 million. As a measure of the General Fund's liquidity, it may be useful to compare assigned and unassigned fund balance

to total fund expenditures. Assigned and unassigned fund balance represents 35.3% of total General Fund expenditures. Unassigned fund balance of \$53.5 million represents 8.0% of total General Fund expenditures. Maintaining a ratio that exceeds the target ratio of 7.5% is an indicator of the County's ability to cope with unexpected or unusual financial scenarios including fluctuations in revenue cycles. For FY2012, the target ratio was increased to 8.0%. Total fund balance represents 37.1% of General Fund expenditures.

Fund balance of the General Fund increased by \$17.6 million (7.7%) during the current fiscal year. Revenue categories that factor into this change are as follows:

- ◆ Other local taxes, which include various categories such as the local portion of sales and use tax, consumer utility taxes and recordation taxes, increased \$3.5 million (4.5%) primarily due to increases of \$2.2 million in local sales and use taxes and \$1.0 million in business license taxes. Both of these taxes were impacted by modest retail growth.
- ◆ Charges for services, which generally are user fees, increased \$3.2 million (10.6%). As discussed, the County introduced a new curbside recycling fee and the Mental Health Support Service's Intermediate Care Facility collected revenue for its first full year of operation.
- ◆ Revenue from other governments increased \$2.8 million (1.9%) which is primarily attributable to an increase of \$2.3 million in state sales tax collected to fund education in the state. This increase is reflective of the modest rebound in retail sales which was offset to some extent by a decrease in the County's student population.

Overall, functional expenditures of the General Fund (excluding education and debt service) increased \$8.5 million (2.8%) with the most significant increases in the public safety (3.0%), health and welfare (3.6%) and parks, recreation and cultural (13.7%) functions. All eligible County employees received a one-time performance based recognition payment in lieu of receiving a permanent salary increase. In developing the FY2011 budget, County management was committed to reducing expenses with minimal impacts to front-line services and actual results of operations reflect that initiative. Some of the more significant changes in expenditures include:

- ◆ In the public safety function, the Sheriff's expenditures increased \$2.1 million primarily due to housing more inmates and a one-time assessment to supplement the per diem rate at RRJA. The Police and Fire departments incurred higher overtime costs due to staffing shortages resulting from vacancies and retirements. Additionally, several departments in the public safety function were able to purchase equipment and vehicles to meet critical needs.
- ◆ In the health and welfare function, Tax Relief for the Elderly increased by \$1.6 million. This program provides either full or partial relief from real estate taxes for elderly or disabled individuals who meet specific income and net worth guidelines. Revisions to the program's eligibility have expanded the program and include removal of the cap for households earning \$37,000 or less annually and an increase in the net worth criteria to \$350,000. Mental Health Support Services expenditures also increased with a significant amount attributable to the first full year of operation of the Intermediate Care Facility.
- ◆ In the parks, recreation and cultural function, expenditures for the Parks and Recreation department increased due to one-time lease and grant payments of \$4.3 million to SportsQuest, a private 250-acre recreational campus. In July 2010, the County secured an operating lease with SportsQuest for the County's use of eight synthetic recreational fields, practice areas and appurtenant facilities for a minimum lease period of ten years. In addition to the lease, the County granted \$2,000,000 to SportsQuest to assist in the construction of the SportsQuest facility where the County will be entitled to use of space for a senior center and to use of a gymnasium. As a cost savings measure in this functional category, all County libraries, except for the Central Library, were closed the equivalent of one day per week.

At year-end, the County's Capital Projects Fund had a total fund balance of \$80.4 million consisting of bond proceeds and cash proffers which are restricted for use on County and School projects. The School Capital Projects Fund had a total fund balance of \$38.1 million consisting primarily of bond proceeds that are restricted for use on School projects.

General Fund Budgetary Highlights

The overall difference between the original budget and the amended budget for revenues and other financing sources reflected an increase of \$10.8 million (1.7%). The final amended budget for expenditures and other financing uses was greater than the original budget by \$77.2 million (11.9%). Some of the key budget adjustments are summarized as follows:

- ◆ The original budget was increased for the receipt of \$1.7 million from RRJA as a rebate of prior year's operating surpluses and was appropriated as a financing source for a one-time assessment to supplement RRJA's current year per diem rates.
- ◆ The original budget was amended to appropriate \$7.5 million in proceeds from the sale of the 2010 Public Facility Revenue Refunding Bonds. The proceeds from the bond sale were used to defease previously issued debt. Accordingly, the budget for payment to refunded bond escrow agent was also increased \$7.5 million as part of the defeasement. Details for this defeasement transaction are included in Note 9 to the financial statements.
- ◆ The original budget was increased by \$4.2 million to fund a one-time performance based merit increase for eligible County employees as approved by the Board in November 2010 and using results of operations from the prior year.
- ◆ The original budget was increased by \$3.3 million to fund one-time equipment purchases as approved by the Board in November 2010 and using results of operations from the prior year.
- ◆ The original budget was increased by \$4.3 million to fund the operating lease and grant payments to SportsQuest using existing capital projects appropriations as the funding source.
- ◆ The budget for transfers out increased by \$54.5 million. Budgeted transfers to the County Capital Projects Fund and the School Capital Projects Fund increased \$45.2 million and \$7.3 million, respectively, primarily due to the appropriation of prior year construction "reserves".

Actual revenues and other financing sources were \$26.6 million (4.2%) greater than the amended budget. A summary of some key differences is:

- ◆ The collection of general property taxes was \$11.3 million higher than expected. Real estate taxes and public service taxes were \$4.3 million over budget due to better than expected assessed values in the County's commercial real estate. Personal property taxes were \$3.8 million higher than expected as a result of the stabilization of used car assessed values that occurred in response to higher demand for used cars. The County collected \$1.1 million for special assessments that were not included in the County's budget. These special assessments will be remitted to the Watkins Centre Community Development Authority in FY2012.
- ◆ Other local taxes collected exceeded the amended budget by \$5.2 million which is attributable to stronger than expected consumer spending. Local sales and use taxes exceeded the amended budget by \$4.4 million and business license taxes exceeded the amended budget by \$0.8 million.
- ◆ Revenue from other governments exceeded the amended budget by \$7.3 million. Since the inception of the economic downturn, the Commonwealth has reduced support for local operations not only during the budgeting/legislative process but also as a part of subsequent mid-year cuts. Accordingly, staff took a conservative approach in planning for mid-year revenue reductions. Actual revenues performed better than expected. Annexation House Bill 599 funds were \$3.7 million higher than budgeted and sales tax receipts for education were \$2.0 million higher than budgeted. In addition, State Compensation Board payments to the Sheriff were \$1.1 million higher than budgeted.

Actual expenditures and other financing uses were \$80.5 million (11.0%) less than the amended budget amount. A summary of other key differences is:

- ◆ General government expenditures resulted in a \$4.8 million positive variance with the amended budget. Employee benefits contributed \$3.0 million to this variance which was attributable to amounts that were

earmarked to supplement departments' budgets for workers' compensations expenditures in excess of departmental budgets that were not used.

- ◆ Public safety expenditures resulted in a \$3.6 million positive variance with the amended budget. \$2.1 million of this variance was encumbered for vehicle and equipment purchases at year end.
- ◆ Health and welfare expenditures resulted in a \$3.4 million positive variance with the amended budget. MHSS and Social Services curtailed expenditures, particularly in personnel costs, based on anticipated revenue shortfalls.
- ◆ Debt service expenditures resulted in a \$3.5 million positive variance with the amended budget due to conservative budget projections for variable rate debt.
- ◆ Transfers out to other funds resulted in a \$61.1 million positive variance. Transfers to the County and School Capital Projects Funds were \$45.3 million and \$6.1 million, respectively, less than the amended budget due to not spending all amounts budgeted for specific capital projects. Unspent construction transfers were assigned at the end of the current fiscal year and appropriated as a part of the amended budget in the FY2012. A positive \$6.9 million variance in the transfer to School operations was assigned at year-end and earmarked to cover anticipated future revenue shortfalls.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Overview

Governmental Accounting Standards Board Statement No. 34 requires the issuing entity to report "on behalf" debt and debt service. The operational relationship between the County and School Board component unit related to capital assets and debt involves several transactions between the two entities that are presented in the statements to meet reporting requirements. Brief descriptions of those transactions are:

- ◆ The School Board can neither levy taxes nor incur debt under Virginia law. The County issues debt "on behalf" of the School Board, which is recorded as a liability of the County's governmental activities. In both the prior and current years, proceeds from debt issued to refund existing debt issued "on behalf" of the School Board were recorded in the County's General Fund and an amount equal to the proceeds received from refunding was then provided to School Board operations for the purpose of funding the retirement of existing debt.
- ◆ The County's charter states that title to all real property of the school system shall be vested in the County of Chesterfield. The County provides the School Capital Projects Fund with funding to purchase and/or construct real property (land, buildings, improvements other than buildings, and construction in progress) for use in school operations. Due to the charter, the value associated with the purchase and/or construction of School Board real property is reported as capital assets in the governmental activities of the County. Depreciation and accumulated depreciation related to School Board real property is reported in the County's governmental activities within the appropriate government-wide statements.
- ◆ The County's budgeting process provides for the School Board component unit to receive funding from the County. The School Board is responsible for allocating funding to cover debt service related to "on behalf" debt and is presented as debt service on the School Board's Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual. However, for the Statement of Revenues, Expenditures, and Changes in Fund Balances, the School Board presents a payment to the primary government in an amount equal to debt service payments and payments to escrow agents.

Capital Assets

At the end of the fiscal year, the County had invested \$1.9 billion in a broad range of capital assets, including public safety buildings, park facilities, libraries, and water and wastewater facilities (see Table 3). This amount represents a net increase of \$49.3 million (2.8%) over the prior year. More detailed information about the County's capital assets is presented in Note 8 to the financial statements. The amount of capital assets (net

of accumulated depreciation) used by the School Board in its operations was \$614.6 million of the total value of capital assets of the governmental activities.

TABLE 3
Chesterfield County's Capital Assets
June 30, 2011 and 2010
(net of depreciation, in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011-2010</u>
Non-depreciable assets:							
Capacity rights	\$ -	\$ -	\$ 73.3	\$ 73.0	\$ 73.3	\$ 73.0	0.4%
Land	56.2	52.0	5.1	4.2	61.3	56.2	9.1%
Redevelopment asset	16.3	16.3	-	-	16.3	16.3	0.0%
Construction in progress	25.1	34.8	82.3	88.8	107.4	123.6	(13.1%)
Depreciable assets:							
Buildings	782.5	762.6	109.3	102.4	891.8	865.0	3.1%
Improvements other than buildings	27.7	28.1	31.5	29.3	59.2	57.4	3.1%
Machinery and equipment	63.4	66.2	552.7	518.4	616.1	584.6	5.4%
Infrastructure	27.0	26.7	-	-	27.0	26.7	1.1%
Total	<u>\$ 998.2</u>	<u>\$ 986.7</u>	<u>\$ 854.2</u>	<u>\$ 816.1</u>	<u>\$ 1,852.4</u>	<u>\$ 1,802.8</u>	2.8%

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

- ◆ Completed major County projects
 - Circuit/General District Courts Expansion – \$7.2 million
 - Public Safety Training Center Emergency Vehicle Operation Course and Driver Observation Tower – \$5.5 million
 - County Jail Annex Building – \$2.5 million
 - Manchester Volunteer Rescue Station – \$1.2 million
- ◆ Completed major School projects:
 - Falling Creek Middle School Renovations – \$5.6 million
 - Swift Creek Middle School Renovations – \$4.6 million
 - Bellwood Elementary School Renovations – \$4.3 million
 - New Genito Road High School – \$2.2 million
- ◆ Additions to major School construction in progress:
 - Robious Middle School Renovations – \$6.2 million
 - Salem Church Middle School Renovations – \$4.5 million
- ◆ Completed major Utilities projects:
 - Wastewater Treatment Plant Upgrades – \$42.6 million
 - Utilities Billing System – \$3.1 million
 - Sewer Line and Manhole Rehabilitation – \$1.0 million
- ◆ Additions to major Utilities construction in progress:
 - Timsbury Pump Station – \$2.6 million
 - Elkhardt Elevated Tank – \$1.8 million
 - Southwest Corridor Water Line, Phase II – \$1.2 million

The County's FY2012 capital improvement program budget added \$58.1 million in funding for capital projects, which includes \$37.4 million for the primary government and \$20.7 million for the School Board. Principal projects for the primary government include phase III of the renovation of the Lane B. Ramsey administrative building; major facilities maintenance and repair; Mental Health Support Services Intermediate Care Facility; Matoaca Park expansion; fire apparatus replacement; fire station facilities; technology improvements; Newby's Bridge Road extension; and South Central Wastewater Treatment Plant upgrades;

School projects are principally for school building improvements, including upgrades of heating, ventilation and air conditioning systems at various schools and technology improvements. The County plans to issue additional debt to finance portions of these and future projects as identified in the FY2012-2016 Capital Improvement Program.

Long-term Debt

At year-end, the County had \$641.4 million in bonds, leases and other long-term debt outstanding, a decrease of \$30.4 million (4.5%) compared to the prior year (see Table 4). More detailed information about the County's long-term liabilities is presented in Note 9 to the financial statements. The amount of "on behalf" debt outstanding related to School Board activities is \$349.8 million of the total outstanding debt of the governmental activities.

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

The County's fiscally responsible financial policies, solid financial results and sound management were reaffirmed early in fiscal year 2011. The County's "AAA" general obligation bond rating from all three major rating agencies was confirmed when it entered the bond market in September 2010 to sell \$7.2 million of public facility revenue refunding bonds and \$8.3 million of taxable recovery zone economic development revenue bonds through the Chesterfield County Economic Development Authority. In March 2011, Fitch Ratings affirmed the County's Water and Sewer Revenue Bonds as "AAA". Fitch cited sound management practices, affordable and competitive user rates, ample treatment capacity, sufficient water supply, low debt levels and manageable future capital needs as the rationale for their rating.

TABLE 4
Chesterfield County's Outstanding Debt
June 30, 2011 and 2010
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011-2010</u>
General obligation bonds, net (backed by the County)	\$ 443.9	\$ 466.9	\$ -	\$ -	\$ 443.9	\$ 466.9	(4.9%)
Revenue bonds, net (backed by user fee revenues)	-	-	89.8	98.1	89.8	98.1	(8.5%)
Certificates of participation	60.6	65.6	-	-	60.6	65.6	(7.6%)
Support agreement	21.1	14.0	-	-	21.1	14.0	50.7%
Taxable redevelopment facility note	16.6	16.6	-	-	16.6	16.6	0.0%
Public facility lease	7.2	8.1	-	-	7.2	8.1	(11.1%)
Capital lease purchases	0.9	1.1	1.3	1.4	2.2	2.5	(12.0%)
Total	<u>\$ 550.3</u>	<u>\$ 572.3</u>	<u>\$ 91.1</u>	<u>\$ 99.5</u>	<u>\$ 641.4</u>	<u>\$ 671.8</u>	(4.5%)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The County's annual unemployment rate for 2010 averaged 6.9% and was an increase from the previous year's rate of 6.6%. The County's annual unemployment rate for 2010 of 6.9% was comparable to the Commonwealth's 6.9% annual unemployment rate for the same period. The County's unemployment rate for July 2011 was 6.1% compared to the Commonwealth's rate of 6.2%. Improvements in unemployment are expected to be gradual and somewhat volatile at times as the economy rebuilds job growth lost during the recession.

The County's investments, excluding Trust Funds, (Primary Government Portfolio) are invested in accordance with an Investment Policy created and maintained by the Treasurer of Chesterfield County. The

Investment Policy was established to ensure effective management of the day-to-day investment activity for the County, and is designed to maximize non-tax revenues by investing funds when not needed for current obligations. The objective is to obtain the highest possible yield on available financial assets, consistent with constraints imposed by safety objectives, cash flow considerations and the laws of the Commonwealth of Virginia that restrict the placement of public funds. The Primary Government Portfolio is managed in a manner to attain a market rate of return throughout budgetary and economic cycles while preserving and protecting capital in the overall portfolio.

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

Subsequent to year end, a major credit agency (Standard and Poor's) downgraded the credit rating of U. S. sovereign debt. Although this downgrade does not directly impact the County from an investment portfolio perspective, it is important to note that the County is likely to be impacted by the flow of intergovernmental revenues that are subject to economic decisions made at both the federal and state level.

During fiscal year 2010, the Commonwealth initiated certain responsive actions to the economic downturn that will continue to impact the County. Through changes in certain actuarial assumptions for VRS sponsored retirement plans, which were affected by legislation passed by the General Assembly, the Commonwealth was able to defer rate increases requested by the VRS Trustees, and an increase in the local employer share of these pension contributions was similarly deferred. The impact of these deferrals reduced pension related costs of the County in fiscal year 2011. The legislation requires that this deferral of costs begin to be replenished starting in fiscal year 2012 and will continue until fully replenished in fiscal year 2021. Ultimately, it is likely that there will be significant increases in the local employer costs to be funded in order for the VRS to meet its future payment obligations.

State code requires the County to contribute the normal employer contribution to fund County employees' participation in VRS. The normal contribution rate, as determined by the June 30, 2009, actuarial valuation report, is 11.59% of covered payroll for fiscal years 2011 and 2012. The report indicates that, if separated, the employer contribution rate would be 7.92% for the general employee population and 18.56% for eligible hazardous duty employees. As discussed in the plan description under Note 12 of the financial statements, eligible hazardous duty employees are entitled to enhanced benefits under the plan. The enhanced benefits include use of a multiplier that is 8.8% higher than that used to determine benefits for general employees. In addition, employees serving twenty or more years in a hazardous duty position are eligible for a supplement of \$1,038 per month until normal retirement age under Social Security is reached. The supplement is established by VRS through the actuarial valuation process and is reviewed every two years.

The Line of Duty Act (LODA) (Section 9.1-400 et seq. of the Code of Virginia) provides benefits to certain hazardous duty employees, or their survivors, who are disabled or die in the line of duty. Employees eligible for benefit coverage under LODA include hazardous duty local employees and volunteer fire department, police department and rescue squad members. During the 2010 session of the General Assembly, a budget amendment shifted the cost of LODA from the Commonwealth's General Fund to local governments. This amendment also retroactively shifted the cost of existing and past liabilities. Effective July 1, 2010, a Trust Fund was created in VRS to pay for LODA benefits. With an effective date of July 1, 2011, local governments have until June 30, 2012, to elect to participate in the Trust Fund or to opt out of the Trust Fund and create its own self-funded plan. Because of the high quality of its training programs and continuous emphasis on safety and wellness, the County has significantly fewer claims than similarly sized local governments; therefore, the County's most cost effective option is self-funding. On June 15, 2011, the County Board elected to opt out of the Trust Fund. The County is currently exploring LODA funding options and has completed a preliminary actuarial valuation for analytical purposes. The preliminary study projects an unfunded actuarial accrued liability of approximately \$7.3 million at July 1, 2011, with an annual required contribution of \$0.9 million which includes approximately \$0.2 million in expected benefit payments. Based on the preliminary study and the immateriality of the actuarially determined amounts from the preliminary study in relation to the government-wide statements,

management has opted to exclude any impact of LODA from its FY2011 financial statements beyond the approximately \$0.2 million it owes the Trust Fund for FY2011 benefit payments. Once decisions have been made regarding funding options and the actual valuation has been completed, the County will include the impact of LODA in its financial reporting.

The County developed a Biennial Financial Plan for fiscal years 2011 and 2012 that was adopted on April 14, 2010, whereby the resolution for the first year of the biennium contained appropriated first-year expenditures and approved second-year expenditures. For the second year of the biennium, necessary amendments were made to the approved budget and the Board adopted and appropriated the second-year spending plan on April 13, 2011.

The FY2012 budget, totaling \$1.1 billion, represents an increase of 0.2% over the FY2011 adopted budget. Recent recessionary pressures have necessitated some significant changes to the size and shape of local government in the County. The FY2012 financial plan provides an additional \$3.7 million to advance a number of vital public safety priorities, including resources to fund career development efforts in police and fire as well as funding for four additional police officers and two additional emergency communications officer positions. The plan includes resources for four new fire engines and replacement funding for two additional units, bringing the percentage of fire apparatus that is 15 years or older from 26% in FY2009 to approximately 2%. The plan includes a 2% merit increase for all eligible County employees. The plan also includes locally funded disability, health insurance and other related coverage to public safety personnel injured or killed in the line of duty. The FY2012 budget preserves the share of property taxes dedicated for education at 65%, continues to provide funding for the School Resource Officer program and reduces annual charges for services rendered by general government departments, such as ground maintenance, to all school sites. The budget was adopted with a real estate tax rate of \$0.95 per \$100 of assessed value. Real estate tax revenues are budgeted at \$296.3 million in FY2012, a decrease of \$7.1 million (2.3%). Real estate revenue projections assume a 2.2% decrease in assessments in CY2012 following a decline of 3.4% in CY2011.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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



FINANCIAL STATEMENTS

County of Chesterfield, Virginia
Statement of Net Assets
June 30, 2011

Exhibit I

	Primary Government				
	Governmental	Business-type		Component	Total
	Activities	Activities	Total	Units	Reporting Entity
ASSETS					
Cash and cash equivalents	\$ 282,917,039	\$ 38,411,347	\$ 321,328,386	\$ 55,848,777	\$ 377,177,163
Investments	134,702,805	108,496,005	243,198,810	14,781,819	257,980,629
Receivables,					
net of allowance for uncollectibles	231,912,583	15,841,503	247,754,086	12,272,058	260,026,144
Due from primary government	-	-	-	55,042,070	55,042,070
Internal balances	280,000	(280,000)	-	-	-
Inventories	595,038	839,580	1,434,618	1,515,980	2,950,598
Prepays	7,360,759	-	7,360,759	26,123,088	33,483,847
Bond issuance expenses,					
net of amortization	1,900,007	544,849	2,444,856	1,913,349	4,358,205
Capital assets, not being depreciated	97,632,242	87,405,146	185,037,388	15,437,552	200,474,940
Other capital and intangible assets,					
net of depreciation	900,595,090	766,768,010	1,667,363,100	63,003,295	1,730,366,395
Total assets	1,657,895,563	1,018,026,440	2,675,922,003	245,937,988	2,921,859,991
LIABILITIES					
Accounts payable	46,749,766	10,613,622	57,363,388	41,099,758	98,463,146
Due to component units	55,042,070	-	55,042,070	-	55,042,070
Unearned revenues	145,295,600	-	145,295,600	2,210,649	147,506,249
Deposits and advances	-	21,271	21,271	12,670,848	12,692,119
Developers' connection fees refundable	-	1,389,067	1,389,067	-	1,389,067
Prepaid connection fees	-	290,760	290,760	-	290,760
Non-current liabilities:					
Due within one year	63,713,140	4,961,824	68,674,964	15,583,052	84,258,016
Due in more than one year	525,432,101	88,709,152	614,141,253	105,371,985	719,513,238
Total liabilities	836,232,677	105,985,696	942,218,373	176,936,292	1,119,154,665
NET ASSETS					
Invested in capital assets,					
net of related debt	574,885,562	765,410,845	1,340,296,407	25,732,155	1,366,028,562
Restricted for:					
Capital projects	38,073,583	-	38,073,583	-	38,073,583
Contractual agreement	-	21,271	21,271	-	21,271
Debt covenants	-	15,615,957	15,615,957	600,358	16,216,315
Grantor programs	8,589,453	-	8,589,453	490,948	9,080,401
Legislated programs	9,876,749	-	9,876,749	5,837,284	15,714,033
Other post employment benefits asset	1,327,473	-	1,327,473	176,161	1,503,634
Pension asset	11,433	-	11,433	23,420,189	23,431,622
Public safety programs	919,501	-	919,501	-	919,501
Expendable	9,491	-	9,491	-	9,491
Nonexpendable	5,000	-	5,000	-	5,000
Total restricted	58,812,683	15,637,228	74,449,911	30,524,940	104,974,851
Unrestricted	187,964,641	130,992,671	318,957,312	12,744,601	331,701,913
Total net assets	\$ 821,662,886	\$ 912,040,744	\$ 1,733,703,630	\$ 69,001,696	\$ 1,802,705,326

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

County of Chesterfield, Virginia
Statement of Activities
For the Year Ended June 30, 2011

Exhibit II

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets			Total Reporting Entity
	Expenses	Charges for Services	Operating Grants and Contributions		Primary Government		Component Units	
			Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities		
Primary government								
Governmental activities								
General government	\$ 58,141,077	\$ 25,073,965	\$ 1,365,290	\$ -	\$ (31,701,822)	\$ -	\$ (31,701,822)	\$ (31,701,822)
Administration of justice	9,838,076	2,237,687	3,719,348	-	(3,881,041)	-	(3,881,041)	(3,881,041)
Public safety	159,738,182	14,615,801	12,682,144	2,084,196	(130,356,041)	-	(130,356,041)	(130,356,041)
Public works	28,851,217	4,034,352	42,981	10,604,794	(14,169,090)	-	(14,169,090)	(14,169,090)
Health and welfare	72,416,110	22,551,628	24,854,478	-	(25,010,004)	-	(25,010,004)	(25,010,004)
Parks, recreation and cultural	21,531,768	3,509,784	308,157	1,816,528	(15,897,299)	-	(15,897,299)	(15,897,299)
Education - School Board	310,962,247	104,386	49,115,956	5,002,073	(256,739,832)	-	(256,739,832)	(256,739,832)
Community development	18,143,396	3,840,922	2,128,295	-	(12,174,179)	-	(12,174,179)	(12,174,179)
Interest on long-term debt	21,600,283	-	-	-	(21,600,283)	-	(21,600,283)	(21,600,283)
Total governmental activities	701,222,356	75,968,525	94,216,649	19,507,591	(511,529,591)	-	(511,529,591)	(511,529,591)
Business-type activities								
Water	36,717,857	34,918,515	-	10,662,116	-	8,862,774	8,862,774	8,862,774
Wastewater	30,679,018	34,197,043	-	15,857,942	-	19,375,967	19,375,967	19,375,967
Airport	1,892,830	651,579	-	185,590	-	(1,055,661)	(1,055,661)	(1,055,661)
Total business-type activities	69,289,705	69,767,137	-	26,705,648	-	27,183,080	27,183,080	27,183,080
Total primary government	\$ 770,512,061	\$ 145,735,662	\$ 94,216,649	\$ 46,213,239	(511,529,591)	(484,346,511)	(484,346,511)	(484,346,511)
Component units	\$ 582,877,141	\$ 35,632,194	\$ 102,252,099	\$ -	-	(444,992,848)	(444,992,848)	(444,992,848)
General revenues:								
Taxes:								
Property taxes, levied for general purposes								
Property taxes, levied for special purposes								
Utility taxes								
Sales taxes								
Motor vehicle licenses								
Business license taxes								
Other								
Payment from School Board								
Payment from County of Chesterfield								
Grants and contributions not restricted to specific programs								
Investment earnings								
Miscellaneous								
Special item - Meadowville Support Agreement (Note 16)								
Transfers								
Total general revenues and transfers								
Change in net assets								
Net assets-July 1, 2010								
Net assets-June 30, 2011								

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

County of Chesterfield, Virginia
Balance Sheet
Governmental Funds
June 30, 2011

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	\$ 211,386,669	\$ 27,577,557	\$ 3,640,877	\$ 7,232,914	\$ 249,838,017
Cash, cash equivalents and investments with fiscal agents	32,335	11,388,474	-	-	11,420,809
Investments	48,961,377	44,468,705	41,272,723	-	134,702,805
Receivables, net of allowances for uncollectibles of \$17,638,083	179,515,996	59,344	14,612	1,651,936	181,241,888
Due from other funds	280,000	-	-	-	280,000
Due from other governments	46,368,380	1,221,184	-	3,010,223	50,599,787
Total assets	<u>\$ 486,544,757</u>	<u>\$ 84,715,264</u>	<u>\$ 44,928,212</u>	<u>\$ 11,895,073</u>	<u>\$ 628,083,306</u>
LIABILITIES					
Accounts payable	\$ 6,446,433	\$ 2,841,872	\$ 5,832,917	\$ 1,980,716	\$ 17,101,938
Due to component units:					
School Board	55,033,050	-	-	-	55,033,050
Economic Development Authority	9,020	-	-	-	9,020
Accrued liabilities	14,535,734	45,540	-	521,197	15,102,471
Retainages payable	-	574,565	1,043,820	16,370	1,634,755
Deferred revenues:					
Uncollected taxes	160,497,839	-	-	-	160,497,839
Other	1,592,417	11,804	-	1,462,769	3,066,990
Deposits payable	384,335	878,510	-	-	1,262,845
Total liabilities	<u>238,498,828</u>	<u>4,352,291</u>	<u>6,876,737</u>	<u>3,981,052</u>	<u>253,708,908</u>
FUND BALANCES					
Nonspendable	-	-	-	5,000	5,000
Restricted	11,486,173	80,362,973	37,836,475	1,822,055	131,507,676
Committed	690,074	-	-	-	690,074
Assigned	182,374,682	-	215,000	6,086,966	188,676,648
Unassigned	53,495,000	-	-	-	53,495,000
Total fund balances	<u>248,045,929</u>	<u>80,362,973</u>	<u>38,051,475</u>	<u>7,914,021</u>	<u>374,374,398</u>
Total liabilities and fund balances	<u>\$ 486,544,757</u>	<u>\$ 84,715,264</u>	<u>\$ 44,928,212</u>	<u>\$ 11,895,073</u>	

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

Capital assets, net of accumulated depreciation, and prepayment for future capital assets used in governmental activities are not financial resources and are not reported in the funds. 989,310,230

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

Uncollected taxes receivable	\$ 13,381,527	
Uncollected receivables from other governments	3,746,544	
Uncollected miscellaneous receivables	<u>1,659,784</u>	18,787,855

Prepaid items:

Other post employment benefit asset	1,327,473	
Prepaid pension asset	11,433	
Prepaid capital asset	1,750,603	
Rent	<u>4,271,250</u>	7,360,759

Internal service funds are used by management to charge the costs of certain activities, such as insurance, vehicles and communications, and capital projects management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets. 24,215,644

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

Net bonds, certificates of participation, public facility lease, taxable redevelopment facility note, support agreements, capital lease purchases and unamortized bond issuance costs	(548,435,522)	
Judgments and claims	(8,409,788)	
Landfill	(1,353,892)	
Retirement plan obligations, net	(2,514,119)	
Compensated absences	(18,920,488)	
Pollution remediation obligation	(2,686,500)	
Interest payable	<u>(10,065,691)</u>	(592,386,000)

Net assets of governmental activities	<u>\$ 821,662,886</u>
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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 Balances
Governmental Funds
For the Year Ended June 30, 2011

	<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	\$ 370,513,296	\$ -	\$ -	\$ -	\$ 370,513,296
Other local taxes	80,008,276	-	-	-	80,008,276
Permits, privilege fees and regulatory licenses	3,586,770	-	-	-	3,586,770
Fines and forfeitures	2,296,228	-	-	-	2,296,228
Use of money and property	1,123,310	435,746	93,135	503	1,652,694
Contributions from developers	-	4,449,453	-	-	4,449,453
Charges for services	33,103,889	824	104,386	5,414,163	38,623,262
Miscellaneous	2,556,189	405,013	219,487	300,014	3,480,703
Recovered costs	12,859,955	-	-	280,173	13,140,128
Donations and contributions	186,352	348,048	-	95,327	629,727
From component unit - School Board	47,831,237	-	12,349,715	1,197,100	61,378,052
From other governments	148,557,731	6,210,421	-	13,789,408	168,557,560
Total revenues	<u>702,623,233</u>	<u>11,849,505</u>	<u>12,766,723</u>	<u>21,076,688</u>	<u>748,316,149</u>
Expenditures					
Current:					
General government	42,636,365	-	-	-	42,636,365
Administration of justice	8,356,400	-	-	795,833	9,152,233
Public safety	144,464,322	-	-	11,758,965	156,223,287
Public works	16,994,061	-	-	336,360	17,330,421
Health and welfare	64,382,860	-	-	8,285,575	72,668,435
Parks, recreation and cultural	22,296,015	-	-	78,196	22,374,211
Education - School Board	284,725,304	-	1,547,938	679,220	286,952,462
Community development	14,743,418	-	-	2,212,662	16,956,080
Debt service:					
Retirement of principal	45,453,298	-	-	-	45,453,298
Interest	23,687,589	-	-	-	23,687,589
Other	667,429	-	-	-	667,429
Capital outlay	-	27,229,087	32,043,776	-	59,272,863
Total expenditures	<u>668,407,061</u>	<u>27,229,087</u>	<u>33,591,714</u>	<u>24,146,811</u>	<u>753,374,673</u>
Excess (deficiency) of revenues over (under) expenditures	<u>34,216,172</u>	<u>(15,379,582)</u>	<u>(20,824,991)</u>	<u>(3,070,123)</u>	<u>(5,058,524)</u>
Other financing sources (uses)					
Transfers in	1,635,549	13,216,713	2,472,580	4,063,320	21,388,162
Transfers out	(18,227,381)	(1,591,222)	(27,948)	(778,749)	(20,625,300)
Bonds issued	72,157	-	15,557,843	-	15,630,000
Premium on bonds issued	-	-	1,192,749	-	1,192,749
Refunding bonds issued	7,185,000	-	-	-	7,185,000
Premium on refunding bonds issued	214,075	-	-	-	214,075
Payment to refunded bonds escrow agent	(7,462,503)	-	-	-	(7,462,503)
Total other financing sources (uses), net	<u>(16,583,103)</u>	<u>11,625,491</u>	<u>19,195,224</u>	<u>3,284,571</u>	<u>17,522,183</u>
Net change in fund balances	17,633,069	(3,754,091)	(1,629,767)	214,448	12,463,659
Fund balances, July 1, 2010	230,412,860	84,117,064	39,681,242	7,699,573	361,910,739
Fund balances, June 30, 2011	<u>\$ 248,045,929</u>	<u>\$80,362,973</u>	<u>\$ 38,051,475</u>	<u>\$ 7,914,021</u>	<u>\$ 374,374,398</u>

(Continued)

County of Chesterfield, Virginia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

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.	\$	12,463,659
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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	\$ 40,853,123	
Depreciation	<u>(32,733,219)</u>	8,119,904

In the Statement of Activities, only the gain on the sale of surplus assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the surplus assets sold.		(487,330)
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Donations of capital assets increase revenues in the Statement of Activities but do not appear in the governmental funds because they are not financial resources.		6,005,925
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		(2,743,003)
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Prepaid expenditures in the fund statements that benefit future periods are not expenses in the government-wide statements.		4,271,250
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Debt proceeds provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the Statement of Net Assets:

Payments	52,915,801	
Proceeds	<u>(24,221,824)</u>	28,693,977

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	552,591	
Judgement and claims	(258,221)	
Retirement plan obligations, net	263,335	
Arbitrage	482,341	
Landfill	218,908	
Pollution remediation obligation	1,050	
Support agreements	(8,345,000)	
Interest payable	675,516	
Amortization of bond premiums and issuance costs	2,487,249	
Amortization of deferred amount on refunding	<u>(890,371)</u>	(4,812,602)

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.		<u>5,492,530</u>
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Change in net assets of governmental activities.	\$	<u>57,004,310</u>
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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, 2011

	<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	\$ 359,185,100	\$ 359,185,100	\$ 370,513,296	\$ 11,328,196
Other local taxes	89,962,400	90,193,800	95,408,194	5,214,394
Permits, privilege fees and regulatory licenses	3,664,133	3,842,103	4,031,752	189,649
Fines and forfeitures	1,367,799	1,641,114	2,296,228	655,114
Use of money and property	1,993,900	1,994,442	1,123,310	(871,132)
Charges for services	31,542,900	31,953,985	32,658,907	704,922
Miscellaneous	811,000	962,703	2,556,189	1,593,486
Recovered costs	10,539,400	12,429,161	12,859,955	430,794
Donations and contributions	114,900	201,989	186,352	(15,637)
From other governments	125,698,100	125,821,926	133,157,813	7,335,887
Total revenues	<u>624,879,632</u>	<u>628,226,323</u>	<u>654,791,996</u>	<u>26,565,673</u>
Expenditures				
Current:				
General government	47,661,973	47,441,909	42,624,332	4,817,577
Administration of justice	8,312,875	8,669,228	8,387,202	282,026
Public safety	140,643,558	148,058,260	144,469,421	3,588,839
Public works	16,610,243	17,528,693	16,994,061	534,632
Health and welfare	66,531,923	68,283,394	64,897,645	3,385,749
Parks, recreation and cultural	17,792,609	22,696,451	22,296,015	400,436
Community development	14,579,608	15,564,365	14,743,418	820,947
Non-departmental	1,568,798	1,796,440	12,034	1,784,406
Debt service:				
Retirement of principal	15,617,300	15,617,300	14,599,169	1,018,131
Interest	10,200,700	9,083,270	7,070,810	2,012,460
Other	731,100	808,380	307,100	501,280
Total expenditures	<u>340,250,687</u>	<u>355,547,690</u>	<u>336,401,207</u>	<u>19,146,483</u>
Excess of revenues over expenditures	<u>284,628,945</u>	<u>272,678,633</u>	<u>318,390,789</u>	<u>45,712,156</u>
Other financing sources (uses)				
Transfers in	1,605,800	1,635,549	1,635,549	-
Transfers out	(308,938,800)	(363,422,285)	(302,329,841)	61,092,444
Proceeds from refunding bonds issued	-	7,185,000	7,185,000	-
Premium on refunding bonds issued	-	214,076	214,075	(1)
Payment to refunded bond escrow agent	-	(7,462,503)	(7,462,503)	-
Total other financing uses, net	<u>(307,333,000)</u>	<u>(361,850,163)</u>	<u>(300,757,720)</u>	<u>61,092,443</u>
Net change in fund balance	(22,704,055)	(89,171,530)	17,633,069	106,804,599
Fund balance, July 1, 2010	<u>230,412,860</u>	<u>230,412,860</u>	<u>230,412,860</u>	<u>-</u>
Fund balance, June 30, 2011	<u>\$ 207,708,805</u>	<u>\$ 141,241,330</u>	<u>\$ 248,045,929</u>	<u>\$ 106,804,599</u>

(Continued)

County of Chesterfield, Virginia
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2011

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

Total revenues on the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	\$ 654,791,996
Revenue is recorded to reimburse the primary government for debt service on debt issued "on behalf" of the School Board component unit for financial reporting purposes.	<u>47,831,237</u>
Total revenues of the General Fund on the Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds	<u>\$ 702,623,233</u>

Expenditures

Total expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	\$ 336,401,207
Local funding of grant programs are transfers to other funds, rather than expenditures, for financial reporting purposes.	(550,687)
Budgetary transfers to component units are expenditures for financial reporting purposes.	284,653,147
Proceeds from debt issued "on behalf" of the School Board component unit are considered expenditures for the primary government for financial reporting purposes.	72,157
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>47,831,237</u>
Total expenditures of the General Fund on the Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds	<u>\$ 668,407,061</u>

Other financing sources (uses)

Total other financing uses on the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	\$ (300,757,720)
Local funding of grant programs are transfers to other funds, rather than expenditures, for financial reporting purposes.	(550,687)
Budgetary transfers to component units are expenditures for financial reporting purposes.	284,653,147
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>72,157</u>
Total other financing uses of the General Fund on the Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds	<u>\$ (16,583,103)</u>

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

County of Chesterfield, Virginia
Statement of Net Assets
Proprietary Funds
June 30, 2011

Exhibit VI

	Business-type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	<u>Water</u>	<u>Wastewater</u>	<u>Non-major Airport</u>	<u>Total</u>	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 20,363,688	\$ 7,300,625	\$ 561,163	\$ 28,225,476	\$ 21,658,213
Investments	26,178,622	73,932,090	-	100,110,712	-
Receivables, net of allowances for uncollectibles of \$143,291					
Accounts	7,512,171	6,976,010	90,398	14,578,579	70,908
Accrued interest	35,809	79,877	-	115,686	-
Special assessments	13,698	43,158	-	56,856	-
Total net receivables	<u>7,561,678</u>	<u>7,099,045</u>	<u>90,398</u>	<u>14,751,121</u>	<u>70,908</u>
Due from other governments	18,500	348,870	17,479	384,849	-
Due from other funds	23,000,000	-	-	23,000,000	-
Inventories	839,580	-	-	839,580	595,038
Total current assets	<u>77,962,068</u>	<u>88,680,630</u>	<u>669,040</u>	<u>167,311,738</u>	<u>22,324,159</u>
Non-current assets:					
Accrued interest receivable	-	161,148	-	161,148	-
Special assessments receivable	183,151	361,234	-	544,385	-
Restricted cash and cash equivalents:					
Cash and cash equivalents	-	-	6,745	6,745	-
Investments	4,787,943	3,597,350	-	8,385,293	-
Cash and cash equivalents with trustees	<u>5,225,342</u>	<u>4,953,784</u>	<u>-</u>	<u>10,179,126</u>	<u>-</u>
Total restricted assets	<u>10,013,285</u>	<u>8,551,134</u>	<u>6,745</u>	<u>18,571,164</u>	<u>-</u>
Bond issuance expenses, net of amortization	171,566	373,283	-	544,849	-
Capital and Intangible assets:					
Capacity rights	70,347,180	2,971,920	-	73,319,100	-
Land	2,600,167	884,866	1,663,935	5,148,968	193,685
Buildings	44,772,567	119,949,495	7,093,957	171,816,019	2,190,768
Improvements other than buildings	7,945,623	20,372,000	27,341,578	55,659,201	311,805
Machinery and equipment	383,224,423	436,342,123	1,115,417	820,681,963	15,068,457
Construction in progress	<u>10,504,946</u>	<u>71,318,978</u>	<u>432,254</u>	<u>82,256,178</u>	<u>525,830</u>
Total capital and intangible assets	<u>519,394,906</u>	<u>651,839,382</u>	<u>37,647,141</u>	<u>1,208,881,429</u>	<u>18,290,545</u>
Less accumulated depreciation	<u>(134,540,686)</u>	<u>(205,103,050)</u>	<u>(15,064,537)</u>	<u>(354,708,273)</u>	<u>(9,373,443)</u>
Total capital and intangible assets, net of accumulated depreciation	<u>384,854,220</u>	<u>446,736,332</u>	<u>22,582,604</u>	<u>854,173,156</u>	<u>8,917,102</u>
Total non-current assets	<u>395,222,222</u>	<u>456,183,131</u>	<u>22,589,349</u>	<u>873,994,702</u>	<u>8,917,102</u>
Total assets	<u>473,184,290</u>	<u>544,863,761</u>	<u>23,258,389</u>	<u>1,041,306,440</u>	<u>31,241,261</u>

(Continued)

County of Chesterfield, Virginia
Statement of Net Assets
Proprietary Funds
June 30, 2011

Exhibit VI

	Business-type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	<u>Water</u>	<u>Wastewater</u>	<u>Non-major Airport</u>	<u>Total</u>	
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 3,489,122	\$ 3,587,227	\$ 29,998	\$ 7,106,347	\$ 1,068,671
Due to other funds	-	23,000,000	280,000	23,280,000	-
Accrued liabilities:					
Wages and benefits	675,966	572,076	18,849	1,266,891	513,395
Interest	-	-	8,399	8,399	-
Other	335,012	31,664	-	366,676	-
Total accrued liabilities	<u>1,010,978</u>	<u>603,740</u>	<u>27,248</u>	<u>1,641,966</u>	<u>513,395</u>
Compensated absences	427,694	410,308	16,424	854,426	273,061
Judgments and claims	148,579	204,752	5,431	358,762	2,605,562
Obligations under certificates of participation	-	-	96,182	96,182	-
Revenue bonds payable	<u>1,788,100</u>	<u>1,864,354</u>	<u>-</u>	<u>3,652,454</u>	<u>-</u>
Total current liabilities	<u>6,864,473</u>	<u>29,670,381</u>	<u>455,283</u>	<u>36,990,137</u>	<u>4,460,689</u>
Non-current liabilities:					
Liabilities payable from restricted assets:					
Principal installments with trustee	1,180,000	1,179,988	-	2,359,988	-
Accrued interest payable	289,780	284,168	-	573,948	-
Deposits and advances	<u>6,026</u>	<u>8,500</u>	<u>6,745</u>	<u>21,271</u>	<u>-</u>
Total liabilities payable from restricted assets	<u>1,475,806</u>	<u>1,472,656</u>	<u>6,745</u>	<u>2,955,207</u>	<u>-</u>
Developers' connection fees refundable	440,030	949,037	-	1,389,067	-
Retainages payable	152,358	1,139,003	-	1,291,361	-
Prepaid connection fees	45,615	245,145	-	290,760	-
Compensated absences	276,071	277,349	7,490	560,910	174,529
Unearned revenue	-	-	-	-	518,626
Judgments and claims	324,601	198,268	11,864	534,733	1,795,381
Retirement plan obligations	150,848	84,555	4,443	239,846	76,392
Obligations under certificates of participation	-	-	1,186,679	1,186,679	-
Revenue bonds payable, net of premiums	<u>39,650,156</u>	<u>44,176,840</u>	<u>-</u>	<u>83,826,996</u>	<u>-</u>
Total non-current liabilities	<u>42,515,485</u>	<u>48,542,853</u>	<u>1,217,221</u>	<u>92,275,559</u>	<u>2,564,928</u>
Total liabilities	<u>49,379,958</u>	<u>78,213,234</u>	<u>1,672,504</u>	<u>129,265,696</u>	<u>7,025,617</u>
NET ASSETS					
Invested in capital assets, net of related debt	343,415,964	400,695,138	21,299,743	765,410,845	8,917,102
Restricted:					
Contractual agreements	6,026	8,500	6,745	21,271	-
Debt covenants	<u>8,537,479</u>	<u>7,078,478</u>	<u>-</u>	<u>15,615,957</u>	<u>-</u>
Total restricted	<u>8,543,505</u>	<u>7,086,978</u>	<u>6,745</u>	<u>15,637,228</u>	<u>-</u>
Unrestricted	<u>71,844,863</u>	<u>58,868,411</u>	<u>279,397</u>	<u>130,992,671</u>	<u>15,298,542</u>
Total net assets	\$ 423,804,332	\$ 466,650,527	\$ 21,585,885	\$ 912,040,744	\$ 24,215,644

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

County of Chesterfield, Virginia
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2011

Exhibit VII

	Business-type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	Water	Wastewater	Non-major Airport	Total	
Operating revenues					
Charges for services	\$ 33,191,541	\$ 34,163,734	\$ 82,092	\$ 67,437,367	\$ 27,267,775
Sale of supplies	685,770	-	-	685,770	-
Rental fees	987,147	-	559,467	1,546,614	-
Change in actuarial estimate of claims	-	-	-	-	3,821,436
Other	54,057	33,309	10,020	97,386	592,377
Total operating revenues	<u>34,918,515</u>	<u>34,197,043</u>	<u>651,579</u>	<u>69,767,137</u>	<u>31,681,588</u>
Operating expenses					
Salaries and wages	8,051,618	7,366,745	291,856	15,710,219	7,547,840
Contractual services	10,542,747	3,712,403	109,250	14,364,400	1,104,009
Capacity rights amortization	1,807,986	118,877	-	1,926,863	-
Materials and supplies	2,423,609	3,002,715	17,601	5,443,925	9,804,725
Heat, light and power	1,184,094	2,479,881	71,689	3,735,664	64,232
Rent	1,500	-	-	1,500	31,620
Depreciation	9,895,819	12,482,304	1,206,412	23,584,535	1,915,520
Repairs and maintenance	624,811	994,855	139,742	1,759,408	1,630,546
Insurance	-	-	-	-	2,430,807
Claims	-	-	3,329	3,329	1,967,790
Other	314,062	162,651	1,528	478,241	35,670
Total operating expenses	<u>34,846,246</u>	<u>30,320,431</u>	<u>1,841,407</u>	<u>67,008,084</u>	<u>26,532,759</u>
Operating income (loss)	<u>72,269</u>	<u>3,876,612</u>	<u>(1,189,828)</u>	<u>2,759,053</u>	<u>5,148,829</u>
Non-operating revenues (expenses)					
Interest and dividend income	372,359	615,648	-	988,007	10,817
Bond amortization and interest expense	(1,452,448)	-	(51,423)	(1,503,871)	-
Gain(loss) on disposal of capital assets	(66,414)	(50,094)	-	(116,508)	29,525
Other	(354,811)	(312,425)	-	(667,236)	-
Net non-operating revenues (expenses)	<u>(1,501,314)</u>	<u>253,129</u>	<u>(51,423)</u>	<u>(1,299,608)</u>	<u>40,342</u>
Income (loss) before contributions and transfers	(1,429,045)	4,129,741	(1,241,251)	1,459,445	5,189,171
Capital contributions	10,662,116	15,857,942	185,590	26,705,648	372,136
Transfers in	25,000	-	225,715	250,715	-
Transfers out	(942,200)	(2,600)	-	(944,800)	(68,777)
Change in net assets	8,315,871	19,985,083	(829,946)	27,471,008	5,492,530
Total net assets-July 1, 2010	415,488,461	446,665,444	22,415,831	884,569,736	18,723,114
Total net assets-June 30, 2011	<u>\$ 423,804,332</u>	<u>\$ 466,650,527</u>	<u>\$ 21,585,885</u>	<u>\$ 912,040,744</u>	<u>\$ 24,215,644</u>

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, 2011

	Business-type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	<u>Water</u>	<u>Wastewater</u>	<u>Non-major Airport</u>	<u>Total</u>	
Cash flows from operating activities					
Receipts from customers	\$ 34,077,962	\$ 33,509,030	\$ 667,876	\$ 68,254,868	\$ 27,277,527
Payments to suppliers	(15,607,937)	(11,016,027)	(318,667)	(26,942,631)	(15,057,424)
Payments to employees	(7,784,132)	(7,212,413)	(297,251)	(15,293,796)	(7,412,336)
Claims recovered	-	-	-	-	568,429
Claims paid	-	-	(3,329)	(3,329)	(1,840,442)
Other receipts	-	-	-	-	525,052
Net cash provided by operating activities	<u>10,685,893</u>	<u>15,280,590</u>	<u>48,629</u>	<u>26,015,112</u>	<u>4,060,806</u>
Cash flows from non-capital financing activities					
Transfers in	25,000	-	194,100	219,100	-
Transfers out	(942,200)	(2,600)	-	(944,800)	(68,777)
Advance from Water to Wastewater	<u>(23,000,000)</u>	<u>23,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided by (used in) non-capital financing activities	<u>(23,917,200)</u>	<u>22,997,400</u>	<u>194,100</u>	<u>(725,700)</u>	<u>(68,777)</u>
Cash flows from capital and related financing activities					
Advance from General Fund	-	-	350,000	350,000	-
Repayment to General Fund	-	-	(500,000)	(500,000)	-
Purchase of capital assets	(8,167,942)	(40,659,117)	(597,956)	(49,425,015)	(1,274,171)
Purchase of capacity rights	(2,281,531)	-	-	(2,281,531)	-
Payments to developers for utility assets	(292,016)	(235,938)	-	(527,954)	-
Retainages paid to contractors	(286,427)	(1,831,180)	(128,997)	(2,246,604)	-
Proceeds from sale of capital assets	-	4,525	-	4,525	171,864
Capital contributions	4,648,130	13,611,524	1,136,807	19,396,461	-
Interest paid on bonds, certificates of participation and other liabilities	(4,090,483)	(6,389,240)	(51,938)	(10,531,661)	-
Principal paid on revenue bonds and certificates of participation	(3,289,955)	(4,869,687)	(91,182)	(8,250,824)	-
Payment of other debt expenses	<u>(2,928)</u>	<u>(2,466)</u>	<u>-</u>	<u>(5,394)</u>	<u>-</u>
Net cash provided by (used in) capital and related financing activities	<u>(13,763,152)</u>	<u>(40,371,579)</u>	<u>116,734</u>	<u>(54,017,997)</u>	<u>(1,102,307)</u>
Cash flows from investing activities					
Purchase of investments	(55,263,454)	(150,138,825)	-	(205,402,279)	-
Proceeds from sale of investments	63,305,004	117,947,429	-	181,252,433	-
Interest received	<u>501,133</u>	<u>680,267</u>	<u>-</u>	<u>1,181,400</u>	<u>10,817</u>
Net cash provided by (used in) investing activities	<u>8,542,683</u>	<u>(31,511,129)</u>	<u>-</u>	<u>(22,968,446)</u>	<u>10,817</u>
Net increase (decrease) in cash and cash equivalents	<u>(18,451,776)</u>	<u>(33,604,718)</u>	<u>359,463</u>	<u>(51,697,031)</u>	<u>2,900,539</u>

(Continued)

County of Chesterfield, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2011

	Business-type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	<u>Water</u>	<u>Wastewater</u>	<u>Non-major Airport</u>	<u>Total</u>	
Cash and cash equivalents, June 30, 2010					
Cash and cash equivalents	\$ 28,319,463	\$ 13,886,924	\$ 201,690	\$ 42,408,077	\$ 18,757,674
Investments	39,078,682	40,541,722	-	79,620,404	-
Less: Investments with maturities greater than 90 days when purchased	(39,078,682)	(40,541,722)	-	(79,620,404)	-
Restricted cash and cash equivalents	4,578,759	3,512,817	6,755	8,098,331	-
Restricted cash, cash equivalents and investments with trustees	11,142,584	33,286,519	-	44,429,103	-
Less: Investments with maturities greater than 90 days when purchased	-	(4,827,133)	-	(4,827,133)	-
Total cash and cash equivalents, June 30, 2010	<u>44,040,806</u>	<u>45,859,127</u>	<u>208,445</u>	<u>90,108,378</u>	<u>18,757,674</u>
Cash and cash equivalents, June 30, 2011					
Cash and cash equivalents	20,363,688	7,300,625	561,163	28,225,476	21,658,213
Investments	26,178,622	73,932,090	-	100,110,712	-
Less: Investments with maturities greater than 90 days when purchased	(26,178,622)	(73,932,090)	-	(100,110,712)	-
Restricted cash and cash equivalents	-	-	6,745	6,745	-
Restricted investments	4,787,943	3,597,350	-	8,385,293	-
Less: Investments with maturities greater than 90 days when purchased	(4,787,943)	(3,597,350)	-	(8,385,293)	-
Restricted cash and cash equivalents with trustees	5,225,342	4,953,784	-	10,179,126	-
Total cash and cash equivalents, June 30, 2011	<u>\$ 25,589,030</u>	<u>\$ 12,254,409</u>	<u>\$ 567,908</u>	<u>\$ 38,411,347</u>	<u>\$ 21,658,213</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ 72,269	\$ 3,876,612	\$ (1,189,828)	\$ 2,759,053	\$ 5,148,829
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	9,895,819	12,482,304	1,206,412	23,584,535	1,915,520
Amortization	1,807,986	118,877	-	1,926,863	-
Changes in assets and liabilities:					
Receivables, net	(759,458)	(618,194)	16,307	(1,361,345)	119,578
Inventories	10,814	-	-	10,814	(68,753)
Accounts and other payables	(341,537)	(579,009)	15,738	(904,808)	(3,572,994)
Unearned revenue	-	-	-	-	518,626
Net cash provided by operating activities	<u>\$ 10,685,893</u>	<u>\$ 15,280,590</u>	<u>\$ 48,629</u>	<u>\$ 26,015,112</u>	<u>\$ 4,060,806</u>
Noncash transactions related to financing, capital and investing activities are as follows:					
Contributions of capital assets	\$ 5,448,306	\$ 5,291,895	\$ -	\$ 10,740,201	\$ 372,136
Issuance of developer contracts	248,812	10,756	-	259,568	-
Unrealized gain on investments	16,565	29,440	-	46,005	-

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

County of Chesterfield, Virginia
Statement of Fiduciary Net Assets
June 30, 2011

	<u>Pension Trust</u>	<u>OPEB Trust</u>	<u>OPEB Trust</u>	<u>Agency</u>
	<u>County Supplemental Retirement System</u>	<u>Pooled Post Employment Benefits County</u>	<u>Pooled Post Employment Benefits Schools</u>	
ASSETS				
Cash and cash equivalents	\$ 884,478	\$ -	\$ -	\$ 7,634,835
Investments with fiscal agent	-	-	-	1,298,665
Accounts receivable	990	9	7	622,177
Due from other governments	-	-	-	1,434,758
Restricted assets:				
Cash and cash equivalents	-	-	-	7,687,870
Investments	-	-	-	2,000,140
Cash, cash equivalents, and investments with trustee	-	-	-	13,392,675
Due from other governments	-	-	-	1,718,550
Interest receivable	-	-	-	3,248
Total restricted assets	-	-	-	24,802,483
Investments:				
Fund of funds	2,809,416	-	-	-
Common stocks	12,708,538	-	-	-
Corporate bonds	2,749,103	-	-	-
U.S. Government and agency securities	2,155,735	-	-	-
Exchange traded funds	813,496	-	-	-
Collateralized mortgage obligations	556,713	-	-	-
Pooled funds	-	13,697,784	5,494,053	-
Total investments	21,793,001	13,697,784	5,494,053	-
Total assets	22,678,469	13,697,793	5,494,060	\$ 35,792,918
LIABILITIES				
Accounts payable	6,728	-	-	-
Amounts held for others	-	-	-	35,792,918
Total liabilities	6,728	-	-	\$ 35,792,918
NET ASSETS				
Held in trust for pension/other post employment benefits	\$ 22,671,741	\$ 13,697,793	\$ 5,494,060	

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

County of Chesterfield, Virginia
Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2011

	<u>Pension Trust</u>	<u>OPEB Trust</u>	<u>OPEB Trust</u>
	<u>County</u>	<u>Pooled Post</u>	<u>Pooled Post</u>
	<u>Supplemental</u>	<u>Employment</u>	<u>Employment</u>
	<u>Retirement</u>	<u>Benefits</u>	<u>Benefits</u>
	<u>System</u>	<u>County</u>	<u>Schools</u>
Additions:			
Contributions - employer	\$ 1,625,000	\$ 8,538,209	\$ 18,193,000
Investment earnings:			
Interest and dividends	517,691	2,014	712
Accrued income	990	9	7
Net increase in the fair value of investments	<u>3,245,763</u>	<u>2,109,770</u>	<u>810,128</u>
Total investment income	3,764,444	2,111,793	810,847
Less investment expenses	<u>(163,348)</u>	<u>(13,427)</u>	<u>(5,147)</u>
Net investment income	<u>3,601,096</u>	<u>2,098,366</u>	<u>805,700</u>
Total additions, net	<u>5,226,096</u>	<u>10,636,575</u>	<u>18,998,700</u>
Deductions:			
Benefit payments	1,008,156	7,022,976	17,376,199
Administrative expenses	<u>65,008</u>	<u>500</u>	<u>500</u>
Total deductions	<u>1,073,164</u>	<u>7,023,476</u>	<u>17,376,699</u>
Change in net assets	4,152,932	3,613,099	1,622,001
Net assets - July 1, 2010	<u>18,518,809</u>	<u>10,084,694</u>	<u>3,872,059</u>
Net assets - June 30, 2011	<u>\$ 22,671,741</u>	<u>\$ 13,697,793</u>	<u>\$ 5,494,060</u>

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

County of Chesterfield, Virginia
Statement of Net Assets
Component Units
June 30, 2011

	<u>School Board</u>	<u>Economic Development Authority</u>	<u>Watkins Centre Community Development Authority</u>	<u>Health Center Commission</u>	<u>Total Component Units</u>
ASSETS					
Cash and cash equivalents	\$ 40,237,690	\$ 8,324,405	\$ 242,558	\$ 7,044,124	\$ 55,848,777
Investments	-	2,606,091	1,800,000	10,375,728	14,781,819
Receivables, net of allowance	-				
for uncollectibles of \$251,921	8,812,723	19,089	28,946	3,411,300	12,272,058
Due from primary government	55,033,050	9,020	-	-	55,042,070
Inventories	1,423,319	-	-	92,661	1,515,980
Other prepaid expenses	23,596,350	-	400	2,526,338	26,123,088
Bond issuance expenses,					
net of amortization	-	224,571	428,636	1,260,142	1,913,349
Capital assets, not being depreciated	-	15,246,562	-	190,990	15,437,552
Other capital assets, net of depreciation	10,755,454	1,118,129	-	51,129,712	63,003,295
Total assets	<u>139,858,586</u>	<u>27,547,867</u>	<u>2,500,540</u>	<u>76,030,995</u>	<u>245,937,988</u>
LIABILITIES					
Accounts payable and other liabilities	38,118,493	402,144	346,745	2,232,376	41,099,758
Unearned revenues	203,467	-	-	2,007,182	2,210,649
Deposits and advances	-	-	-	12,670,848	12,670,848
Non-current liabilities:					
Due within one year	12,563,419	1,279,214	1,407,292	333,127	15,583,052
Due in more than one year	17,337,034	19,805,100	17,983,329	50,246,522	105,371,985
Total liabilities	<u>68,222,413</u>	<u>21,486,458</u>	<u>19,737,366</u>	<u>67,490,055</u>	<u>176,936,292</u>
NET ASSETS					
Invested in capital assets,					
net of related debt	10,755,454	4,065,993	-	10,910,708	25,732,155
Restricted for:					
Debt covenants	-	600,358	-	-	600,358
Grantor programs	490,948	-	-	-	490,948
Legislated programs	5,837,284	-	-	-	5,837,284
Other post employment benefits asset	176,161	-	-	-	176,161
Pension asset	23,420,189	-	-	-	23,420,189
Total restricted	29,924,582	600,358	-	-	30,524,940
Unrestricted (deficit)	30,956,137	1,395,058	(17,236,826)	(2,369,768)	12,744,601
Total net assets	<u>\$ 71,636,173</u>	<u>\$ 6,061,409</u>	<u>\$ (17,236,826)</u>	<u>\$ 8,540,940</u>	<u>\$ 69,001,696</u>

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

County of Chesterfield, Virginia
Statement of Activities
Component Units
For the Year Ended June 30, 2011

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	Watkins Centre				
				School Board	Economic Development Authority	Community Development Authority	Health Center Commission	Totals
School Board	\$ 557,453,653	\$ 15,792,033	\$ 102,252,099	\$ (439,409,521)	\$ -	\$ -	\$ -	\$ (439,409,521)
Economic Development Authority	1,620,687	8,050	-	-	(1,612,637)	-	-	(1,612,637)
Watkins Centre Community Development Authority	1,534,728	-	-	-	-	(1,534,728)	-	(1,534,728)
Health Center Commission	22,268,073	19,832,111	-	-	-	-	(2,435,962)	(2,435,962)
Total	\$ 582,877,141	\$ 35,632,194	\$ 102,252,099	(439,409,521)	(1,612,637)	(1,534,728)	(2,435,962)	(444,992,848)
General revenues:								
Payment from County of Chesterfield				286,368,697	1,738,505	1,658,870	-	289,766,072
Grants and contributions not restricted to specific programs				149,662,541	-	-	-	149,662,541
Investment earnings				12,623	8,343	86,399	227,520	334,885
Miscellaneous				1,820,472	95,578	-	-	1,916,050
Total general revenues				437,864,333	1,842,426	1,745,269	227,520	441,679,548
Change in net assets				(1,545,188)	229,789	210,541	(2,208,442)	(3,313,300)
Net assets (deficit) - July 1, 2010				73,181,361	5,831,620	(17,447,367)	10,749,382	72,314,996
Net assets (deficit) - June 30, 2011				\$ 71,636,173	\$ 6,061,409	\$ (17,236,826)	\$ 8,540,940	\$ 69,001,696

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

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2011

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The County's financial statements have been prepared in accordance with GASB Statement Number 54 titled "Fund Balance Reporting and Governmental Fund Type Definitions," which was implemented by the County effective July 1, 2010. This standard was developed to improve financial reporting by providing fund balance categories and classifications that will be easily understood. The County's financial statements include:

- Management's Discussion and Analysis (MD&A) -- MD&A introduces the basic financial statements and provides an analytical overview of the primary government's financial activities. It describes the currently known facts, decisions or conditions that are expected to have a significant effect on financial position or results of operations.
- Basic Financial Statements -- The basic financial statements include both government-wide and fund statements and notes. The notes are an integral part of the basic financial statements and communicate information that is essential for fair presentation of the basic financial statements that is not displayed on the face of the statements. Required budgetary comparison statements are presented as part of the basic financial statements.
- Required Supplementary Information (RSI) -- RSI reports other types of supplementary informational data required by GAAP.

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

1. The Chesterfield County Public School System (School Board) is responsible for elementary and secondary education within the County's jurisdiction. The five members of the School Board are elected for a four-year term. The members of the current School Board were elected in November 2007. The School Board functions independently of the County Board and County Administration, but is fiscally dependent upon the County because the County Board approves the budget, levies the necessary taxes to finance operations and issues debt on behalf of the School Board. The School Board can neither levy taxes nor incur bonded indebtedness under Virginia law. Fund financial statements of the School Board are included in the supplementary information section.
2. The Economic Development Authority (Authority) of the County of Chesterfield, previously known as the Industrial Development Authority, was created as a political subdivision of the Commonwealth of Virginia (the Commonwealth) by the County, pursuant to the provisions of the Industrial Development and Revenue Bond Act, Chapter 49 of Title 15.2, Code of Virginia. This Act empowers the Authority, among other activities, to issue tax-exempt bonds to acquire, improve, maintain, equip, own, lease or dispose of properties by inducing manufacturing and industrial enterprises to locate or remain in the Commonwealth. The County Board appoints the seven directors of the Authority and provides financial support by making direct payments of debt service expenses on behalf of the Authority. Complete financial statements for the

County of Chesterfield, Virginia
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Authority may be obtained at Chesterfield County Economic Development Department, 9401 Courthouse Road, Centre Court - Suite B, Chesterfield, Virginia 23832.

3. The Watkins Centre Community Development Authority (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 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 CDA board and has pledged a tax increment of certain real property and sales taxes collected within the CDA district as a revenue source for retiring debt issued by the CDA. The County's obligation is limited to the amount of collected tax increments as well as to any special assessments collected on the CDA's behalf. Complete financial statements for the CDA may be obtained by contacting the Chesterfield County Accounting Department, 9901 Lori Road, P.O. Box 40, Chesterfield, Virginia 23832.
4. The Chesterfield County Health Center Commission (Health Center Commission) is responsible for operating a long-term care facility (Lucy Corr Village) in a professional and cost-effective manner providing high quality care for its residents. The County Board appoints the seven members of the Health Center Commission and, in accordance with the Code of Virginia, can remove the appointed members at will. Complete financial statements for the Health Center Commission may be obtained at the Health Center Commission's administrative office at 6800 Lucy Corr Court, Chesterfield, Virginia 23832.

B. Government-wide and Fund Financial Statements

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

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

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

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

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue when all eligibility requirements imposed by the provider have been met and amounts are measurable.

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

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

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

The County reports the following major governmental funds:

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

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

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

The non-major governmental funds of the County are:

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

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

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

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

Enterprise Funds:

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

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

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

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

Additionally, the County reports the following fund category:

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary type fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

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

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

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

The connection fee charged to connect to the County's water and wastewater system consists of a capital recovery charge and a meter installation charge. The capital recovery charge will be used to finance future capital improvements, whereas the meter installation charge recovers the cost of the meter and its installation. In accordance with industry practice, capital recovery charges of \$5,117,800 and \$3,329,961 in 2011 have been recorded as capital contributions in the Water and Wastewater Enterprise

County of Chesterfield, Virginia
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Funds, respectively and the meter installation fees have been classified as charges for services in the Water Enterprise Fund.

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

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

For the purpose of the statement of cash flows, the proprietary and similar fund types consider 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, bankers' acceptances, the Commonwealth Local Government Investment Pool 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 average cost (first-in, first-out) or market for the Enterprise and Internal Service Funds of the primary government. In the School Board, inventories are valued at the lower of cost (moving average) or market and in the Health Center Commission, inventories are valued at cost using the first-in, first-out method. Inventory items are considered expended when used (consumption method).

5. Restricted Assets – Enterprise Funds

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

6. Capacity Rights – Enterprise Funds

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

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

7. Capital Assets

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

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

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

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

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

Interest costs of \$2,283,327 in the business-type activities of the primary government were capitalized during the fiscal year.

County of Chesterfield, Virginia
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8. Compensated Absences

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

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

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

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

9. Retirement Plans

Retirement plan contributions are actuarially determined for the Virginia Retirement System (VRS) and the County Supplemental Retirement Plan. The policy is to fund pension costs at the actuarially determined rates. The County and School Board funded the VRS Plan using the actuarially determined rate. The County made a contribution to its Supplemental Retirement Plan in 2011, which was more than the annual required contribution. Retirement contributions for the School Board Supplemental Retirement Program are based on savings derived from employees electing to retire under the Plan. The School Board made a contribution to its Supplemental Retirement Program in 2011, which was more than the required contribution. The required supplementary information section presents required schedules of funding progress that includes multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

10. Other Postemployment Benefits Plans

Other postemployment benefits plan contributions are actuarially determined to project the present value of postemployment benefits for retired and active employees. The County and the School Board funded the plan using actuarially determined rates and made contributions to the irrevocable trusts equal to the annual required contributions. The required supplementary information section presents required schedules of funding progress that includes multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The County and School Board made contributions and paid premiums to the trust in amounts greater than the annual required contribution in 2011.

11. Long-term Obligations

The reporting entity has no legal debt margin requirement and there are no jurisdictions with overlapping general obligation debt incurring powers. Any issue of general obligation bonded debt and Virginia Public School Authority (VPSA) bonds, must be approved by a voting majority of the qualified voters. Revenue bonds may be issued by the adoption of a resolution by the County Board. Revenue

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bonds issued by a community development authority shall not be deemed to constitute a debt, liability or obligation of the County.

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

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

2. Stewardship, Compliance, and Accountability

A. Budgetary Accounting

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

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

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

County of Chesterfield, Virginia
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B. Fund balances

1. Primary Government

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

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

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

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

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

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

Unassigned fund balance – Unassigned fund balance is the residual classification of fund balance. Only the General Fund can report a positive unassigned fund balance. The County Board has established a minimum fund balance policy which is the ratio of unassigned General Fund balance to General Fund expenditures. The County's minimum unassigned fund balance target is 7.5% for fiscal year 2011 and 8.0% for fiscal year 2012.

County of Chesterfield, Virginia
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The County had the following classifications of fund balances at June 30, 2011:

	<u>General Fund</u>	<u>County Capital Projects Fund</u>	<u>School Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
Nonspendable:					
T. F. Jeffress Memorial Fund	\$ -	\$ -	\$ -	\$ 5,000	\$ 5,000
Restricted for:					
General government	3,895,085	326,939	-	-	4,222,024
Administration of justice	102,727	-	-	-	102,727
Public safety	952,757	7,030,958	-	737,708	8,721,423
Public works	2,026,039	30,138,983	-	-	32,165,022
Health and welfare	1,569,147	9,629,418	-	249,988	11,448,553
Parks, recreation and cultural	95,260	19,585,016	-	210,619	19,890,895
Education - School Board	-	9,561,646	37,135,500	-	46,697,146
Community development	2,845,158	-	-	623,740	3,468,898
Debt service	-	4,090,013	700,975	-	4,790,988
Total restricted	<u>11,486,173</u>	<u>80,362,973</u>	<u>37,836,475</u>	<u>1,822,055</u>	<u>131,507,676</u>
Committed to:					
Community contracts	12,122	-	-	-	12,122
District improvement funds	170,225	-	-	-	170,225
Economic development	57,727	-	-	-	57,727
Public works	450,000	-	-	-	450,000
Total committed	<u>690,074</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>690,074</u>
Assigned to:					
General government	8,543,102	-	-	-	8,543,102
Administration of justice	138,484	-	-	-	138,484
Public safety	4,408,947	-	-	3,099,966	7,508,913
Public works	787,514	-	-	-	787,514
Health and welfare	814,163	-	-	2,987,000	3,801,163
Parks, recreation and cultural	315,558	-	-	-	315,558
Community development	7,248,688	-	-	-	7,248,688
Airport	89,289	-	-	-	89,289
Construction	45,332,697	-	-	-	45,332,697
Critical capital and one-time needs	9,000,000	-	-	-	9,000,000
Debt service	12,338,005	-	-	-	12,338,005
Fiscal year 2012 adopted budget	17,964,501	-	-	-	17,964,501
Future capital projects	4,656,145	-	-	-	4,656,145
Future revenue shortfall - County	51,113,866	-	-	-	51,113,866
Future revenue shortfall - Schools	8,989,158	-	-	-	8,989,158
Line of Duty Act, registrar and economic development	4,500,000	-	-	-	4,500,000
Education - School Board	6,134,565	-	215,000	-	6,349,565
Total assigned	<u>182,374,682</u>	<u>-</u>	<u>215,000</u>	<u>6,086,966</u>	<u>188,676,648</u>
Unassigned	<u>53,495,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,495,000</u>
Total fund balances	<u>\$ 248,045,929</u>	<u>\$ 80,362,973</u>	<u>\$ 38,051,475</u>	<u>\$ 7,914,021</u>	<u>\$ 374,374,398</u>

County of Chesterfield, Virginia
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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 does not have any unassigned fund balance since it is fiscally dependant on County resources.

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

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

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

Committed fund balance – Committed fund balance requires expressed formal action of the School Board and then by the County Board, either by resolution or ordinance, which identifies the specific circumstances under which resources can be expended. Only the School Board can modify the specified use of commitments with County approval. At June 30, 2011, 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, 2011, the School Board had no unassigned fund balance.

The School Board had the following classifications of fund balances at June 30, 2011:

School Operating Fund

Nonspendable:	
Inventories	\$ 1,423,319
Restricted for:	
Instruction	27,627
Administration, attendance and health	463,321
Food service	<u>5,837,284</u>
Total restricted	<u>6,328,232</u>
Assigned to:	
Instruction	5,093,371
Administration, attendance and health	1,119,911
Transportation	183,898
Operations and maintenance	31,055,619
Technology	9,773,454
Food service	11,098,118
Future capital projects	108,900
Other	<u>1,000,000</u>
Total assigned	<u>59,433,271</u>
Total fund balances	<u>\$ 67,184,822</u>

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

A. School Board

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

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

B. Economic Development Authority

On October 18, 2004, the Authority sold its Taxable Redevelopment Facility Note, Series 2004 (the Note), on behalf of the County in an amount not to exceed \$10,000,000 to acquire the Cloverleaf Mall property ("Mall Property") for redevelopment by the County. On August 1, 2008, the principal amount of the Note was increased by \$7,371,199 for the purchase of the ground lease interest in the Mall Property. As of June 30, 2011, \$16,596,199 was outstanding on the Note. The County made interest payments on the Note in the amount of \$141,389 during the fiscal year.

On January 27, 2005, the Authority issued Variable Rate Revenue Bonds, Series 2005A, and Variable Rate Revenue Bonds, Taxable Series 2005B, in the amounts of \$6,490,000 and \$11,630,000, respectively. As of June 30, 2011, \$13,165,000 remained outstanding on the 2005 Revenue Bonds. These bonds were issued to finance the acquisition of real property for the development of the Meadowville Technology Park and to finance certain infrastructure improvements within the Park. Debt service related to these revenue bonds is payable solely from support payments made by the County, pursuant to an Amended and Restated Development Agreement, dated January 1, 2005, between the Authority and the County. The County made support payments of \$855,000 for principal and \$72,196 for interest during the fiscal year.

On October 14, 2010, the Authority issued \$8,345,000 in Taxable Recovery Zone Economic Development Bonds, Series 2010B, to finance a portion of the costs of the acquisition of real property for an

County of Chesterfield, Virginia
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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 (the "ARRA"). Pursuant to the ARRA, the Authority will receive a cash subsidy payment from the U. S. Treasury equal to 45% of the interest payable on the Series 2010B Bonds on each interest payment date. The cash payment does not constitute a guarantee by the U. S. Treasury or a pledge of the faith and credit of the U. S., but is required to be paid by the U. S. Treasury under the ARRA. The County made support payments of \$420,000 for principal and \$64,076 for interest during the fiscal year. As of June 30, 2011, \$7,925,000 remained outstanding on the Series 2010B Bonds.

4. Deposits and Investments

A. Primary Government:

As of June 30, 2011, the carrying value of the County's deposits and investments, other than that of the County Supplemental Retirement System Pension Trust Fund and the County and School Board OPEB Funds, with their respective credit ratings, was as follows:

<u>Asset Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Demand deposits	\$ 248,171,541	N/A
Commonwealth Local Government Investment Pool	75,559,339	AAAm
State Non-Arbitrage Program (SNAP) - Money Market Fund	88,869,174	AAAm
Federal Home Loan Bank	107,126,922	AAA
Federal Home Loan Mortgage Corporation	12,507,900	AAA
Federal National Mortgage Association	4,302,565	AAA
Federal Agricultural Mortgage Corporation	14,996,400	AAA
Federal Farm Credit Bank	45,007,540	AAA
Total deposits and investments	<u>\$ 596,541,381</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 Commonwealth Treasurer's Local Government Investment Pool (LGIP).

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

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

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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 the State Non-Arbitrage Program (SNAP). SNAP is a professionally managed money market program which provides local governments with a method of pooling general obligation and note proceeds for temporary investment. SNAP assists issuing officials in complying with the arbitrage rebate requirements of the Internal Revenue Code of 1986 and the pool invests only in those investments permitted by Virginia statutes. SNAP is registered with the Securities and Exchange Commission. The fair value of the County's position in the pool is the same as the value of the pool shares.

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

Bankers' acceptances	40% maximum
Commercial paper	35% maximum
LGIP	75% maximum
Money market funds	75% maximum
Negotiable certificates of deposit – commercial banks	100% maximum
Negotiable certificates of deposit – savings and 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, 2011, \$51,431,187 of the \$248,171,541 in demand deposits was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$49,225,601
Uninsured and partially collateralized with securities held by the pledging financial institution but in the County's name	<u>2,205,586</u>
Total	<u>\$51,431,187</u>

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Concentration of Credit Risk:

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

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

As of June 30, 2011, the portion of the County's portfolio, excluding demand deposits, LGIP and the SNAP Money Market Fund, that represents 5% or more of the total portfolio, is as follows:

<u>Issuer</u>	<u>% of Portfolio</u>
Federal Home Loan Bank	58.2%
Federal Farm Credit Bank	24.5%
Federal Agricultural Mortgage Corporation	8.2%
Federal Home Loan Mortgage Corporation	6.8%

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, 2011, the County had the following investments and maturities:

<u>Asset Type</u>	<u>Fair Value</u>	<u>Original Investment Maturity</u>		
		<u>0-6 Months</u>	<u>6 Months-1 Year</u>	<u>1-2 Years</u>
LGIP	\$ 75,559,339	\$ 75,559,339	\$ -	\$ -
State Non-Arbitrage Program - Money Market Fund	88,869,174	88,869,174	-	-
Federal Home Loan Bank	107,126,922	-	26,791,534 (a)	80,335,388 (b)
Federal Home Loan Mortgage Corporation	12,507,900	-	-	12,507,900 (c)
Federal National Mortgage Association	4,302,565	1,298,665	-	3,003,900 (d)
Federal Agricultural Mortgage Corporation	14,996,400	-	9,980,400	5,016,000
Federal Farm Credit Bank	45,007,540	-	2,997,600	42,009,940 (e)
Total	<u>\$ 348,369,840</u>	<u>\$ 165,727,178</u>	<u>\$ 39,769,534</u>	<u>\$ 142,873,128</u>

(a) \$10,001,000 of these bonds have a call date of July 13, 2011

(b) These bonds have call dates ranging from July 8, 2011 to March 21, 2012

(c) These bonds have call dates ranging from August 2, 2011 to December 7, 2011

(d) This bond has a call date of September 21, 2011

(e) These bonds have call dates ranging from July 1, 2011 to June 6, 2012

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Chesterfield County Supplemental Retirement System:

As of June 30, 2011, the carrying value of the County Supplemental Retirement System Pension Trust Fund's (System) 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	\$ 884,478	N/A
Common stocks	12,708,538	N/A
Corporate bonds	2,749,103	N/A
Fund of funds	2,809,416	N/A
Exchange traded funds	813,496	N/A
Collateralized mortgage obligations	556,713	N/A
U. S. Treasuries	366,384	AAA
Federal Home Loan Mortgage Corporation	912,694	AAA
Federal National Mortgage Association	875,318	AAA
Government National Mortgage Association	1,339	N/A
Total deposits and investments	<u>\$ 22,677,479</u>	

The System's investments include a fund of funds, which is an investment fund that uses an investment strategy of holding a portfolio of other investment funds rather than investing directly in shares, bonds or other securities, resulting in greater portfolio diversification. At June 30, 2011, the underlying investments in the System's fund of funds consisted primarily of equities and fixed income securities.

Credit Risk:

Investments in the System 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 System, 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 are 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 System will not be able to recover the value of its investments or collateral securities that are in the possession of outside party. Of the System's \$884,478 of demand deposits, \$867,606 is invested in a money market fund that is uninsured and uncollateralized.

Concentration of Credit Risk:

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

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

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As of June 30, 2011, in addition to common stocks and bonds, fund of funds, exchange traded funds and collateralized mortgage obligations, there were no investments which represented 5% or more of the System's portfolio, excluding demand deposits.

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, 2011, the System had investments of \$556,713 (2.5% of total portfolio) in collateralized mortgage obligations. These securities are based on cash flows from interest and principal payments on underlying mortgages and therefore are sensitive to interest rate changes.

As of June 30, 2011, the System had the following investments and maturities:

<u>Asset Type</u>	<u>Fair Value</u>	<u>Investment Maturity</u>		
		<u>0 - 5 Years</u>	<u>5 - 10 Years</u>	<u>10 - 30 Years</u>
U. S. Treasuries	\$ 366,384	\$ -	\$ 34,041	\$ 332,343
Federal Home Loan Mortgage Corporation	912,694	-	80,016	832,678
Federal National Mortgage Association	875,318	136,205	-	739,113
Government National Mortgage Association	1,339	-	1,339	-
Total	<u>\$ 2,155,735</u>	<u>\$ 136,205</u>	<u>\$ 115,396</u>	<u>\$ 1,904,134</u>

County and School Board OPEB Funds:

As of June 30, 2011, the carrying value of the County OPEB Fund's deposits and investments held by the Trust and their respective credit rating was as follows:

<u>Asset Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Investment in pooled funds	<u>\$ 13,697,784</u>	N/A

As of June 30, 2011, the carrying value of the School Board OPEB Fund's deposits and investments held by the Trust and their respective credit rating was as follows:

<u>Asset Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Investment in pooled funds	<u>\$ 5,494,053</u>	N/A

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

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

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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, 1108 East Main Street, Richmond, Virginia 23219.

As of June 30, 2011, excluding the pooled funds, there were no investments. Accordingly, there is no credit risk, concentration of credit risk or interest rate risk. With respect to Custodial Credit Risk, 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 balances of the pooled funds in the County and School Board OPEB Funds are uninsured and uncollateralized.

B. Component Unit:

1. School Board:

a. School Board Funds

As of June 30, 2011, the carrying value of the School Board operating and agency fund's deposits with their respective credit rating was as follows:

<u>Asset Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Demand deposits	<u>\$46,123,806</u>	N/A

School Board deposits are invested in accordance with the County's investment policy. As of June 30, 2011, excluding the demand deposits, there were no investments. Accordingly, there is no credit risk, concentration of credit risk or interest rate risk.

b. School Board Supplemental Retirement Program:

As of June 30, 2011, the carrying value of the School Board Supplemental Retirement Program Pension Trust Fund's (Program) deposits and investments, with their respective credit ratings, was as follows:

<u>Asset Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Demand deposits	\$ 1,295,176	N/A
Mutual funds - equity	6,677,687	Not Rated
Mutual funds - fixed income	1,949,005	Not Rated
Exchange traded funds	<u>17,825,005</u>	Not Rated
Total deposits and investments	<u>\$ 27,746,873</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.

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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 \$1,295,176 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, 2011, excluding mutual funds and exchange traded funds, the System had no investments.

Interest Rate Risk:

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

As of June 30, 2011, excluding mutual funds and exchange traded funds, the Program had no investments.

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2. Economic Development Authority (EDA) of Chesterfield County:

As of June 30, 2011, the carrying value of the EDA's deposits, with their respective credit ratings, was as follows:

<u>Asset Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Demand deposits	\$ 8,324,405	N/A
U.S. Treasuries	2,606,091	Not Rated
Total deposits and investments	<u>\$ 10,930,496</u>	

The County acts as fiscal agent for the EDA. However, the EDA is not subject to the County's investment policy. The EDA has a formal investment policy that addresses credit risk, concentration of credit risk and interest rate risk.

Credit Risk:

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. According to the EDA's investment policy, credit risk will be minimized by limiting investments to the types of securities allowed by state statute and diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

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.

As required by state statute, the EDA's investment 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. 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.

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Custodial Credit Risk:

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the EDA will not be able to recover the value of its investments or collateral securities that are in the possession of outside party. Of the EDA's \$8,324,405 of demand deposits, \$1,728,821 is invested in a money market fund that is uninsured and the fund deposits are collateralized with securities held by the pledging financial institution's trust department but not in the EDA's name and \$6,595,584 is invested in a money market fund that is uninsured and uncollateralized.

Concentration of Credit Risk:

According to the EDA's investment policy, to eliminate risk of loss resulting from the over-concentration of assets in a specific maturity, issuer, or class of securities, all investments shall be diversified. In establishing specific diversification strategies, portfolio maturities shall be staggered to avoid undue concentration of assets in a specific maturity sector. Maturities selected shall provide for stability of income and reasonable liquidity. Diversification strategies shall be determined and revised periodically by the investment officer.

As of June 30, 2011, excluding demand deposits, U.S. Treasuries represent 100% of the total portfolio.

Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. According to the EDA's investment policy, the EDA will minimize interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities prior to maturity. In addition, as a means of limiting exposure to fair value losses arising from interest rates, the investment policy limits the investment of funds to investments with a stated maturity of no more than five years from the date of purchase.

As of June 30, 2011, excluding demand deposits, U.S. Treasuries represent 100% of the total portfolio.

3. Watkins Centre Community Development Authority:

As of June 30, 2011, the carrying value of the Watkins Centre CDA deposits and investments with their respective credit ratings, was as follows:

<u>Asset Type</u>	<u>Fair Value</u>	<u>Investment Maturity</u>		<u>Credit Rating</u>
		<u>Less than a Year</u>	<u>Over 5 Years</u>	
Money market funds	\$ 242,558	\$ 242,558	\$ -	AAAm
Guaranteed investment contracts	1,800,000	-	1,800,000	N/A
Total deposits and investments	<u>\$ 2,042,558</u>	<u>\$ 242,558</u>	<u>\$ 1,800,000</u>	

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As required by the Watkins Centre CDA's trust indenture, its permitted investments are subject to provisions of Chapter 45, Title 2.2, Code of Virginia, as amended, entitled "Investment of Public Funds Act." Statutes authorize the Watkins Centre CDA to invest in: indebtedness unconditionally guaranteed by the Commonwealth of Virginia; government obligations and certificates; savings accounts or time deposits in any bank that is secured by the Virginia Security for Public Deposits Act; obligations of the International Bank for Reconstruction and Development, Asian Development Bank and African Development Bank; certain obligations of any state in the United States on which the full faith and credit of such state is pledged; certain banker's acceptances; and certain money market mutual funds.

The trust indenture 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 three leading rating agencies (Moody's, S&P and Fitch). Certificates of deposit and negotiable bank deposit notes of domestic banks and domestic offices of foreign banks maturing in one year or less must have a rating of at least "A-1" by S&P and "P-1" by Moody's. Notes having a maturity of greater than one year and not exceeding five years must have a rating of at least "AA" by S&P and "Aa" by Moody's.

All money held in the funds created by the indenture which are on deposit with any bank will be continuously secured in the manner required by the Virginia Security for Public Deposits Act, which establishes uniformity in securing public deposits throughout the Commonwealth.

Concentration of Credit Risk:

The indenture establishes limitations on portfolio composition by issuer in order to control concentration of credit risk. No more than 35% of the Watkins Centre CDA's total funds available for investment may be invested in commercial paper and no more than 5% of the total funds available for investment may be invested in commercial paper from any one issuing corporation.

Interest Rate Risk:

Interest rate risk is the impact that fluctuations in market interest rates can have on the value of the Watkins Centre CDA's investments. The Watkins Centre CDA's funds are invested in money market funds and guaranteed investment contracts as permitted in the Indenture of Trust. Money market funds are considered cash equivalents and have an average maturity date of less than sixty days. Investments in guaranteed investment contracts are subject to repurchase agreements collateralized by securities as allowed in the indenture. The investment contracts have a defined termination date and a set rate of return thereby limiting interest rate risk.

Custodial Credit Risk:

Custodial credit risk is the risk that in the event of the failure of the counterparty, the Watkins Centre CDA will not be able to recover the value or collateral securities that are in the possession of an outside party. Any investment held by an outside party will be held as agent for the benefit of the Trustee as fiduciary for the Watkins Centre CDA and not for the bank serving as Trustee in its commercial capacity. The entire amount of the cash and cash equivalents balance of \$242,558 is invested in a money market fund that is uninsured and uncollateralized.

County of Chesterfield, Virginia
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4. Health Center Commission (HCC):

As of June 30, 2011, the carrying value of the HCC's deposits with their respective credit ratings were as follows:

<u>Asset Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Maturity</u>
Demand deposits	\$ 2,435,116	N/A	N/A
LGIP	8,198,695	AAAm	July 1, 2011
Other	80,047	N/A	N/A
Total	<u>\$10,713,858</u>		

As of June 30, 2011, the carrying value of the HCC's assets, whose use is limited, were as follows:

<u>Asset Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Maturity</u>
Demand deposits	\$ 4,609,008	N/A	N/A
Guaranteed investment contracts	<u>2,096,986</u>	N/A	1 – 5 years
Total	<u>\$ 6,705,994</u>		

Credit Risk

The HCC's investment policy (the Policy) complies with the Code of Virginia and other applicable laws and regulations, that permit investments in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), prime quality commercial paper, and certain corporate notes, bankers acceptances, repurchase agreements, and the LGIP.

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 Investor Service, Standard & Poor's, and Fitch Investor's Service. Corporate notes must have a minimum of "Aa" long-term debt rating by Moody's Investor Service and a minimum of "AA" long-term debt rating by Standard & Poor's. 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.

Although state statutes do not impose credit standards on repurchase agreement counterparties, bankers' acceptances, or money market mutual funds, the HCC has established stringent credit standards for these investments to minimize portfolio risk.

As of June 30, 2011, 99% of the HCC's investment portfolio was invested in the LGIP account.

Concentration of Credit Risk

The Policy establishes limitations on portfolio composition by issuer in order to control concentration of credit risk. No more than 5% of the HCC's portfolio will be invested in the securities of any single issuer with the following exceptions:

	<u>Maximum</u>
U.S.Treasury	100%
LGIP	100%
Each money market mutual fund	50%
Each federal agency	35%
Each repurchase agreement counterparty	25%

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Interest Rate Risk:

As a means of limiting exposure to fair value losses arising from rising interest rates, the HCC's policy limits the investment of short-term operating funds to an average weighted maturity of no more than 180 days, with a portion of the portfolio continuously invested in readily available funds. The operating fund core portfolio will be invested in permitted investments with a stated maturity of no more than five years from the date of purchase.

Custodial Credit Risk

The Policy requires that all investment securities purchased by the HCC or held as collateral on deposits or investments shall be held by the HCC or by a third-party custodial agent who may not otherwise be a counterparty to the investment transaction. As of June 30, 2011, all of the HCC's investments are held in a bank's trust department in the Commission's name.

5. Receivables

A. Real and Personal Property Taxes

Property tax revenues may be used to fund any general governmental services authorized by the Code of Virginia and the County Board. Property taxes levied by the County are not subject to any statutory maximum; however, a public hearing must be held prior to setting the current tax rate. The tax rate is set by the County Board in March or April and is applied to the assessed value as of January 1 of the calendar year. The assessed value of all classes of property approximates market value. January 1 is also the date an enforceable legal claim to the asset applies. Real property taxes are due June 5th and December 5th in two equal installments. Installments due on June 5, 2011, are levied for fiscal year 2011 and installments due on December 5, 2011, are levied for fiscal year 2012 and are recorded as deferred revenue.

Personal property taxes, which do not create a lien on property, are due on June 5th and levied for fiscal year 2011 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, 2011. The Commonwealth requires localities to record the revenue from PPTRA as received from other governments, not as property taxes.

County of Chesterfield, Virginia
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B. Receivables

Receivables at June 30, 2011, were as follows:

Governmental Activities	General	County Capital	School Capital	Other	Internal	
	Fund	Projects	Projects	Governmental	Service	Total
		Fund	Fund	Funds	Funds	
Taxes	\$ 175,535,256	\$ -	\$ -	\$ -	\$ -	\$ 175,535,256
Accounts	16,705,456	46,582	14,612	5,675,269	70,908	22,512,827
Interest	110,744	12,762	-	-	-	123,506
Special assessments	779,290	-	-	-	-	779,290
Commonwealth of Virginia	46,363,008	-	-	1,044,198	-	47,407,206
Federal government	<u>5,372</u>	<u>1,221,184</u>	<u>-</u>	<u>1,966,025</u>	<u>-</u>	<u>3,192,581</u>
Gross receivables	239,499,126	1,280,528	14,612	8,685,492	70,908	249,550,666
Less: Allowance for uncollectibles	<u>(13,614,750)</u>	<u>-</u>	<u>-</u>	<u>(4,023,333)</u>	<u>-</u>	<u>(17,638,083)</u>
Net receivables	<u>\$ 225,884,376</u>	<u>\$ 1,280,528</u>	<u>\$ 14,612</u>	<u>\$ 4,662,159</u>	<u>\$ 70,908</u>	<u>\$ 231,912,583</u>

Business-type Activities	Water	Wastewater	Non-major	
	Fund	Fund	Airport	Total
			Fund	
Accounts	\$ 7,590,144	\$ 7,041,328	\$ 90,398	\$ 14,721,870
Interest	35,809	241,025	-	276,834
Special assessments	196,849	404,392	-	601,241
Commonwealth of Virginia	18,500	348,870	10,314	377,684
Federal government	<u>-</u>	<u>-</u>	<u>7,165</u>	<u>7,165</u>
Gross receivables	7,841,302	8,035,615	107,877	15,984,794
Less: Allowance for uncollectibles	<u>(77,973)</u>	<u>(65,318)</u>	<u>-</u>	<u>(143,291)</u>
Net receivables	<u>\$ 7,763,329</u>	<u>\$ 7,970,297</u>	<u>\$ 107,877</u>	<u>\$ 15,841,503</u>

Component Units	School	Economic	Watkins	Health	
	Board	Development	Centre	Center	Total
		Authority	CDA	Commission	
Accounts	\$ 831,678	\$ -	\$ -	\$ 2,802,281	\$ 3,633,959
Interest	-	2,499	28,946	-	31,445
Other	-	16,590	-	860,940	877,530
Commonwealth of Virginia	612,796	-	-	-	612,796
Federal government	<u>7,368,249</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,368,249</u>
Gross receivables	8,812,723	19,089	28,946	3,663,221	12,523,979
Less: Allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>(251,921)</u>	<u>(251,921)</u>
Net receivables	<u>\$ 8,812,723</u>	<u>\$ 19,089</u>	<u>\$ 28,946</u>	<u>\$ 3,411,300</u>	<u>\$ 12,272,058</u>

Special assessments of \$183,151 and \$361,234, respectively in the Water and Wastewater funds, in addition to \$161,148 of accrued interest on those special assessments in the Wastewater fund, are the only receivables not expected to be collected within one year.

County of Chesterfield, Virginia
Notes to Financial Statements
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6. Payables

Payables at June 30, 2011, were as follows:

A. Governmental Activities

	<u>General</u>	<u>Capital</u>	<u>School</u>	<u>Other</u>	<u>Internal</u>	
	<u>Fund</u>	<u>Projects</u>	<u>Capital</u>	<u>Governmental</u>	<u>Service</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	<u>Projects</u>	<u>Funds</u>	<u>Funds</u>	
Vendors	\$ 6,446,433	\$ 2,841,872	\$ 5,832,917	\$ 1,980,716	\$ 1,068,671	\$ 18,170,609
Wages and benefits	14,535,734	45,540	-	521,197	513,395	15,615,866
Retainages	-	574,565	1,043,820	16,370	-	1,634,755
Deposits	384,335	878,510	-	-	-	1,262,845
Total	<u>\$ 21,366,502</u>	<u>\$ 4,340,487</u>	<u>\$ 6,876,737</u>	<u>\$ 2,518,283</u>	<u>\$ 1,582,066</u>	<u>36,684,075</u>
					Accrued interest	10,065,691
					Total per Government-wide	<u>\$ 46,749,766</u>

B. Business-type Activities

	<u>Water</u>	<u>Wastewater</u>	<u>Non-major</u>	
	<u>Fund</u>	<u>Fund</u>	<u>Airport Fund</u>	<u>Total</u>
Vendors	\$ 3,489,122	\$ 3,587,227	\$ 29,998	\$ 7,106,347
Wages and benefits	675,966	572,076	18,849	1,266,891
Accrued interest	289,780	284,168	8,399	582,347
Retainages	152,358	1,139,003	-	1,291,361
Other	335,012	31,664	-	366,676
Total	<u>\$ 4,942,238</u>	<u>\$ 5,614,138</u>	<u>\$ 57,246</u>	<u>\$ 10,613,622</u>

C. Component Units

	<u>School</u>	<u>Economic</u>	<u>Watkins</u>	<u>Health</u>	
	<u>Board</u>	<u>Development</u>	<u>Centre</u>	<u>Center</u>	<u>Total</u>
	<u>Authority</u>	<u>CDA</u>	<u>Commission</u>		
Vendors	\$ 3,802,796	\$ 23,826	\$ 3,046	\$ 688,390	\$ 4,518,058
Wages and benefits	34,315,697	-	-	643,495	34,959,192
Accrued interest	-	-	343,699	271,306	615,005
Retainages	-	18,126	-	-	18,126
Other	-	360,192	-	629,185.00	989,377
Total	<u>\$ 38,118,493</u>	<u>\$ 402,144</u>	<u>\$ 346,745</u>	<u>\$ 2,232,376</u>	<u>\$ 41,099,758</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, 2011, were as follows:

Fund	Internal Receivables	Internal Payables
A. Internal Receivables/Payables Other Funds		
Governmental Activities:		
General Fund	\$ 280,000	\$ -
Business-type Activities:		
Wastewater Fund	-	23,000,000
Water Fund	23,000,000	-
Non-major Airport Fund	-	280,000
Total primary government	<u>\$ 23,280,000</u>	<u>\$ 23,280,000</u>
B. Receivables/Payables Primary Government and Component Units		
Primary Government:		
General Fund:		
School Board	\$ -	\$ 55,033,050
Economic Development Authority	-	9,020
Total primary government	<u>-</u>	<u>55,042,070</u>
Component Units:		
School Board - General Fund	55,033,050	-
Economic Development Authority - General Fund	9,020	-
Total component units	<u>55,042,070</u>	<u>-</u>
Total	<u>\$ 55,042,070</u>	<u>\$ 55,042,070</u>

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

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 2011 were as follows:

Transfers In:

A. Governmental Funds

General Fund - County Capital Projects Fund	\$ 250,000	
Grants Fund	778,749	
Water Fund	592,200	
Wastewater Fund	2,600	
Vehicle and Communications Maintenance Fund	<u>12,000</u>	\$ 1,635,549
County Capital Projects Fund - General Fund	12,792,892	
Water Fund	350,000	
Vehicle and Communications Maintenance Fund	56,777	
School Capital Projects Fund	<u>17,044</u>	13,216,713
School Capital Projects Fund - General Fund	1,131,358	
County Capital Projects Fund	<u>1,341,222</u>	2,472,580
Grants Fund - General Fund	2,260,316	
School Capital Projects Fund	<u>10,904</u>	2,271,220
Comprehensive Services Fund - General Fund		1,792,100

B. Proprietary Funds

Water Fund - General Fund		25,000
Airport Fund - General Fund		<u>225,715</u>
Total transfers in		<u>\$ 21,638,877</u>

Transfers Out:

A. Governmental Funds

General Fund - County Capital Projects Fund	\$ 12,792,892	
School Capital Projects Fund	1,131,358	
Grants Fund	2,260,316	
Comprehensive Services Fund	1,792,100	
Water Fund	25,000	
Airport Fund	<u>225,715</u>	\$ 18,227,381
County Capital Projects Fund - General Fund	250,000	
School Capital Projects Fund	<u>1,341,222</u>	1,591,222
School Capital Projects - County Capital Projects Fund	17,044	
Grants Fund	<u>10,904</u>	27,948
Grants Fund - General Fund		778,749

B. Proprietary Funds

Water Fund - General Fund	592,200	
County Capital Projects Fund	<u>350,000</u>	942,200
Wastewater Fund - General Fund		2,600
Vehicle and Communications Maintenance Fund - General Fund	12,000	
Vehicle and Communications Maintenance Fund - County Capital Projects Fund	<u>56,777</u>	68,777
Total transfers out		<u>\$ 21,638,877</u>

County of Chesterfield, Virginia
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8. Capital and Intangible Assets

A. Governmental Activities

Capital asset activity for the year ended June 30, 2011, was as follows:

	<u>Balance June 30, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2011</u>
Capital assets, not being depreciated:				
Land	\$ 52,031,955	\$ 4,390,942	\$ 184,137	\$ 56,238,760
Revelopment asset	16,266,795	-	-	16,266,795
Construction in progress	<u>34,792,362</u>	<u>32,951,995</u>	<u>42,617,670</u>	<u>25,126,687</u>
Total assets, not being depreciated	<u>103,091,112</u>	<u>37,342,937</u>	<u>42,801,807</u>	<u>97,632,242</u>
Capital assets, being depreciated:				
Buildings	1,053,705,768	40,457,722	97,990	1,094,065,500
Improvements other than buildings	61,412,998	1,713,353	-	63,126,351
Machinery and equipment	145,211,883	9,191,029	4,104,793	150,298,119
Infrastructure	<u>33,946,867</u>	<u>769,635</u>	<u>-</u>	<u>34,716,502</u>
Total at historical cost	<u>1,294,277,516</u>	<u>52,131,739</u>	<u>4,202,783</u>	<u>1,342,206,472</u>
Less accumulated depreciation for:				
Buildings	291,047,039	20,556,664	42,808	311,560,895
Improvements other than buildings	33,346,280	2,033,436	-	35,379,716
Machinery and equipment	79,033,734	11,568,186	3,671,017	86,930,903
Infrastructure	<u>7,249,415</u>	<u>490,453</u>	<u>-</u>	<u>7,739,868</u>
Total accumulated depreciation	<u>410,676,468</u>	<u>34,648,739</u>	<u>3,713,825</u>	<u>441,611,382</u>
Total capital assets, being depreciated, net	<u>883,601,048</u>	<u>17,483,000</u>	<u>488,958</u>	<u>900,595,090</u>
Governmental activities capital assets, net	<u><u>\$ 986,692,160</u></u>	<u><u>\$ 54,825,937</u></u>	<u><u>\$ 43,290,765</u></u>	<u><u>\$ 998,227,332</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 assets of the County. Depreciation on those assets is reported as an expense of the education function in the governmental activities of the County.

Governmental activities capital assets, net of accumulated depreciation at June 30, 2011, are comprised of the following:

General capital assets, net	\$ 989,310,230
Internal service funds capital assets, net	<u>8,917,102</u>
Total	<u><u>\$ 998,227,332</u></u>

Depreciation expense was charged to the following functions:

General government	\$ 1,939,210
Administration of justice	839,950
Public safety	8,710,302
Public works	1,475,686
Health and welfare	446,507
Education - School Board	15,869,676
Parks, recreation and cultural	2,593,126
Community development	858,762
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	<u>1,915,520</u>
Total depreciation expense	<u><u>\$ 34,648,739</u></u>

County of Chesterfield, Virginia
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Construction in progress for governmental operations is composed of the following:

<u>Function</u>	<u>Authorization</u>	<u>Expended to June 30, 2011</u>	<u>Committed at June 30, 2011</u>
General government	\$ 6,776,583	\$ 2,597,205	\$ 4,179,378
Public safety	10,296,213	986,062	9,310,151
Public works	2,371,739	545,808	1,825,931
Health and welfare	18,216,001	2,137,831	16,078,170
Parks, recreation and cultural	25,816,342	2,878,191	22,938,151
Education - School Board	82,139,155	15,981,590	66,157,565
Total construction in progress	<u>\$ 145,616,033</u>	<u>\$ 25,126,687</u>	<u>\$ 120,489,346</u>

B. Business-type Activities

Intangible and capital asset activity for the year ended June 30, 2011, was as follows:

	<u>Balance June 30, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2011</u>
Water Fund				
Intangible assets:				
Capacity rights, net of amortization	\$ 69,873,635	\$ 2,281,531	\$ 1,807,986	\$ 70,347,180
Capital assets, not being depreciated:				
Land	1,781,576	821,591	3,000	2,600,167
Construction in progress	8,031,729	6,931,326	4,458,109	10,504,946
Total assets, not being depreciated	<u>9,813,305</u>	<u>7,752,917</u>	<u>4,461,109</u>	<u>13,105,113</u>
Capital assets, being depreciated:				
Buildings	44,772,567	-	-	44,772,567
Improvements other than buildings	7,945,623	-	-	7,945,623
Machinery and equipment	371,692,489	11,681,989	150,055	383,224,423
Totals at historical cost	<u>424,410,679</u>	<u>11,681,989</u>	<u>150,055</u>	<u>435,942,613</u>
Less accumulated depreciation for:				
Buildings	15,351,193	1,145,109	-	16,496,302
Improvements other than buildings	3,351,620	297,563	-	3,649,183
Machinery and equipment	106,028,694	8,453,147	86,640	114,395,201
Total accumulated depreciation	<u>124,731,507</u>	<u>9,895,819</u>	<u>86,640</u>	<u>134,540,686</u>
Total capital assets, being depreciated, net	<u>299,679,172</u>	<u>1,786,170</u>	<u>63,415</u>	<u>301,401,927</u>
Water capital and intangible assets, net	<u>\$ 379,366,112</u>	<u>\$ 11,820,618</u>	<u>\$ 6,332,510</u>	<u>\$ 384,854,220</u>

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2011

	<u>Balance</u> <u>June 30, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2011</u>
Wastewater Fund				
Intangible assets:				
Capacity rights, net of amortization	\$ 3,090,797	\$ -	\$ 118,877	\$ 2,971,920
Capital assets, not being depreciated:				
Land	709,405	175,461	-	884,866
Construction in progress	78,397,759	40,321,265	47,400,046	71,318,978
Total assets, not being depreciated	79,107,164	40,496,726	47,400,046	72,203,844
Capital assets, being depreciated:				
Buildings	109,462,149	10,609,342	121,996	119,949,495
Improvements other than buildings	18,555,241	1,816,759	-	20,372,000
Machinery and equipment	395,663,017	40,718,506	39,400	436,342,123
Totals at historical cost	523,680,407	53,144,607	161,396	576,663,618
Less accumulated depreciation for:				
Buildings	41,284,522	2,497,153	74,418	43,707,257
Improvements other than buildings	8,172,674	431,104	-	8,603,778
Machinery and equipment	143,270,327	9,554,047	32,359	152,792,015
Total accumulated depreciation	192,727,523	12,482,304	106,777	205,103,050
Total capital assets, being depreciated, net	330,952,884	40,662,303	54,619	371,560,568
Wastewater capital and intangible assets, net	\$ 413,150,845	\$ 81,159,029	\$ 47,573,542	\$ 446,736,332
	<u>Balance</u> <u>June 30, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2011</u>
Non-major Airport Fund				
Capital assets, not being depreciated:				
Land	\$ 1,663,935	\$ -	\$ -	\$ 1,663,935
Construction in progress	2,330,218	188,106	2,086,070	432,254
Total assets, not being depreciated	3,994,153	188,106	2,086,070	2,096,189
Capital assets, being depreciated:				
Buildings	7,093,957	-	-	7,093,957
Improvements other than buildings	25,255,508	2,086,070	-	27,341,578
Machinery and equipment	1,090,546	24,871	-	1,115,417
Totals at historical cost	33,440,011	2,110,941	-	35,550,952
Less accumulated depreciation for:				
Buildings	2,217,887	143,893	-	2,361,780
Improvements other than buildings	10,932,305	999,858	-	11,932,163
Machinery and equipment	707,933	62,661	-	770,594
Total accumulated depreciation	13,858,125	1,206,412	-	15,064,537
Total capital assets, being depreciated, net	19,581,886	904,529	-	20,486,415
Airport capital assets, net	\$ 23,576,039	\$ 1,092,635	\$ 2,086,070	\$ 22,582,604
Business-type activities capital assets, net	\$ 816,092,996	\$ 94,072,282	\$ 55,992,122	\$ 854,173,156

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

Water	\$ 1,807,986
Wastewater	118,877
Total amortization expense	\$ 1,926,863
Water	\$ 9,895,819
Wastewater	12,482,304
Airport	1,206,412
Total depreciation expense	\$ 23,584,535

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2011

C. Component Units

School Board:

Capital asset activity for the year ended June 30, 2011, for the component units as follows:

	<u>Balance</u> <u>June 30, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2011</u>
Capital assets, being depreciated:				
Machinery and equipment				
Historical cost	\$ 60,041,231	\$ 1,884,378	\$ 2,644,713	\$ 59,280,896
Less accumulated depreciation	46,466,576	4,663,715	2,604,849	48,525,442
School Board capital assets, net	<u>\$ 13,574,655</u>	<u>\$ (2,779,337)</u>	<u>\$ 39,864</u>	<u>\$ 10,755,454</u>

Current year depreciation on capital assets of the School Board was \$4,663,715.

Economic Development Authority

	<u>Balance</u> <u>June 30, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2011</u>
Capital assets, not being depreciated:				
Land	\$ 15,232,062	\$ -	\$ -	\$ 15,232,062
Land improvements	14,500	-	-	14,500
Total assets, not being depreciated	<u>15,246,562</u>	<u>-</u>	<u>-</u>	<u>15,246,562</u>
Capital assets, being depreciated:				
Improvements other than buildings	512,925	-	425,317	87,608
Infrastructure	1,171,221	-	-	1,171,221
Total at historical cost	1,684,146	-	425,317	1,258,829
Less accumulated depreciation for:				
Improvements other than buildings	71,809	12,011	68,051	15,769
Infrastructure	78,082	46,849	-	124,931
Total accumulated depreciation	<u>149,891</u>	<u>58,860</u>	<u>68,051</u>	<u>140,700</u>
Total capital assets, being depreciated, net	<u>1,534,255</u>	<u>(58,860)</u>	<u>357,266</u>	<u>1,118,129</u>
EDA capital assets, net	<u>\$ 16,780,817</u>	<u>\$ (58,860)</u>	<u>\$ 357,266</u>	<u>\$ 16,364,691</u>

Current year depreciation on capital assets of the Economic Development Authority was \$58,860.

Health Center Commission

	<u>Balance</u> <u>June 30, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2011</u>
Capital assets, not being depreciated:				
Land	\$ 112,579	\$ 78,411	\$ -	\$ 190,990
Capital assets, being depreciated:				
Buildings	64,818,354	277,657	-	65,096,011
Computer software	-	36,916	-	36,916
Improvements other than buildings	2,262,274	208,373	-	2,470,647
Machinery and equipment	5,536,701	64,038	-	5,600,739
Total at historical cost	<u>72,617,329</u>	<u>586,984</u>	<u>-</u>	<u>73,204,313</u>
Less accumulated depreciation for:				
Buildings	14,541,266	2,301,993	-	16,843,259
Improvements other than buildings	835,714	61,660	-	897,374
Machinery and equipment	4,181,328	152,640	-	4,333,968
Total accumulated depreciation	<u>19,558,308</u>	<u>2,516,293</u>	<u>-</u>	<u>22,074,601</u>
Total capital assets, being depreciated, net	<u>53,059,021</u>	<u>(1,929,309)</u>	<u>-</u>	<u>51,129,712</u>
HCC capital assets, net	<u>\$ 53,171,600</u>	<u>\$ (1,850,898)</u>	<u>\$ -</u>	<u>\$ 51,320,702</u>

Current year depreciation on capital assets of the Health Center Commission was \$2,516,293.

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2011

9. Long-term Obligations

A. General Obligation Bonds

Chesterfield County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities of the primary government and including those used by the School Board component unit. The 2004 voter-approved bond referendum authorized \$341,745,000 in bonds to be issued in five major project categories. \$43,035,000 of this authorization remained at June 30, 2011. 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, 2011, general obligation bonds outstanding were as follows:

	<u>Original Issue Amount</u>	<u>Interest Rates</u>	<u>Annual Principal Requirements</u>	<u>Total Outstanding</u>
General Obligation Bonds				
1995A School, due 2016	\$ 15,160,000	5.85 - 5.975 %	\$755,000	\$ 3,775,000
1995C School, due 2016	26,175,000	5.10	1,305,000	6,525,000
2002 General Improvement, due 2015	23,280,000	4.25 - 5.00	1,165,000	4,660,000
2002B School, due 2023	23,950,000	4.10 - 5.10	1,195,000 - 1,200,000	14,350,000
2003B School Refunding, due 2014	4,580,000	6.225 - 6.30	415,000 - 420,000	1,250,000
2004 School, due 2025	56,825,000	4.00 - 5.00	2,840,000	39,760,000
2004 General Refunding, due 2020	60,110,000	4.00 - 5.00	1,800,000 - 8,180,000	44,900,000
2005 General Improvement & Refunding, due 2025	36,775,000	4.00 - 5.00	905,000 - 5,505,000	32,225,000
2006 General Improvement, due 2026	64,305,000	4.00 - 5.00	3,215,000	48,225,000
2007 General Improvement & Refunding, due 2027	96,215,000	4.00 - 5.00	3,630,000 - 9,130,000	81,525,000
2008 General Improvement, due 2028	73,920,000	3.50 - 5.00	3,750,000 - 3,755,000	63,755,000
2009 General Improvement & Refunding, due 2030	92,000,000	3.00 - 5.00	1,830,000 - 7,890,000	75,535,000
2011 School, due 2032	15,630,000	2.05 - 5.05	780,000 - 785,000	15,630,000
Total general obligation bonds				432,115,000
Add: Premium				14,789,674
Less: Deferred amount on refunding				2,971,130
Net general obligation bonds				<u>\$ 443,933,544</u>

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

<u>Year Ending</u>	<u>General Obligation Bonds</u>		
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 36,620,000	\$ 19,537,238	\$ 56,157,238
2013	35,985,000	18,014,791	53,999,791
2014	33,645,000	16,329,844	49,974,844
2015	33,215,000	14,768,199	47,983,199
2016	33,055,000	13,246,146	46,301,146
2017-2021	138,140,000	44,676,093	182,816,093
2022-2026	93,105,000	17,858,659	110,963,659
2027-2031	27,570,000	2,540,137	30,110,137
2032-2036	780,000	16,770	796,770
Total	<u>\$ 432,115,000</u>	<u>\$ 146,987,877</u>	<u>\$ 579,102,877</u>

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

The County issued bonds to finance construction projects for the Water and Wastewater enterprise funds. Revenue bonds outstanding at June 30, 2011, are as follows:

	<u>Original Issue Amount</u>	<u>Interest Rates</u>	<u>Annual Principal Requirements</u>	<u>Amount Outstanding</u>
Primary Government				
Business-type activities:				
2007 Water and Sewer, due 2028	\$ 47,315,000	4.00 - 4.25%	\$1,770,000 - 3,400,000	\$ 42,445,000
2009 Water and Sewer, due 2030	47,900,000	2.50 - 4.125	1,770,000 - 3,335,000	46,215,000
Total revenue bonds				88,660,000
Add Premium				1,179,438
Net revenue bonds				<u>\$ 89,839,438</u>

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

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Total revenue bonds	\$ 42,445,000	\$ 46,215,000	\$ 88,660,000
Net revenue bonds	42,618,256	47,221,182	89,839,438

	<u>Original Issue Amount</u>	<u>Interest Rates</u>	<u>Annual Principal Requirements</u>	<u>Amount Outstanding</u>
Component Unit				
Health Center Commission				
2005 Mortgage revenue and refunding bonds, due 2040	\$ 27,285,000	3.4 - 5.625%	\$420,000 - \$1,670,000	\$ 25,330,000
2008 Mortgage revenue bonds, due 2040	38,940,000	4.25 - 6.25	445,000 - 2,595,000	26,735,000
Total revenue bonds				52,065,000
Less: Discount				614,316
Deferred amount on refunding				969,135
Net mortgage revenue and				<u>\$ 50,481,549</u>

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

Year Ending	<u>Primary Government</u>			<u>Component Unit</u>		
	<u>Enterprise Funds</u>			<u>Health Center Commission</u>		
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 3,540,000	\$ 3,372,880	\$ 6,912,880	\$ 420,000	\$ 2,939,919	\$ 3,359,919
2013	3,685,000	3,242,180	6,927,180	1,230,000	2,887,091	4,117,091
2014	3,805,000	3,115,605	6,920,605	900,000	2,877,881	3,777,881
2015	3,935,000	2,979,930	6,914,930	945,000	2,816,922	3,761,922
2016	4,080,000	2,844,330	6,924,330	985,000	2,772,569	3,757,569
2017-2021	22,730,000	11,807,600	34,537,600	5,745,000	13,052,813	18,797,813
2022-2026	27,640,000	6,837,488	34,477,488	7,540,000	11,262,864	18,802,864
2027-2031	19,245,000	1,338,771	20,583,771	10,045,000	8,752,359	18,797,359
2032-2036	-	-	-	13,495,000	5,303,829	18,798,829
2037-2041	-	-	-	10,760,000	1,040,923	11,800,923
Total	<u>\$ 88,660,000</u>	<u>\$ 35,538,784</u>	<u>\$ 124,198,784</u>	<u>\$ 52,065,000</u>	<u>\$ 53,707,170</u>	<u>\$ 105,772,170</u>

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2011

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

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

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

Under an agreement dated January 1, 2001, the County leases the Juvenile Detention Home, the old Juvenile and Domestic Relations Courts Building, the Information Systems Technology Building and an Airport Hangar Building. Certificates of Participation Series 2001, 2003A and 2006A evidencing owners' interest in the lease payments made by the County to the lessor were issued to finance construction and renovation of these buildings, as well as a new Financial/Human Resources Information System.

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

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

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

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

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

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

County of Chesterfield, Virginia
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Amounts outstanding as of June 30, 2011, on the Public Facility Lease, the Certificates of Participation and the Taxable Redevelopment Note are as follows:

Governmental Activities	Original Issue Amount	Interest Rates	Annual Principal Requirements	Amount Outstanding
2001 Certificates of Participation, due 2022	\$ 13,310,000	4.00 - 4.625%	\$539,250 - 544,250	\$ 5,941,750
2003A Certificates of Participation, due 2022	3,070,000	3.45 - 4.20	170,000 - 175,000	1,880,000
2003B Certificates of Participation, due 2024	3,030,000	3.45 - 4.40	150,000 - 155,000	1,980,000
2004A Certificates of Participation, due 2024	14,980,000	3.00 - 4.20	785,000 - 790,000	10,240,000
2004B Certificates of Participation, due 2025	5,982,795	3.00 - 4.20	295,288 - 299,568	4,185,389
2004 Taxable Redevelopment Facility Note *	16,596,199	Variable**	0 - 16,596,199	16,596,199
2005A Certificates of Participation, due 2016	4,300,000	3.75	430,000	2,150,000
2005B Certificates of Participation, due 2025	8,500,000	3.75 - 4.25	445,000	6,230,000
2005C Certificates of Participation, due 2016	1,245,000	3.75	120,000 - 125,000	620,000
2006A Certificates of Participation, due 2016	3,565,000	4.25	355,000	1,775,000
2006B Certificates of Participation, due 2025	8,395,000	4.25 - 4.50	440,000 - 445,000	6,170,000
2007 Certificates of Participation, due 2028	22,220,000	4.25 - 5.00	950,000 - 1,165,000	18,710,000
2010 Public Facility Revenue Refunding Bonds, due 2020	7,185,000	2.00 - 4.00	690,000 - 875,000	7,185,000
Total governmental activities				83,663,338
Add: Premium				879,407
Less: Deferred amount on refunding				196,166
Net governmental activities				84,346,579
Business-type Activities				
2001 Certificates of Participation, due 2022	\$ 415,000	4.00 - 4.625%	\$ 20,750	228,250
2004B Certificates of Participation, due 2025	1,007,205	3.00 - 4.20	49,712 - 50,432	704,611
2005B Certificates of Participation, due 2025	450,000	3.75 - 4.25	25,000	350,000
Net business-type activities				1,282,861
Total certificates of participation				\$ 85,629,440

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

**The interest rate will be the LIBOR Market Index Rate plus 0.60%, as that rate may change from day to day. "LIBOR *Market Index Rate", for any day, is the rate for one month U. S. dollar deposits as reported on Telerate page 3750 as of 11:00 a.m., London time, on such day, or if such day is not a London business day, then the immediately preceding London business day (or if not so reported, then as determined by Bank from another recognized source or inter-bank quotation). At June 30, 2011, the one month LIBOR rate was 0.18580%

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2011

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

Year Ending	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
June 30						
2012	\$ 5,628,817	\$ 2,760,734	\$ 8,389,551	\$ 96,182	\$ 48,753	\$ 144,935
2013	22,205,017	2,449,889	24,654,906	96,182	45,333	141,515
2014	5,708,818	2,207,216	7,916,034	96,182	41,762	137,944
2015	5,783,818	1,994,369	7,778,187	96,182	38,164	134,346
2016	5,758,818	1,777,749	7,536,567	96,182	34,551	130,733
2017-2021	23,244,088	5,931,472	29,175,560	480,913	115,806	596,719
2022-2026	13,433,962	1,687,243	15,121,205	321,038	25,464	346,502
2027-2031	1,900,000	95,000	1,995,000	-	-	-
Total	<u>\$ 83,663,338</u>	<u>\$ 18,903,672</u>	<u>\$ 102,567,010</u>	<u>\$ 1,282,861</u>	<u>\$ 349,833</u>	<u>\$ 1,632,694</u>

The interest rate for the Taxable Redevelopment Note is estimated using the average of the fiscal year 2011 LIBOR Market Index Rate plus 0.60%.

D. Capital Leases

The County has acquired equipment under capital lease arrangements with interest rates varying from 3.46% to 3.83% and annual principal payments ranging from \$90,613 to \$173,011 per fiscal year. Capital leases are to be liquidated by the General Fund. Future minimum lease payments at June 30, 2011, for these capital leases are as follows:

Year Ending	Primary Government Governmental Activities		
	Principal	Interest	Total
June 30			
2012	\$ 121,704	\$ 35,840	\$ 157,544
2013	130,491	31,096	161,587
2014	139,718	26,011	165,729
2015	149,407	20,568	169,975
2016	160,462	14,750	175,212
2017-2021	263,624	10,221	273,845
Total	<u>\$ 965,406</u>	<u>\$ 138,486</u>	<u>\$ 1,103,892</u>

E. Judgments, Claims, and Compensated Absences Payable

The County recorded a liability for workers compensation claims in the government-wide statements for the primary government and the School Board component unit and in the fund financial statements of the proprietary funds. The workers compensation liability recorded is \$8,535,211 for the governmental activities of the primary government, \$779,495 for the business-type activities of the primary government and \$9,354,343 for the School Board component unit. A liability of \$4,275,520 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, 2011, and b) liabilities for claims incurred but not reported as of June 30, 2011. These liabilities have been estimated based upon a case-by-case review, investigation and historical experience. Payments for workers compensation liabilities are recorded as a charge to the fund that incurred the liability. Judgments and claims recorded in the Risk Management Fund are payable from the Risk Management Fund.

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2011

The County recorded a liability for compensated absences in the Statement of Net Assets of the government-wide statements for the primary government and the School Board component unit and in the fund financial statements of the proprietary funds. The governmental activities of the primary government recorded \$15,851,269 and \$3,516,809 for accrued vacation and sick leave benefits, respectively and the business-type activities of the primary government recorded \$1,039,785 and \$375,551 for accrued vacation and sick leave benefits, respectively. The School Board component unit recorded \$11,098,863 and \$8,831,085 for accrued vacation/personal leave and sick leave benefits, respectively. Payments for these liabilities are recorded as a charge to the fund that incurred the liability.

In October 1991, the Environmental Protection Agency (EPA) issued a rule establishing municipal solid waste landfills (MSWLF) closure requirements for all MSWLF's that accepted solid waste after October 9, 1991 and postclosure requirements for all MSWLF's that accepted solid waste after October 9, 1993. The County operated one landfill, which was closed on October 8, 1993, and completed the final cover during fiscal year 1995. The County has met the Commonwealth's ten-year requirement to perform maintenance and monitoring postclosure functions at the site and has applied for certification from the Commonwealth to release it from further maintenance and monitoring requirements. The County anticipates it will incur an additional postclosure care liability of \$1,353,892 (included in judgments and claims) at June 30, 2011. This amount represents the estimated total current cost of landfill postclosure care for an additional ten years, based on the use of 100 percent of the estimated capacity of the landfill. Actual cost may be higher due to inflation, changes in technology or changes in regulations. Actual cost may be lower if the County is released from postclosure maintenance and monitoring by the Commonwealth. Payments for this liability will be recorded as a charge to the General Fund. The County is not required by state and federal laws or regulations to make annual contributions to a trust to finance postclosure care. The County expects to pay additional postclosure care cost from the General Fund with charges to users of the County's solid waste transfer stations, General Fund tax revenue and/or General Fund assigned fund balance.

Beginning June 30, 2009, the County reported obligations to address the current or potential detrimental effects of existing pollution by participating in remediation activities. Site investigation, planning and design, cleanup and site monitoring are typical activities associated with pollution remediation. The Department of Interior – National Park Service (NPS) has named the County as a primary responsible party requiring the County to participate in cleanup efforts at a landfill site that was closed in 1972 and subsequently donated to the NPS by the County. The County estimates it will incur pollution remediation obligations of \$2,686,500 at this site as of June 30, 2011. This amount is based on reasonable and supportable assumptions measured at current value using the expected cash flow technique. Actual cost may be higher or lower due to changes in assumptions resulting from ongoing site assessments, inflation and changes in technology and/or regulations. Payments for this liability will be recorded as a charge to the County Capital Projects Fund. In addition, the County voluntarily commenced a project to remove contaminants of concern at a County owned wastewater treatment plant. The County estimates it will incur pollution remediation obligations of \$114,000 at this site as of June 30, 2011, with a 100 percent recovery from a responsible third party. This amount is based on reasonable and supportable assumptions measured at current value using the expected cash flow technique. Actual cost may be lower based on changes in the scope of work as the project nears completion. In the Wastewater Fund, the County is reporting a realizable recovery asset as a receivable and a liability for this obligation.

County of Chesterfield, Virginia
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F. Retirement Plan Obligations

As required by GAAP, a long-term liability has been recorded for the VRS Pension Plan, the County Supplemental Retirement Plan and the School Board Supplemental Retirement Program for the cumulative difference between the Annual Required Contribution and the amount actually contributed. The governmental activities of the primary government recorded a liability of \$2,590,511 and a prepaid asset of \$11,433 for the VRS Pension Plan and the County Supplemental Retirement Plan, respectively, and the business-type activities of the primary government recorded \$239,846 for the VRS Pension Plan. The School Board component unit recorded a liability of \$616,162 and a prepaid asset of \$23,420,189 for the VRS Pension Plan and the Supplemental Retirement Program, respectively. Payments for these liabilities are recorded as a charge to the fund that incurred the liability.

G. Other Postemployment Benefits Obligations

For the fiscal year ended June 30, 2011, the County reported an actuarially determined liability for the present value of projected future other postemployment benefits for retired and active employees on the financial statements. The County made its contribution to an irrevocable trust equal to 100% the annual required contribution. The School Board component unit also contributed an amount equal to 100% of its annual required contribution. Payments for these liabilities are recorded as a charge to the fund that incurred the liability.

H. Support Agreements

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

On September 1, 2010, the County and EDA entered into a Support Agreement (Agreement) which obligates the County to make support payments on behalf of the EDA on a periodic basis in an amount equal to the debt service on Taxable Recovery Zone Economic Development Revenue Bonds, Series 2010B (Bonds) issued by the EDA in the amount of \$8,345,000 on September 23, 2010. The Bonds were issued to provide funds for the acquisition of real property for an interchange with Interstate I-295 and the acquisition and construction of such interchange interconnecting the Meadowville Technology Park in the County with Interstate I-295. The Bonds are Recovery Zone Economic Development Bonds issued under Section 1400U-2 of the Internal Revenue Code of 1986, which was added by the provisions of the American Recovery and Reinvestment Act of 2009 (ARRA). Pursuant to ARRA, the Authority is entitled to receive a cash subsidy payment from the U.S. Treasury equal to 45% of the interest payable on the Series 2010B Bonds on each interest payment date. The cash subsidy payment reduces the payments required by the County under the agreement.

County of Chesterfield, Virginia
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The Bonds are limited obligations of the Authority, payable solely from payments made by the County, pursuant to the agreements. The Bonds are not a general obligation debt of the County and payments made pursuant to the Agreements are subject to annual appropriation by the County Board. For the year ended June 30, 2011, the General Fund paid \$72,196 in interest on the Series 2005A and Series 2005B Bonds and \$64,076 on the Series 2010B Bonds on behalf of the Authority.

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

Year Ending	2005 Variable Rate Revenue Bonds		2010B Recovery Zone Revenue Bonds		Total
	Principal	Interest*	Principal	Interest**	
<u>June 30</u>					
2012	\$ 860,000	\$ 26,534	\$ 420,000	\$ 296,639	\$ 1,603,173
2013	875,000	24,664	420,000	292,111	1,611,775
2014	890,000	22,762	420,000	286,135	1,618,897
2015	895,000	20,845	420,000	278,268	1,614,113
2016	910,000	18,898	420,000	268,768	1,617,666
2017-2021	4,725,000	64,405	2,090,000	1,150,716	8,030,121
2022-2026	4,010,000	13,761	2,075,000	741,327	6,840,088
2027-2031	-	-	1,660,000	218,497	1,878,497
Total	<u>\$ 13,165,000</u>	<u>\$ 191,869</u>	<u>\$ 7,925,000</u>	<u>\$ 3,532,461</u>	<u>\$ 24,814,330</u>

* Assumed rate of 0.15% for Series 2005A (Tax-Exempt), and 0.25% for Series 2005B (Taxable) of the Economic Development Authority Variable Rate Revenue Bonds.

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

I. Defeased Debt

On September 23, 2010, the County sold \$7,185,000 in Public Facility Revenue Refunding Bonds through the EDA with an average interest rate of 2.80%. Net proceeds of \$7,321,796 from the issue in addition to County funds of \$140,707 were deposited into an irrevocable trust with an escrow agent to pay interest due and the principal redemption prices on the refunded bonds on November 15, 2010. The advance refunding included outstanding principal of \$7,245,000 for the Public Facility Lease Revenue Bonds, Series 1999, with an average interest rate of 4.72% dated April 1, 1999, and maturing on November 1 in each of the nine years 2011 through 2019, which were subject to redemption and were redeemed on November 15, 2010.

The advance refunding resulted in the recognition of an accounting loss of \$217,503 for the year ended June 30, 2011; however, the County in effect reduced its aggregate debt service payments by \$728,678 over the next nine years and obtained an economic gain (the difference between the present values of the old and new debt service payments) of \$717,174.

In prior years, the County defeased certain general obligation bonds by placing funds in irrevocable escrow accounts to provide for future debt service payments on the defeased debt. Accordingly, the escrow account assets and the liability for the defeased debt are not included in the County's financial statements. At June 30, 2011, the outstanding balance of the defeased debt was \$8,135,000 of general obligation bonds.

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2011

J. Changes in Long-term Obligations

The following is a summary of long-term obligation transactions for the year ended June 30, 2011:

	Balance			Balance	Amounts
Governmental Activities	June 30, 2010	Increases	Decreases	June 30, 2011	Due Within
General obligation bonds	\$ 454,770,000	\$ 15,630,000	\$ 38,285,000	\$ 432,115,000	\$ 36,620,000
Add: Premium	16,019,803	1,192,749	2,422,878	14,789,674	2,222,385
Less: Deferred amount on refunding	3,840,164	-	869,034	2,971,130	738,698
Net bonds payable	466,949,639	16,822,749	39,838,844	443,933,544	38,103,687
Certificates of participation	64,810,957	-	4,928,818	59,882,139	4,918,817
Add: Premium	784,077	-	97,744	686,333	90,704
Net certificates of participation	65,595,034	-	5,026,562	60,568,472	5,009,521
Public facility lease	8,050,000	7,185,000	8,050,000	7,185,000	710,000
Add: Premium	-	214,075	21,001	193,074	39,927
Less: Deferred amount on refunding	-	217,503	21,337	196,166	40,567
Net public facility lease	8,050,000	7,181,572	8,049,664	7,181,908	709,360
Taxable redevelopment facility note	16,596,199	-	-	16,596,199	-
Capital lease purchases	1,124,886	-	159,480	965,406	121,704
Total bonds, leases and loans	558,315,758	24,004,321	53,074,550	529,245,529	43,944,272
Other liabilities:					
Compensated absences	19,943,105	10,923,376	11,498,403	19,368,078	12,932,988
Judgments and claims	16,248,523	383,644	3,821,436	12,810,731	5,255,880
Landfill	1,572,800	-	218,908	1,353,892	300,000
Pollution remediation	2,687,550	-	1,050	2,686,500	-
Arbitrage	482,341	-	482,341	-	-
Retirement plan obligations*	2,847,845	-	257,334	2,590,511	-
Support agreements	14,020,000	8,345,000	1,275,000	21,090,000	1,280,000
Total other liabilities	57,802,164	19,652,020	17,554,472	59,899,712	19,768,868
Total long-term liabilities	\$ 616,117,922	\$ 43,656,341	\$ 70,629,022	\$ 589,145,241	\$ 63,713,140

*The governmental activities reported a negative net pension obligation of \$11,433 for the Supplemental Retirement Plan.

This amount and the negative net OPEB obligation of \$1,327,473 are recorded as prepaid assets in the government wide statements.

Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for these funds are included as part of the above totals for governmental activities. At year-end, \$447,590 for compensated absences, \$4,400,943 for judgments and claims and \$76,392 for retirement plan obligations for internal service funds are included in the above amounts. Except for the amounts for internal service funds, the long-term liabilities for governmental activities are generally liquidated by the General Fund.

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2011

	Balance			Balance	Amounts
Business-Type Activities	June 30, 2010	Increases	Decreases	June 30, 2011	Due Within One Year
<u>Water Fund</u>					
Revenue bonds payable	\$ 45,734,955	\$ -	\$ 3,289,955	\$ 42,445,000	\$ 1,770,000
Add: Premium	192,122	-	18,866	173,256	18,100
Less: Discounts	377	-	377	-	-
Deferred amount on refunding	1,219	-	1,219	-	-
Net bonds payable	<u>45,925,481</u>	<u>-</u>	<u>3,307,225</u>	<u>42,618,256</u>	<u>1,788,100</u>
Other liabilities:					
Compensated absences	684,648	433,379	414,262	703,765	427,694
Judgments and claims - other	481,187	-	8,007	473,180	148,579
Retirement plan obligations	157,781	-	6,933	150,848	-
Total other liabilities	<u>1,323,616</u>	<u>433,379</u>	<u>429,202</u>	<u>1,327,793</u>	<u>576,273</u>
Total long-term liabilities	<u>47,249,097</u>	<u>433,379</u>	<u>3,736,427</u>	<u>43,946,049</u>	<u>2,364,373</u>
<u>Wastewater Fund</u>					
Revenue bonds payable	51,084,687	-	4,869,687	46,215,000	1,770,000
Add: Premium	1,104,185	-	98,003	1,006,182	94,354
Less: Discounts	755	-	755	-	-
Deferred amount on refunding	2,442	-	2,442	-	-
Net bonds payable	<u>52,185,675</u>	<u>-</u>	<u>4,964,493</u>	<u>47,221,182</u>	<u>1,864,354</u>
Other liabilities:					
Compensated absences	719,488	338,151	369,982	687,657	410,308
Judgments and claims - other	481,187	-	192,167	289,020	90,752
Judgments and claims - pollution remediation	217,000	368,055	471,055	114,000	114,000
Retirement plan obligations	91,480	-	6,925	84,555	-
Total other liabilities	<u>1,509,155</u>	<u>706,206</u>	<u>1,040,129</u>	<u>1,175,232</u>	<u>615,060</u>
Total long-term liabilities	<u>53,694,830</u>	<u>706,206</u>	<u>6,004,622</u>	<u>48,396,414</u>	<u>2,479,414</u>
<u>Non-major - Airport Fund</u>					
Certificates of participation	<u>1,374,043</u>	<u>-</u>	<u>91,182</u>	<u>1,282,861</u>	<u>96,182</u>
Other liabilities:					
Compensated absences	32,954	10,505	19,545	23,914	16,424
Judgments and claims	-	17,295	-	17,295	5,431
Retirement plan obligations	4,470	-	27	4,443	-
Total other liabilities	<u>37,424</u>	<u>27,800</u>	<u>19,572</u>	<u>45,652</u>	<u>21,855</u>
Total long-term liabilities	<u>1,411,467</u>	<u>27,800</u>	<u>110,754</u>	<u>1,328,513</u>	<u>118,037</u>
Total business-type activities long-term liabilities	<u>\$ 102,355,394</u>	<u>\$ 1,167,385</u>	<u>\$ 9,851,803</u>	<u>\$ 93,670,976</u>	<u>\$ 4,961,824</u>

County of Chesterfield, Virginia
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Summaries of long-term obligation transactions for the Component Units for the year ended June 30, 2011, are as follows:

School Board	Balance			Amounts Due Within		
	<u>June 30, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2011</u>	<u>One Year</u>	
Compensated absences	\$ 20,748,982	\$ 4,269,177	\$ 5,088,211	\$ 19,929,948	\$ 9,626,155	
Judgments and claims	8,280,769	1,073,574	-	9,354,343	2,937,264	
Retirement plan obligations*	616,223	-	61	616,162	-	
Total long-term liabilities	<u>\$ 29,645,974</u>	<u>\$ 5,342,751</u>	<u>\$ 5,088,272</u>	<u>\$ 29,900,453</u>	<u>\$ 12,563,419</u>	

*The School Board Supplemental Retirement Program has a negative net pension obligation of \$23,420,189.

This amount and the negative OPEB obligation are prepaid assets in the government-wide statements.

Economic Development Authority	Balance			Amounts Due within		
	<u>June 30, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2011</u>	<u>One Year</u>	
Revenue bonds payable	\$ 14,020,000	\$ 8,345,000	\$ 1,275,000	\$ 21,090,000	\$ 1,280,000	
Less: Discounts	6,527	-	841	5,686	786	
Net bonds payable	<u>\$ 14,013,473</u>	<u>\$ 8,345,000</u>	<u>\$ 1,274,159</u>	<u>\$ 21,084,314</u>	<u>\$ 1,279,214</u>	

Watkins Centre Community Development Authority	Balance			Amounts Due within		
	<u>June 30, 2010</u>	<u>Decreases</u>	<u>June 30, 2011</u>	<u>One Year</u>		
Revenue bonds payable	\$ 20,000,000	\$ 582,000	\$ 19,418,000	\$ 1,413,000		
Less: Discounts	33,565	6,186	27,379	5,708		
Net bonds payable	<u>\$ 19,966,435</u>	<u>\$ 575,814</u>	<u>\$ 19,390,621</u>	<u>\$ 1,407,292</u>		

Health Center Commission	Balance			Amounts Due within		
	<u>June 30, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2011</u>	<u>One Year</u>	
Mortgage revenue and refunding bonds	\$ 54,265,000	\$ -	\$ 2,200,000	\$ 52,065,000	\$ 420,000	
Less: Discounts	647,699	-	33,383	614,316	33,207	
Deferred amount on refunding	1,023,479	-	54,344	969,135	53,666	
Net bonds payable	<u>52,593,822</u>	<u>-</u>	<u>2,112,273</u>	<u>50,481,549</u>	<u>333,127</u>	
OPEB obligation	<u>22,600</u>	<u>184,100</u>	<u>108,600</u>	<u>98,100</u>	<u>-</u>	
Total long-term liabilities	<u>\$ 52,616,422</u>	<u>\$ 184,100</u>	<u>\$ 2,220,873</u>	<u>\$ 50,579,649</u>	<u>\$ 333,127</u>	

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

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

General obligations bonds	\$ 348,180,871
Certificates of participation	<u>1,570,000</u>
Total general obligation debt and lease obligations	<u>\$ 349,750,871</u>

In addition to the general obligation debt and lease obligations, the primary government has also recorded accrued interest payable of \$7,661,058 in the government-wide financial statements on behalf of the School Board component unit.

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10. Commitments and Contingent Liabilities

A. Lease Commitments

Rent expense for all operating leases was \$2,419,738 for the County and \$1,548,577 for the School Board and \$42,905 for the Health Center Commission for the year ended June 30, 2011.

The County, School Board and Health Center Commission lease various types of equipment under operating lease agreements. The County and School Board lease agreements are contingent on the County Board appropriating funds for each year's payments. As of June 30, 2011, future operating lease payments for the County totaled \$58,222 of which \$54,124 is due in 2012 and \$4,098 is due in 2013. As of June 30, 2011, the School Board does not have any operating leases. The Health Center Commission has an operating lease with future payments of \$50,568 with annual payments of \$14,112 due in fiscal years 2012-2014 and \$8,232 due in fiscal year 2015.

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.

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 which may be disallowed as a result of audits at some future date cannot be determined at this time; however, the County and School Board expect such amounts, if any, to be immaterial.

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

In connection with the RMA's responsibility for maintaining and operating the Richmond metropolitan area's baseball stadium facility which opened in April 1985, the Counties of Chesterfield and Henrico and the City of Richmond agreed to a nonbinding moral obligation under which each would pay one-third of any annual net operating loss. The County made no contributions during fiscal year 2011.

11. Risk Management – Claims Liability

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

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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 present value of the estimated outstanding losses is the amount of money, discounted for anticipated investment income, required to meet unpaid claims. The discount is calculated based on a 0.30% yield on investments. The confidence level estimated percentage used to determine the risk management liability decreased from 90% to 75% in fiscal year 2011 for automobile, general, professional, medical and law enforcement liability. The change in confidence level reflects management's estimate of expected losses based on historical trends of claims payments

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

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

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

	<u>County</u>		<u>Schools</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Workers' Compensation:				
Liability, July 1	\$ 9,113,941	\$ 8,750,063	\$ 8,280,769	\$ 6,838,451
Current year claims	2,981,000	3,329,000	3,070,000	3,233,000
Changes in estimates	(225,276)	(963,037)	1,139,518	449,705
Claim payments	<u>(2,554,959)</u>	<u>(2,002,085)</u>	<u>(3,135,944)</u>	<u>(2,240,387)</u>
Liability, June 30	\$ <u>9,314,706</u>	\$ <u>9,113,941</u>	\$ <u>9,354,343</u>	\$ <u>8,280,769</u>

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

	<u>2011</u>	<u>2010</u>
Risk Management Fund:		
Liability, July 1	\$ 8,096,956	\$ 6,268,076
Current year claims	2,173,948	2,894,188
Changes in estimates	(4,483,883)	1,479,190
Claim payments	<u>(1,511,501)</u>	<u>(2,544,498)</u>
Liability, June 30	\$ <u>4,275,520</u>	\$ <u>8,096,956</u>

County of Chesterfield, Virginia
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12. Retirement Plans

A. Virginia Retirement System

1. Plan Description

The County and School Board contribute to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the VRS. School Board employees participate in a VRS statewide teacher cost sharing pool and non-professional employees participate as a separate group in the VRS. All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service credits which are earned for each month of employment. VRS administers two defined benefit plans for the agent defined benefit plan called Plan 1 and Plan 2.

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

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

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

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

County of Chesterfield, Virginia
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2. Funding Status and Progress

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. The employer may assume this 5% member contribution. The County has elected to pay the employee's 5% contribution for employees under Plan 1 while the School Board has elected to pay the employee's 5% contribution under Plan 1 and Plan 2. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The County and School Board's contribution rates, including the 5% member contribution for fiscal year 2011, were 16.59% and 13.96%, respectively, of annual covered payroll. As of June 30, 2010, the County and School agent plans were 75.01% and 76.33% funded, respectively. The accrued actuarial liability for benefits for the County agent plan was \$763,386,006 and the actuarial value of assets was \$572,618,903 leaving \$190,767,103 unfunded. The accrued actuarial liability for benefits for the School agent plan was \$99,563,341 and the actuarial value of assets was \$75,996,073 leaving \$23,567,269 unfunded. Covered payroll was \$165,222,981 for the County agent plan and \$27,392,180 for the School agent plan. The ratio of unfunded actuarial accrued liability to annual covered payroll for the County and School agent plans was 115.46% and 86.04%, respectively. The School Board's required contribution, including the 5% member contributions for fiscal years 2011, 2010 and 2009, to the VRS statewide teacher cost-sharing pool was \$22,422,224, \$31,297,210 and \$38,674,348 respectively, which as a percentage of covered payroll was 8.93% for fiscal year 2011, 13.81% for July 2009 – March 2010 and zero (0.00%) for April – June 2010 and 13.81% for fiscal year 2009. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The actuarial value of plan assets and the actuarial accrued liabilities for benefits were determined through the June 30, 2010 actuarial valuation. The June 30, 2010 actuarial valuation assumptions were the same as the June 30, 2009 valuation assumptions with the exception of the assumed investment return, which was reduced from 7.5% to 7.0%.

3. Annual Pension Cost and Net Pension Obligation

For 2011, the County's and School Board's annual required contribution of \$18,656,176 and \$2,315,985, respectively, representing a contribution rate of 11.59% and 8.96%, respectively, was equal to their actual contributions. The required contribution was determined as part of the June 30, 2009, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2009, included (a) 7.5% investment rate of return, (b) projected salary increases that range from 3.75% to 5.60% (per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs) and (c) cost-of-living adjustments of 2.5%. The actuarial value of the plans' assets is a modified market value of assets. This method was determined using techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The plans' unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis for a period of 20 years from valuation date.

County of Chesterfield, Virginia
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Net Pension Obligation (NPO)

	<u>County</u>	<u>Schools</u>
Annual Required Contribution (ARC)	\$ 18,656,176	\$ 2,315,985
Interest on NPO	198,145	43,136
Adjustment to the ARC	<u>(198,435)</u>	<u>(43,197)</u>
Annual Pension Cost	18,655,886	2,315,924
Contributions made	<u>(18,656,176)</u>	<u>(2,315,985)</u>
Increase in NPO	(290)	(61)
NPO beginning of year	<u>2,830,647</u>	<u>616,223</u>
NPO end of year	<u>\$ 2,830,357</u>	<u>\$ 616,162</u>

4. Three-Year Trend Information:

	<u>County</u>		
	Annual		Net
Fiscal Year	Pension	Percent	Pension
Ending	Cost	Contributed	Obligation
6/30/2011	\$18,655,886	100.00 %	\$2,830,357
6/30/2010	16,732,343	99.96	2,830,647
6/30/2009	17,100,304	99.96	2,824,501

	<u>Schools</u>		
	Annual		Net
Fiscal Year	Pension	Percent	Pension
Ending	Cost	Contributed	Obligation
6/30/2011	\$2,315,924	100.00 %	\$616,162
6/30/2010	2,430,164	99.95	616,223
6/30/2009	2,490,587	99.95	614,890

B. Chesterfield County Supplemental Retirement System – Primary Government

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

1. Summary of Significant Accounting Policies

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

2. Plan Descriptions and Contribution Information

- a) Plan Description: The System provides retirement benefits as well as disability benefits for certain qualified full-time County employees. Benefits begin to vest after five years of service. County employees who retire at or after age 65 with five years of credited service

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are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 0.875% of final average compensation in excess of covered compensation, multiplied by years of service credited to the member at retirement. Covered compensation with respect to any participant means the average (without indexing) taken to the nearest multiple of \$600 of the taxable wage base in effect for each calendar year during the 35-year period ending with the last day of the calendar year in which the participant attains age 64. In determining the participant's covered compensation for a calendar year, the taxable wage base for all future calendar years is assumed to be the same as the one in effect for year of determination. A participant's covered compensation for a calendar year before the 35-year period is the taxable wage base in effect for the calendar year. A participant's covered compensation for a calendar year after the 35-year period is the participant's covered compensation for the calendar year during which the 35-year period ends. Employees with ten years of credited service may retire at or after age 55 and receive an unreduced retirement benefit. The County pays the entire cost of the System.

Membership of the System consisted of the following at June 30, 2011:

Active members	3,293
Terminated members with vested rights	77
Retired members with benefits in pay status and beneficiaries of deceased members receiving benefits	<u>260</u>
Total	<u>3,630</u>

- b) Funding Policy: The System provides for annual employer contributions at actuarially determined rates, which will remain relatively level over time as a percentage of payroll and will accumulate sufficient assets to meet the cost of all basic benefits when due. Contribution rates are developed using the entry age normal cost method for both normal costs and amortization of the unfunded actuarial accrued liability. The plan is financed through budget appropriations.
- c) Annual Pension Cost and Net Pension Obligation: For 2011, the County's contribution of \$1,625,000 was greater than the recommended contribution which was determined as a part of the July 1, 2010, actuarial valuation.

Net Pension Obligation (NPO) (Asset)

Annual Required Contribution (ARC)	\$ 1,349,617
Interest on NPO	17,610
Adjustment to the ARC	<u>(24,589)</u>
Annual Pension Cost	1,342,638
Contributions made	<u>(1,625,000)</u>
Decrease in NPO	(282,362)
NPO beginning of year	<u>270,929</u>
NPO (asset) end of year	<u>\$ (11,433)</u>

- d) Three-year Trend Information:

Fiscal Year Ending	Annual Pension Cost	Percent Contributed	Net Pension Obligation
6/30/2011	\$1,342,638	121.03 %	\$ (11,433)
6/30/2010	1,439,206	100.50	270,929
6/30/2009	1,578,846	100.47	278,271

3. Related Party Investments

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

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4. Actuarial Method and Significant Assumptions

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

Valuation Date	July 1, 2011
Actuarial cost method	Entry age normal cost
Amortization method.....	Level dollar - open
Amortization period.....	20 years
Asset valuation method	Five-year moving average
Actuarial assumptions:	
Investment rate of return	6.5%
Projected salary increases	3.5%
Inflation rate	3.0%

5. Funded Status and Funding Progress

As of June 30, 2011, the plan was 71.20% funded. The actuarial accrued liability for benefits was \$29,331,500 and the actuarial value of assets was \$20,885,042 leaving \$8,446,458 unfunded. Covered payroll was \$163,921,213. The ratio of unfunded actuarial liability to annual covered payroll was 5.15%. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

C. Supplemental Retirement Program - Discretely Presented Component Unit - School Board

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

1. Summary of Significant Accounting Policies

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

2. Program Descriptions and Contribution Information

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

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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 receive payment for the time actually worked.

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

Membership of the System consisted of the following at July 1, 2011:

Active participants	4,926
Retirees (non-vested)	124
Retirees (vested)	<u>769</u>
Total	<u>5,819</u>

- b) Funding Policy: The School Board contributes the normal cost plus amortizes the unfunded actuarial accrued liability over 15 years. Actual contributions are based upon savings derived from employees electing to retire under the Program along with a supplement from the School Operating Fund. For a particular Program year, the actual contribution may not equal the recommended level of contribution; however, it is expected that the contribution will be sufficient to meet the funding requirements over the longer term. The Program is funded from available budget allocations and interest earned from the Program.
- c) Annual Pension Cost and Net Pension Obligation: For 2011, the School Board made a contribution of \$14,769,415 to the Program.

Net Pension Obligation (NPO) (Asset)	
Annual Required Contribution (ARC)	\$ 7,752,435
Interest on NPO	(1,273,984)
Adjustment to the ARC	<u>1,857,219</u>
Annual Pension Cost	8,335,670
Contributions made	<u>(14,769,415)</u>
Increase in NPO (asset)	(6,433,745)
NPO (asset) beginning of year	<u>(16,986,444)</u>
NPO (asset) end of year	<u>\$ (23,420,189)</u>

- d) Three-year Trend Information:

Fiscal Year	Annual	Percent	Net Pension
Ending	Pension	Contributed	Obligation
	Cost		(Asset)
6/30/2011	\$8,335,670	177.18 %	\$ (23,420,189)
6/30/2010	8,750,738	115.06	(16,986,444)
6/30/2009	9,161,705	157.74	(15,668,884)

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3. Related Party Investments

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

4. Actuarial Method and Significant Assumptions

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

Valuation Date.....	July 1, 2011
Actuarial cost method.....	Entry age normal frozen initial liability method
Amortization method - active.....	Level dollar - open
Amortization method - retirees.....	Level dollar - closed
Amortization period - active.....	10 years
Amortization period - retirees.....	3 years
Asset valuation method.....	Market value
Actuarial assumptions:	
Investment rate of return.....	7.5%
Projected salary increases.....	4.5%

5. Funded Status and Funding Progress

As of June 30, 2011, the plan was 32.19% funded. The actuarial accrued liability for benefits was \$86,224,670 and the actuarial value of assets was \$27,757,347 leaving \$58,467,323 unfunded. Covered payroll was \$202,945,820. The ratio of unfunded actuarial liability to annual covered payroll was 28.81%. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

13. Other Post Employment Benefits Plans

A. Post Retirement Medical and Dental Plan – Primary Government

1. Plan Description

The Other Post Employment Benefit (OPEB) Trust is a single employer defined benefit plan that provides health and dental insurance during retirement for certain qualified retirees and their dependents. Benefit provisions are established by the County Board and may be amended at any time. The Board of Trustees, appointed by the County Board, administers the plan. The OPEB Trust is considered part of the County of Chesterfield's reporting entity and is included in the County's financial statements as an OPEB Trust Fund. No separate audited report is 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.

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County contributions for pre-65 health and dental benefits at July 1, 2010 are:

Years of Service	Grandfathered	Non-grandfathered
0 to 9	-	-
10 to 14	50%	\$164 per month
15 to 19	100%*	\$246 per month
20 to 24	100%*	\$246 per month
25+	100%*	\$328 per month

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

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

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

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

2. Funding Policy

As of June 30, 2011, the County has \$13,697,793 in plan assets accumulated for payment of future benefits. The County made contributions and paid premiums to the trust in amounts greater than the annual required contribution(ARC) for the fiscal year ended June 30, 2011, and intends to fund at least the ARC amount in future fiscal years. The Board of Supervisors determines actual contributions to the plan on an annual basis. Employees' contributions vary according to individual elections of coverage and the level of County contribution which is based on eligibility requirements.

3. Annual OPEB cost and Net OPEB Obligation

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

Net Other Postemployment Benefits Obligation (NOPEBO) (ASSET)	
Annual required contribution (ARC)	\$ 7,204,572
Interest on NOPEBO	(92,923)
Adjustment to the ARC	<u>1,426,560</u>
Annual OPEB Cost	8,538,209
Contributions made	<u>(8,538,209)</u>
Increase in NOPEBO (asset)	-
NOPEBO (asset) beginning of year	<u>(1,327,473)</u>
NOPEBO (asset) end of year	<u>\$ (1,327,473)</u>

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Three-year Trend Information

Fiscal Year	Annual	Percent	Net OPEB
Ending	OPEB	Contributed	Obligation
	Cost		(Asset)
6/30/2011	\$8,538,209	100.00 %	\$ (1,327,473)
6/30/2010	8,247,262	100.00	(1,327,473)
6/30/2009	8,280,800	100.00	(1,327,473)

4. Funded Status and Funding Progress

As of June 30, 2011, the plan was 13.90% funded. The actuarial accrued liability for benefits was \$98,574,753 and the actuarial value of assets was \$13,697,793 leaving \$84,876,960 unfunded. The ratio of the unfunded actuarial liability to annual covered payroll of \$167,420,404 was 50.70%. 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, 2009, included (a) 7.0% discount rate (b) medical benefit cost trend increases of 9.0% in plan year 2009 reduced by decrements to a rate of 5.0% after 6 years and (c) dental cost trend of 5.0% annually. Plan liabilities were determined using the projected unit of credit actuarial cost method. The plans' unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis for a period of 30 years.

B. Post Retirement Medical and Dental Plan – Discretely Presented Component Unit – School Board

1. Plan Description

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

Employees with a combination of age and fulltime service greater than or equal to 60 years as of July 1, 2007, including at least 10 years of service, will be grandfathered. Non-grandfathered employees will receive health benefits at age 55 or older with at least 15 years of service. Employees

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retiring before age 55 will be allowed to purchase retiree healthcare at the School Board's group rate with no School Board contribution from the time of retirement until age 55. At age 55, they will begin to receive the School Board contribution based on years of service. School Board contributions for pre-65 health and dental benefits at July 1, 2010, are:

Years of Service	Grandfathered	Non-grandfathered
0 to 9	-	-
10 to 14	100%*	-
15 to 19	100%*	\$164 per month
20 to 24	100%*	\$246 per month
25+	100%*	\$328 per month

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

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

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

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

2. Funding Policy

As of June 30, 2011, the School Board has \$5,494,060 in plan assets accumulated for payment of future benefits. The School Board made contributions and paid premiums to the trust in amounts greater than the annual required contribution(ARC) for the fiscal year ended June 30, 2011, and intends to fund at least the ARC amount in future fiscal years. The School Board determines the actual contributions to the plan on an annual basis. Employees' contributions vary according to individual elections of coverage and the level of County contribution which is based on eligibility requirements.

3. Annual OPEB cost and Net OPEB Obligation

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

Net Other Postemployment Benefits Obligation (NOPEBO) (ASSET)	
Annual required contribution (ARC)	\$ 15,834,134
Interest on NOPEBO	(12,331)
Adjustment to the ARC	<u>2,371,197</u>
Annual OPEB Cost	18,193,000
Contributions made	<u>(18,193,000)</u>
Increase in NOPEBO (asset)	-
NOPEBO (asset) beginning of year	<u>(176,161)</u>
NOPEBO (asset) end of year	<u>\$ (176,161)</u>

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Three-year Trend Information

Fiscal Year Ending	Annual OPEB Cost	Percent Contributed	Net OPEB Obligation (Asset)
6/30/2011	\$18,193,000	100.00 %	\$ (176,161)
6/30/2010	17,650,955	100.00	(176,161)
6/30/2009	14,267,247	100.00	(176,161)

4. Funded Status and Funding Progress

As of June 30, 2011, the plan was 2.69% funded. The actuarial accrued liability for benefits was \$204,508,430 and the actuarial value of assets was \$5,494,060 leaving \$199,014,370 unfunded. The ratio of the unfunded actuarial liability to annual covered payroll of \$301,795,172 was 65.94%. 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, 2009, included (a) 7.0% discount rate (b) medical benefit cost trend increases of 9.0% in plan year 2009 reduced by decrements to a rate of 5.0% after 6 years and (c) dental cost trend of 5.0% annually. Plan liabilities were determined using the projected unit of credit actuarial cost method. The plans' unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis for a period of 30 years.

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.

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

The County retains an ongoing financial responsibility for the joint venture due to the requirement to purchase water and the capacity rights, (note 1.D.6), received in connection with the expansion of the treatment plant. The County's purchases of water for the year ended June 30, 2011, were \$4,790,103. 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 2011.

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 \$3,727,095 for transient occupancy tax to the Convention Authority during the year ended June 30, 2011.

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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 \$1,817,118 from the Convention Authority for tax payments made in excess of its allocated share of operating costs during the year ended June 30, 2011.

On May 19, 1998, the Convention Authority entered into a fiscal services agreement with the County. The agreement specifies that the County provide services to the Convention Authority to (1) direct and monitor the investment and disbursement of funds from future revenue bonds held by the trustee; (2) receive and manage revenues transferred on behalf of the Convention Authority to the Treasurer of Chesterfield County; (3) maintain accounting records in accordance with generally accepted accounting principles and coordinate with outside independent auditors; (4) monitor and control the Convention Authority's budget; and (5) secure arbitrage reporting. In accordance with the terms of the fiscal agent agreement, the Convention Authority made payments of \$100,100 to the County during the year ended June 30, 2011. 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, 2011, there were no fixed GRTC routes in the County; therefore, no contribution was made by the County in fiscal year 2011. 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, 2011, were \$9,786,541. Complete financial statements for the Jail Authority can be obtained from the Riverside Regional Jail Authority's office at P. O. Box 1041, Hopewell, VA 23860.

F. South Central Wastewater Authority

On July 2, 1996, the County, in conjunction with the Counties of Dinwiddie and Prince George and the Cities of Petersburg and Colonial Heights participated in the creation of the South Central

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2011

Wastewater Authority (Wastewater Authority), by concurrent resolutions in accordance with the Virginia Water and Sewer Authorities Act. The purpose of the Wastewater Authority, whose five-member board is comprised of one representative from each participating jurisdiction, is to acquire, finance, construct, expand, improve, operate and maintain wastewater treatment and related facilities and for compliance with all requirements of applicable laws and regulations, except as otherwise provided in the service agreements.

The County paid \$4,786,709 on July 2, 1996, representing its share of acquired debt and an initial operations and maintenance deposit. The County will be responsible for its portion of operation and maintenance expenses on a monthly basis, based on the Service Agreement. The County's purchases of wastewater services for the year ended June 30, 2011 were \$363,476. 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. Jointly Governed Organizations

A. Central Virginia Waste Management Authority

The Central Virginia Waste Management Authority (Waste Authority) was established under the provision of the Virginia Water and Sewer Authorities Act. The Waste Authority's board is comprised of representatives from the Counties of Charles City, Chesterfield, Goochland, Hanover, Henrico, New Kent, Powhatan and Prince George, the Cities of Colonial Heights, Petersburg, Hopewell and Richmond and the Town of Ashland. The twenty member board is comprised of no less than one and up to no more than three members from each of the participating jurisdictions, determined on a population basis. The County has three representatives serving. The Waste Authority is responsible for creating and implementing recycling and solid waste management programs for its local member jurisdictions in order to meet waste reduction mandates set by the Virginia General Assembly. Except for contribution requirements and direct payments for special projects, no participant has any ongoing financial interest or responsibility in the Waste Authority. The County's contribution and direct payments for special projects for the year ended June 30, 2011, were \$3,274,882.

B. Greater Richmond Partnership

The Greater Richmond Partnership is comprised of members from the City of Richmond and the Counties of Chesterfield, Hanover, and Henrico. Together in partnership with the business leadership of the area, the Greater Richmond Partnership's purpose is to further economic development of the metropolitan area. The County has one representative serving on the Greater Richmond Partnership's eight-member Board of Directors and contributed \$430,000 for the year ended June 30, 2011.

C. Petersburg Area Regional Tourism Corporation

The Petersburg Area Regional Tourism Corporation (PART) is comprised of seventeen members from the Counties of Chesterfield, Dinwiddie, Prince George, the Cities of Colonial Heights, Hopewell and Petersburg. The major function of the PART is to develop a regional tourism marketing initiative that will result in increased tourism visitation and spending. In addition, the PART will assist member localities in strategic product development planning. The County has two representatives serving on the PART and paid a contribution of \$100,000 for the year ended June 30, 2011.

D. Richmond Metropolitan Convention and Visitors Bureau

The Richmond Metropolitan Convention and Visitors Bureau (RMCVB) serves the City of Richmond and the Counties of Chesterfield, Hanover, Henrico and New Kent by promoting conventions, tourism and development in the Metropolitan Richmond area in order to increase revenues, provide increased employment and improve the economic health of all jurisdictions involved. The RMCVB has twenty-one members and the County has two representatives serving on RMCVB's Board of Directors and contributed \$793,696 for the year ended June 30, 2011.

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2011

E. Richmond Regional Planning District Commission

The Richmond Regional Planning District Commission (RRPDC) is comprised of thirty-three members from the Counties of Charles City, Chesterfield, Goochland, Hanover, Henrico, New Kent, Powhatan, the City of Richmond and the Town of Ashland. The major functions of the RRPDC are to promote regional cooperation; coordinate the activities and policies of member local governments; resolve service delivery problems involving more than one government within the region and provide planning assistance to local governments. In accordance with its Charter, the RRPDC promotes the orderly physical, social and economic development of the region through planning and encouraging local governments to plan for the future. The County has seven representatives serving on the RRPDC and paid total dues of \$173,016 for the year ended June 30, 2011.

F. Virginia's Gateway Region Board

Virginia's Gateway Region Board (VGRB), formerly named Appomattox Basin Industrial Development Corporation (ABIDCO), serves the Counties of Chesterfield, Dinwiddie, Prince George, Surry and Sussex, as well as the Cities of Colonial Heights, Hopewell and Petersburg in their efforts to provide balanced industrialization to commission members. The County has two representatives serving on VGRB's twenty-four member board and contributed \$63,574 to VGRB for the year ended June 30, 2011.

16. Special Item

On September 1, 2010, the County entered into a support agreement with the EDA as disclosed in note 9H. Under the terms of this agreement, the County agreed to make support payments directly to the EDA's trustee in an amount sufficient to cover the debt service on the EDA's Taxable Recovery Zone Economic Development Revenue Bonds. For fund statement reporting purposes, there was no current financial flow of resources for the County to report beyond these payments; however for government-wide reporting purposes, the County reported a long-term obligation of \$8,345,000 on the Statement of Net Assets and a special item in the same amount on the Statement of Activities to reflect the County's commitment for this support agreement.

17. Subsequent Events

In October 2011, 28.4 acres of the Cloverleaf Mall property was sold to a developer for \$5.8 million, the approximate book value of the property. As a part of the agreement with the developer, the EDA authorized the issuance and sale of Tax-Exempt Promissory Note, Series 2011 in an amount up to \$8 million. Proceeds from the Tax-Exempt Promissory Note, Series 2011 will be loaned, as needed, to the Chippenham Place Community Development Authority to finance certain infrastructure improvements at the Cloverleaf Mall property. Obligations under the Tax-Exempt Promissory Note, Series 2011 will be paid from the Chippenham Place Community Development Authority's special assessments and tax increments, which if insufficient to meet the obligation, will be supplemented with appropriations from the County.

REQUIRED SUPPLEMENTARY INFORMATION

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

Virginia Retirement System

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2010	\$ 572,618,903	\$ 763,386,006	\$ 190,767,103	75.01 %	\$ 165,222,981	115.46 %
6/30/2009	561,571,886	684,150,415	122,578,529	82.08	169,962,976	72.12
6/30/2008	541,216,109	624,160,664	82,944,555	86.71	161,262,760	51.43

Supplemental Retirement System

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2011	\$ 20,885,042	\$ 29,331,500	\$ 8,446,458	71.20 %	\$ 163,921,213	5.15 %
7/1/2010	19,628,711	27,541,514	7,912,803	71.27	164,267,683	4.82
7/1/2009	18,881,086	27,659,486	8,778,400	68.26	169,844,780	5.17
7/1/2008	18,153,315	28,396,755	10,243,440	63.90	169,840,640	6.03
7/1/2007	16,768,606	24,520,529	7,751,923	68.40	151,640,476	5.11
7/1/2006	14,732,608	24,178,945	9,446,337	60.90	143,049,655	6.60

Schedule of Employer Contributions

Fiscal Year Ending	Annual Required Contribution	Percent Contributed
6/30/2011	\$ 1,349,617	120.40 %
6/30/2010	1,446,369	100.00
6/30/2009	1,586,202	100.00
6/30/2008	1,246,453	100.00
6/30/2007	1,426,425	100.00
6/30/2006	1,347,007	96.51

Other Post Employment Benefits Plan

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
7/1/2011	\$ 13,697,793	\$ 98,574,753	\$ 84,876,960	13.90 %	\$ 167,420,404	50.70 %
7/1/2010	10,084,694	95,540,251	85,455,557	10.56	167,420,404	51.04
7/1/2009	7,300,857	101,297,900	93,997,043	7.20	160,685,519	58.50
7/1/2008	4,920,703	95,035,001	90,114,298	5.18	160,685,519	56.08

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

Virginia Retirement System - (Non-professional Employees)

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2010	\$ 75,996,073	\$ 99,563,341	\$ 23,567,269	76.33 %	\$ 27,392,180	86.04 %
6/30/2009	75,077,104	90,373,610	15,296,506	83.07	28,696,490	53.30
6/30/2008	73,019,812	83,512,438	10,492,626	87.44	26,701,613	39.30

Supplemental Retirement Program

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2011	\$ 27,757,347	\$ 86,224,670	\$ 58,467,323	32.19 %	\$ 202,945,820	28.81 %
7/1/2010	20,458,650	80,178,616	59,719,966	25.52	200,805,579	29.74
7/1/2009	19,420,921	81,225,648	61,804,727	23.91	214,586,061	28.80
7/1/2008	15,817,016	85,348,673	69,531,657	20.73	198,102,265	35.10
7/1/2007	16,427,445	79,237,136	62,809,691	16.46	189,571,545	33.13
7/1/2006	12,258,737	74,490,727	62,231,990	17.13	170,769,586	36.44

Schedule of Employer Contributions

Fiscal Year Ending	Annual Required Contribution	Percent Contributed
6/30/2011	\$ 7,752,435	190.51 %
6/30/2010	8,212,740	122.59
6/30/2009	8,764,314	164.89
6/30/2008	7,945,984	115.52
6/30/2007	7,632,514	157.35
6/30/2006	7,835,159	89.22

Other Post Employment Benefits Plan

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
7/1/2011	\$ 5,494,060	\$ 204,508,430	\$ 199,014,370	2.69 %	\$ 301,795,172	65.94 %
7/1/2010	3,872,059	201,829,878	197,957,819	1.92	301,795,172	65.59
7/1/2009	2,039,951	191,377,548	189,337,597	1.07	298,721,192	63.38
7/1/2008	1,914,630	185,619,480	183,704,850	1.03	298,721,192	61.50



SUPPLEMENTARY INFORMATION

Non-major Governmental Funds

Special Revenue Funds

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

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

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

Permanent Fund

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

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

County of Chesterfield, Virginia
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2011

	<u>Special Revenue Funds</u>		<u>Permanent Fund</u>	<u>Total Non-major</u>
	<u>Grants</u>	<u>Comprehensive</u>	<u>T. F. Jeffress</u>	<u>Governmental</u>
ASSETS		<u>Services</u>	<u>Memorial</u>	<u>Funds</u>
Cash and cash equivalents	\$ 4,317,050	\$ 2,901,373	\$ 14,491	\$ 7,232,914
Accounts receivable, net	1,609,781	42,155	-	1,651,936
Due from other governments	2,231,866	778,357	-	3,010,223
Total assets	<u>\$ 8,158,697</u>	<u>\$ 3,721,885</u>	<u>\$ 14,491</u>	<u>\$ 11,895,073</u>
LIABILITIES				
Accounts payable	\$ 1,238,526	\$ 742,190	\$ -	\$ 1,980,716
Accrued liabilities	495,084	26,113	-	521,197
Retainages payable	16,370	-	-	16,370
Deferred revenues	1,462,769	-	-	1,462,769
Total liabilities	<u>3,212,749</u>	<u>768,303</u>	<u>-</u>	<u>3,981,052</u>
FUND BALANCES				
Nonspendable	-	-	5,000	5,000
Restricted	1,812,564	-	9,491	1,822,055
Assigned	3,133,384	2,953,582	-	6,086,966
Total fund balances	<u>4,945,948</u>	<u>2,953,582</u>	<u>14,491</u>	<u>7,914,021</u>
Total liabilities and fund balances	<u>\$ 8,158,697</u>	<u>\$ 3,721,885</u>	<u>\$ 14,491</u>	<u>\$ 11,895,073</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, 2011

	<u>Special Revenue Funds</u>		<u>Permanent Fund</u>	<u>Total Non-major Governmental Funds</u>
	<u>Grants</u>	<u>Comprehensive Services</u>	<u>T. F. Jeffress Memorial Fund</u>	
Revenues				
From local sources:				
Use of money and property	\$ 492	\$ -	\$ 11	\$ 503
Charges for services	5,370,363	43,800	-	5,414,163
Miscellaneous	300,014	-	-	300,014
Recovered costs	187,133	93,040	-	280,173
Donations	95,327	-	-	95,327
From component unit - School Board	-	1,197,100	-	1,197,100
From other governments	10,183,732	3,605,676	-	13,789,408
Total revenues	<u>16,137,061</u>	<u>4,939,616</u>	<u>11</u>	<u>21,076,688</u>
Expenditures				
Current:				
Administration of justice	795,833	-	-	795,833
Public safety	11,758,965	-	-	11,758,965
Public works	336,360	-	-	336,360
Health and welfare	1,388,792	6,896,783	-	8,285,575
Parks, recreation and cultural	78,196	-	-	78,196
Education	679,220	-	-	679,220
Community development	2,212,662	-	-	2,212,662
Total expenditures	<u>17,250,028</u>	<u>6,896,783</u>	<u>-</u>	<u>24,146,811</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,112,967)</u>	<u>(1,957,167)</u>	<u>11</u>	<u>(3,070,123)</u>
Other financing sources (uses)				
Transfers in	2,271,220	1,792,100	-	4,063,320
Transfers out	(778,749)	-	-	(778,749)
Total other financing sources, net	<u>1,492,471</u>	<u>1,792,100</u>	<u>-</u>	<u>3,284,571</u>
Net change in fund balances	379,504	(165,067)	11	214,448
Fund balances, July 1, 2010	4,566,444	3,118,649	14,480	7,699,573
Fund balances, June 30, 2011	<u>\$ 4,945,948</u>	<u>\$ 2,953,582</u>	<u>\$ 14,491</u>	<u>\$ 7,914,021</u>

See accompanying independent auditors' report.

County of Chesterfield, Virginia
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2011

	<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	\$ 292,173,600	\$ 292,173,600	\$ 295,381,760	\$ 3,208,160
Real and personal public service corporation taxes	11,500,000	11,500,000	12,646,051	1,146,051
Personal property taxes	48,261,500	48,261,500	52,081,921	3,820,421
Machinery and tools taxes	4,300,000	4,300,000	4,281,381	(18,619)
Penalties and interest	2,950,000	2,950,000	3,925,943	975,943
Special assessments and service districts	-	-	2,196,240	2,196,240
Total general property taxes	<u>359,185,100</u>	<u>359,185,100</u>	<u>370,513,296</u>	<u>11,328,196</u>
Other local taxes:				
Bank stock tax	1,229,300	1,229,300	1,758,255	528,955
Business license taxes	15,364,100	15,364,100	16,139,258	775,158
Consumer utility taxes	7,504,900	7,504,900	7,676,851	171,951
Local sales and use taxes	35,585,600	35,585,600	39,951,936	4,366,336
Motor vehicle licenses	7,087,800	7,087,800	6,813,084	(274,716)
Recordation tax	4,521,900	4,521,900	3,479,084	(1,042,816)
Short-term rental tax	175,000	175,000	276,528	101,528
Telecommunications tax	14,959,200	14,959,200	15,399,918	440,718
Transient occupancy tax	3,534,600	3,766,000	3,727,095	(38,905)
Watkins Centre incremental sales tax	-	-	186,185	186,185
Total other local taxes	<u>89,962,400</u>	<u>90,193,800</u>	<u>95,408,194</u>	<u>5,214,394</u>
Permits, privilege fees and regulatory licenses:				
Animal licenses	80,000	80,000	90,973	10,973
Building permits	2,554,700	2,557,670	2,723,405	165,735
DMV stop fees	230,000	405,000	444,982	39,982
Erosion control fees	40,000	40,000	65,200	25,200
Permits and other licenses	248,800	248,800	244,856	(3,944)
Plan review fees	165,633	165,633	148,426	(17,207)
Planning fees	345,000	345,000	313,910	(31,090)
Total permits, privilege fees and regulatory licenses	<u>3,664,133</u>	<u>3,842,103</u>	<u>4,031,752</u>	<u>189,649</u>
Fines and forfeitures	<u>1,367,799</u>	<u>1,641,114</u>	<u>2,296,228</u>	<u>655,114</u>
Use of money and property:				
Use of money	1,535,500	1,536,042	555,815	(980,227)
Use of property	<u>458,400</u>	<u>458,400</u>	<u>567,495</u>	<u>109,095</u>
Total use of money and property	<u>1,993,900</u>	<u>1,994,442</u>	<u>1,123,310</u>	<u>(871,132)</u>
Charges for services:				
Annual recycling fees	1,495,200	1,495,200	1,990,562	495,362
Building inspection administrative fee	65,000	65,000	37,474	(27,526)
Building rental	161,000	161,000	132,040	(28,960)
Courthouse maintenance fees	81,100	81,100	100,322	19,222
Employee Health Center	457,000	457,000	599,058	142,058
False alarm charges	120,000	120,000	78,195	(41,805)
Juvenile Detention Home fees	152,900	152,900	243,500	90,600
Landfill fees	1,268,000	1,316,500	1,342,170	25,670
Law Library	110,100	110,100	112,360	2,260
Library fines and services	582,400	582,400	342,363	(240,037)
Med-flight services	174,100	174,100	196,370	22,270

(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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
Charges for services: (continued)				
Mental Health Support Services	\$ 18,894,600	\$ 18,846,400	\$ 18,540,588	\$ (305,812)
Parks and Recreation fees	488,900	497,662	526,166	28,504
Police miscellaneous fees	101,000	101,000	130,011	29,011
Police officers fees	1,000,000	1,000,000	863,934	(136,066)
Recycling proceeds	110,000	119,861	136,331	16,470
Sale of publications and maps	15,100	15,100	23,077	7,977
Sheriff fees	506,800	506,800	894,345	387,545
Traffic offenses	135,000	135,000	299,398	164,398
Treasurer's administrative fees	1,100,000	1,100,000	1,251,264	151,264
Other	4,524,700	4,916,862	4,819,379	(97,483)
Total charges for services	31,542,900	31,953,985	32,658,907	704,922
Miscellaneous:				
Public phone commission	95,000	95,000	75,298	(19,702)
Other miscellaneous	716,000	867,703	2,480,891	1,613,188
Total miscellaneous	811,000	962,703	2,556,189	1,593,486
Recovered costs:				
Interfund reimbursements	1,318,000	3,172,779	3,121,667	(51,112)
Reimbursed by other localities	669,300	669,300	766,821	97,521
Reimbursement from Schools	7,126,300	7,126,300	7,126,300	-
Other	1,425,800	1,460,782	1,845,167	384,385
Total recovered costs	10,539,400	12,429,161	12,859,955	430,794
Donations and contributions	114,900	201,989	186,352	(15,637)
Total revenues from local sources	499,181,532	502,404,397	521,634,183	19,229,786
From other governments:				
From the Commonwealth:				
Non-categorical aid:				
Clerk's excess fees	430,000	430,000	383,049	(46,951)
DMV Select program commission	62,500	62,500	40,669	(21,831)
Mobile home sales tax	70,000	70,000	61,678	(8,322)
Personal property tax relief	41,092,000	41,092,000	41,063,843	(28,157)
Rolling stock tax	96,400	96,400	96,067	(333)
State recordation tax	1,353,300	1,353,300	1,178,787	(174,513)
Vehicle rental tax	700,000	700,000	705,634	5,634
Total non-categorical aid	43,804,200	43,804,200	43,529,727	(274,473)
Shared expenditures:				
Clerk of Circuit Court	596,200	596,200	1,024,954	428,754
Commissioner of the Revenue	116,000	116,000	450,036	334,036
Commonwealth's Attorney	1,265,000	1,265,000	1,814,553	549,553
Sheriff	2,865,400	2,865,400	2,453,367	(412,033)
Treasurer	115,300	115,300	428,195	312,895
Other	81,000	81,000	70,042	(10,958)
Total shared expenditures	5,038,900	5,038,900	6,241,147	1,202,247
From other governments:				
From the Commonwealth:				
Categorical aid:				
Annexation House Bill 599	4,000,000	4,000,000	7,730,172	3,730,172
Chesterfield County Jail	850,000	850,000	518,867	(331,133)
Education-state sales tax	46,400,000	46,400,000	48,440,160	2,040,160
Emergency medical services	225,500	225,500	302,684	77,184

(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, 2011

	<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	\$ 348,600	\$ 348,600	\$ 750,445	\$ 401,845
Juvenile Detention Home	-	1,611,400	1,611,528	128
Library	215,100	215,100	177,160	(37,940)
Mental Health Support Services	4,758,400	4,764,150	4,562,700	(201,450)
Sheriff programs	1,082,600	1,082,600	2,209,156	1,126,556
Welfare	6,287,500	6,287,500	5,538,158	(749,342)
Other	2,652,000	1,090,602	1,041,367	(49,235)
Total categorical aid	66,819,700	66,875,452	72,882,397	6,006,945
Total from the Commonwealth	115,662,800	115,718,552	122,653,271	6,934,719
From the federal government:				
Categorical aid:				
American Recovery and Reinvestment Act	-	-	355,536	355,536
Early Retiree Reinsurance Program	-	-	339,775	339,775
Mental Health Block Grant	969,500	994,200	1,025,592	31,392
Public safety	26,400	30,668	30,677	9
Welfare	8,988,300	8,988,300	8,571,671	(416,629)
Other	51,100	90,206	181,291	91,085
Total from the federal government	10,035,300	10,103,374	10,504,542	401,168
Total revenues from other governments	125,698,100	125,821,926	133,157,813	7,335,887
Total revenues	624,879,632	628,226,323	654,791,996	26,565,673
Expenditures				
General government:				
Accounting	3,406,768	3,376,405	3,277,780	98,625
Board of Supervisors	318,500	318,500	311,133	7,367
Budget and Management	1,090,500	1,092,549	1,038,411	54,138
Center for Organizational Excellence	1,306,096	1,299,562	1,181,598	117,964
Clerk to the Board	261,100	262,946	210,520	52,426
Commissioner of the Revenue	3,037,300	3,092,125	3,015,192	76,933
County Administrator	996,016	1,058,196	1,019,536	38,660
County Assessor	3,083,300	2,914,509	2,726,360	188,149
County Attorney	1,486,850	1,544,304	1,512,129	32,175
Employee benefits	7,537,600	6,084,637	3,112,695	2,971,942
General Services	939,656	962,983	936,669	26,314
Human Resource Management	2,666,614	2,777,218	2,610,528	166,690
Information Systems Technology	12,156,601	12,887,827	12,320,174	567,653
Interest paid on tax refunds	61,000	92,000	88,525	3,475
Intergovernmental Relations	172,800	175,695	168,970	6,725
Internal Audit	757,700	772,901	675,004	97,897
License Inspector	502,230	519,039	508,050	10,989
Management Services	315,700	317,054	285,160	31,894
Print Center	1,188,132	1,123,484	1,005,272	118,212
Public Affairs	649,400	772,298	743,302	28,996
Purchasing	1,530,100	1,558,098	1,501,722	56,376
Registrar	905,100	915,503	854,024	61,479
Treasurer	3,292,910	3,524,076	3,521,578	2,498
Total general government	47,661,973	47,441,909	42,624,332	4,817,577

(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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
Administration of justice:				
Circuit Court Judges	\$ 631,300	\$ 636,346	\$ 555,364	\$ 80,982
Clerk of Circuit Court	3,386,080	3,523,947	3,407,191	116,756
Commonwealth's Attorney	3,909,500	4,002,754	3,951,596	51,158
General District Court	167,095	283,266	275,987	7,279
Juvenile and Domestic Relations Court	102,400	103,400	92,519	10,881
Law Library	110,100	111,315	97,457	13,858
Magistrate	6,400	8,200	7,088	1,112
Total administration of justice	<u>8,312,875</u>	<u>8,669,228</u>	<u>8,387,202</u>	<u>282,026</u>
Public safety:				
Building Inspections	5,035,800	5,049,688	4,943,753	105,935
Communications Center	7,051,488	7,262,761	6,980,362	282,399
Fire	44,551,149	47,043,019	46,264,306	778,713
Juvenile Detention Home	4,636,389	4,501,316	4,452,743	48,573
Police	52,102,686	54,956,647	53,298,262	1,658,385
Probation	103,200	103,400	85,139	18,261
Regional Jail	7,779,300	9,813,501	9,786,541	26,960
Sheriff and Jail	19,383,546	19,327,928	18,658,315	669,613
Total public safety	<u>140,643,558</u>	<u>148,058,260</u>	<u>144,469,421</u>	<u>3,588,839</u>
Public works:				
Buildings and Grounds	6,056,971	6,161,228	6,101,321	59,907
Environmental Engineering	3,794,760	4,153,212	3,789,166	364,046
Hydrant rental and right of way	644,600	644,600	612,199	32,401
Street lights and road improvements	772,141	775,680	699,809	75,871
Waste and Resource Recovery	5,341,771	5,793,973	5,791,566	2,407
Total public works	<u>16,610,243</u>	<u>17,528,693</u>	<u>16,994,061</u>	<u>534,632</u>
Health and welfare:				
Health	4,849,463	4,909,941	4,685,398	224,543
Human Services Administration	474,000	484,165	476,342	7,823
Mental Health Support Services	36,531,507	36,903,183	35,257,070	1,646,113
Social Services	20,497,153	20,678,032	19,194,504	1,483,528
Tax relief for the elderly	3,864,400	4,985,729	4,985,729	-
Youth Planning and Development	315,400	322,344	298,602	23,742
Total health and welfare	<u>66,531,923</u>	<u>68,283,394</u>	<u>64,897,645</u>	<u>3,385,749</u>
Parks, recreation and cultural:				
Community Contracts	538,000	613,000	582,000	31,000
Library	7,215,580	7,562,848	7,430,378	132,470
Parks and Recreation	10,039,029	14,520,603	14,283,637	236,966
Total parks, recreation and cultural	<u>17,792,609</u>	<u>22,696,451</u>	<u>22,296,015</u>	<u>400,436</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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
Community development:				
Community Development Administration	\$ 910,800	\$ 924,449	\$ 832,871	\$ 91,578
Convention Center	3,534,600	3,766,000	3,727,095	38,905
Economic Development	2,857,108	2,960,424	2,883,449	76,975
Economic incentives	110,000	110,000	99,060	10,940
Extension Service	369,700	413,296	377,850	35,446
Planning	3,982,400	4,159,536	4,125,293	34,243
Tax increment financing payments	1,662,000	2,055,500	1,658,870	396,630
Transportation	1,153,000	1,175,160	1,038,930	136,230
Total community development	14,579,608	15,564,365	14,743,418	820,947
Non-departmental	1,568,798	1,796,440	12,034	1,784,406
Debt service:				
Retirement of principal	15,617,300	15,617,300	14,599,169	1,018,131
Interest	10,200,700	9,083,270	7,070,810	2,012,460
Other	731,100	808,380	307,100	501,280
Total debt service	26,549,100	25,508,950	21,977,079	3,531,871
Total expenditures	340,250,687	355,547,690	336,401,207	19,146,483
Excess of revenues over expenditures	284,628,945	272,678,633	318,390,789	45,712,156
Other financing sources (uses)				
Transfers in:				
County Capital Projects Fund	250,000	250,000	250,000	-
Grant Funds	749,000	778,749	778,749	-
Water Fund	592,200	592,200	592,200	-
Wastewater Fund	2,600	2,600	2,600	-
Vehicle and Communications Maintenance Fund	12,000	12,000	12,000	-
Total transfers in	1,605,800	1,635,549	1,635,549	-
Transfers out:				
County Capital Projects Fund	(12,902,600)	(58,125,590)	(12,792,892)	45,332,698
School Capital Projects Fund	-	(7,265,923)	(1,131,358)	6,134,565
Grants Fund	(2,099,400)	(3,794,702)	(2,154,829)	1,639,873
Comprehensive Services Fund	(2,294,900)	(2,294,900)	(1,346,900)	948,000
Water Fund	-	(25,000)	(25,000)	-
Airport Fund	(60,000)	(315,004)	(225,715)	89,289
School Operating Fund	(291,581,900)	(291,601,166)	(284,653,147)	6,948,019
Total transfers out	(308,938,800)	(363,422,285)	(302,329,841)	61,092,444
Proceeds from refunding bonds issued	-	7,185,000	7,185,000	-
Premium on refunding bonds issued	-	214,076	214,075	(1)
Payment to refunded bonds escrow agent	-	(7,462,503)	(7,462,503)	-
Total other financing (uses), net	(307,333,000)	(361,850,163)	(300,757,720)	61,092,443
Net change in fund balance	(22,704,055)	(89,171,530)	17,633,069	106,804,599
Fund balance, July 1, 2010	230,412,860	230,412,860	230,412,860	-
Fund balance, June 30, 2011	\$ 207,708,805	\$ 141,241,330	\$ 248,045,929	\$ 106,804,599

See accompanying independent auditors' report.

County of Chesterfield, Virginia
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Comprehensive Services Fund
For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Charges for services	\$ -	\$ -	\$ 43,800	\$ 43,800
Recovered costs	150,000	150,000	93,040	(56,960)
From the Commonwealth	<u>4,554,800</u>	<u>4,554,800</u>	<u>3,605,676</u>	<u>(949,124)</u>
Total revenues	<u>4,704,800</u>	<u>4,704,800</u>	<u>3,742,516</u>	<u>(962,284)</u>
Expenditures				
Health and welfare	<u>8,853,304</u>	<u>8,853,304</u>	<u>6,896,783</u>	<u>1,956,521</u>
Deficiency of revenues under expenditures	<u>(4,148,504)</u>	<u>(4,148,504)</u>	<u>(3,154,267)</u>	<u>(2,918,805)</u>
Other financing sources				
Transfers in	2,740,100	2,740,100	1,792,100	(948,000)
Transfers from component unit - School Board	<u>1,197,100</u>	<u>1,197,100</u>	<u>1,197,100</u>	<u>-</u>
Total other financing sources	<u>3,937,200</u>	<u>3,937,200</u>	<u>2,989,200</u>	<u>(948,000)</u>
Net change in fund balance	(211,304)	(211,304)	(165,067)	46,237
Fund balance, July 1, 2010	<u>3,118,649</u>	<u>3,118,649</u>	<u>3,118,649</u>	<u>-</u>
Fund balance, June 30, 2011	<u>\$ 2,907,345</u>	<u>\$ 2,907,345</u>	<u>\$ 2,953,582</u>	<u>\$ 46,237</u>

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

Revenues

Total revenues on the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual.	\$ 3,742,516
Transfers from the School Board component unit are revenues for financial reporting purposes.	<u>1,197,100</u>
Total revenues on the Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-major Governmental Funds.	<u>\$ 4,939,616</u>

Other financing sources

Total other financing sources on the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual.	\$ 2,989,200
Transfers from the School Board component unit are revenues for financial reporting purposes.	<u>(1,197,100)</u>
Total other financing sources on the Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-major Governmental Funds.	<u>\$ 1,792,100</u>

See accompanying independent auditors' report.

Internal Service Funds

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

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

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

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

County of Chesterfield, Virginia
Combining Statement of Net Assets
Internal Service Funds
June 30, 2011

	Vehicle and Communications Maintenance	Risk Management	Capital Projects Management	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 7,214,119	\$ 14,200,093	\$ 244,001	\$ 21,658,213
Receivables	55,376	15,532	-	70,908
Inventories	595,038	-	-	595,038
Total current assets	<u>7,864,533</u>	<u>14,215,625</u>	<u>244,001</u>	<u>22,324,159</u>
Non-current assets:				
Capital assets:				
Land	-	193,685	-	193,685
Buildings	2,051,944	123,832	14,992	2,190,768
Improvements other than buildings	311,805	-	-	311,805
Machinery and equipment	14,978,320	82,424	7,713	15,068,457
Construction in progress	525,830	-	-	525,830
Total capital assets	17,867,899	399,941	22,705	18,290,545
Less accumulated depreciation	<u>(9,230,645)</u>	<u>(129,561)</u>	<u>(13,237)</u>	<u>(9,373,443)</u>
Net capital assets	<u>8,637,254</u>	<u>270,380</u>	<u>9,468</u>	<u>8,917,102</u>
Total assets	<u>16,501,787</u>	<u>14,486,005</u>	<u>253,469</u>	<u>31,241,261</u>
LIABILITIES				
Current liabilities:				
Accounts payable	1,019,171	48,710	790	1,068,671
Accrued liabilities	402,206	62,932	48,257	513,395
Compensated absences	201,251	30,895	40,915	273,061
Judgments and claims	39,383	2,566,179	-	2,605,562
Total current liabilities	<u>1,662,011</u>	<u>2,708,716</u>	<u>89,962</u>	<u>4,460,689</u>
Non-current liabilities:				
Unearned revenue	518,626	-	-	518,626
Compensated absences	127,141	18,676	28,712	174,529
Judgments and claims	86,040	1,709,341	-	1,795,381
Retirement plan obligations	59,756	8,747	7,889	76,392
Total non-current liabilities	<u>791,563</u>	<u>1,736,764</u>	<u>36,601</u>	<u>2,564,928</u>
Total liabilities	<u>2,453,574</u>	<u>4,445,480</u>	<u>126,563</u>	<u>7,025,617</u>
NET ASSETS				
Invested in capital assets	8,637,254	270,380	9,468	8,917,102
Unrestricted	<u>5,410,959</u>	<u>9,770,145</u>	<u>117,438</u>	<u>15,298,542</u>
Total net assets	<u>\$ 14,048,213</u>	<u>\$ 10,040,525</u>	<u>\$ 126,906</u>	<u>\$ 24,215,644</u>

See accompanying independent auditors' report.

County of Chesterfield, Virginia
Combining Statement of Revenues, Expenses and Changes in Net Assets
Internal Service Funds
For the Year Ended June 30, 2011

	<u>Vehicle and Communications Maintenance</u>	<u>Risk Management</u>	<u>Capital Projects Management</u>	<u>Total</u>
Operating revenues				
Charges for services	\$ 19,541,048	\$ 6,871,502	\$ 855,225	\$ 27,267,775
Change in claims actuarial estimates	-	3,821,436	-	3,821,436
Other	23,598	568,779	-	592,377
Total operating revenues	<u>19,564,646</u>	<u>11,261,717</u>	<u>855,225</u>	<u>31,681,588</u>
Operating expenses				
Salaries and wages	5,929,645	883,687	734,508	7,547,840
Contractual services	799,785	268,466	35,758	1,104,009
Materials and supplies	9,770,712	23,734	10,279	9,804,725
Heat, light and power	59,762	4,470	-	64,232
Rent	-	-	31,620	31,620
Depreciation	1,910,750	2,477	2,293	1,915,520
Repairs and maintenance	1,490,081	119,562	20,903	1,630,546
Insurance	-	2,430,807	-	2,430,807
Claims	-	1,967,790	-	1,967,790
Other	23,553	5,348	6,769	35,670
Total operating expenses	<u>19,984,288</u>	<u>5,706,341</u>	<u>842,130</u>	<u>26,532,759</u>
Operating income (loss)	<u>(419,642)</u>	<u>5,555,376</u>	<u>13,095</u>	<u>5,148,829</u>
Non-operating revenues				
Interest and dividend income	-	10,817	-	10,817
Gain on disposal of capital assets	29,525	-	-	29,525
Total non-operating revenues	<u>29,525</u>	<u>10,817</u>	<u>-</u>	<u>40,342</u>
Income (loss) before capital contributions and transfers	<u>(390,117)</u>	<u>5,566,193</u>	<u>13,095</u>	<u>5,189,171</u>
Capital contributions	372,136	-	-	372,136
Transfers out	(68,777)	-	-	(68,777)
Change in net assets	(86,758)	5,566,193	13,095	5,492,530
Total net assets - July 1, 2010	<u>14,134,971</u>	<u>4,474,332</u>	<u>113,811</u>	<u>18,723,114</u>
Total net assets - June 30, 2011	<u>\$ 14,048,213</u>	<u>\$ 10,040,525</u>	<u>\$ 126,906</u>	<u>\$ 24,215,644</u>

See accompanying independent auditors' report.

County of Chesterfield, Virginia
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2011

	<u>Vehicle and Communications Maintenance</u>	<u>Risk Management</u>	<u>Capital Projects Management</u>	<u>Total</u>
Cash flows from operating activities				
Receipts from customers	\$ 19,550,450	\$ 6,871,852	\$ 855,225	\$ 27,277,527
Payments to suppliers	(12,062,644)	(2,887,844)	(106,936)	(15,057,424)
Payments to employees	(5,794,575)	(894,313)	(723,448)	(7,412,336)
Claims recovered	-	568,429	-	568,429
Claims paid	-	(1,840,442)	-	(1,840,442)
Other receipts	525,052	-	-	525,052
Net cash provided by operating activities	<u>2,218,283</u>	<u>1,817,682</u>	<u>24,841</u>	<u>4,060,806</u>
Cash flows from non-capital financing activities				
Transfers out	(68,777)	-	-	(68,777)
Net cash used in non-capital financing activities	<u>(68,777)</u>	<u>-</u>	<u>-</u>	<u>(68,777)</u>
Cash flows from capital and related financing activities				
Purchase of capital assets	(1,274,171)	-	-	(1,274,171)
Proceeds from sale of capital assets	171,864	-	-	171,864
Net cash used in capital and related financing activities	<u>(1,102,307)</u>	<u>-</u>	<u>-</u>	<u>(1,102,307)</u>
Cash flows from investing activities				
Interest received	-	10,817	-	10,817
Net increase in cash and cash equivalents	1,047,199	1,828,499	24,841	2,900,539
Cash and cash equivalents, July 1, 2010	6,166,920	12,371,594	219,160	18,757,674
Cash and cash equivalents, June 30, 2011	<u>\$ 7,214,119</u>	<u>\$ 14,200,093</u>	<u>\$ 244,001</u>	<u>\$ 21,658,213</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (419,642)	\$ 5,555,376	\$ 13,095	\$ 5,148,829
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	1,910,750	2,477	2,293	1,915,520
Changes in assets and liabilities:				
Receivables, net	(7,770)	127,348	-	119,578
Inventories	(68,753)	-	-	(68,753)
Accounts and other payables	285,072	(3,867,519)	9,453	(3,572,994)
Unearned revenue	518,626	-	-	518,626
Net cash provided by operating activities	<u>\$ 2,218,283</u>	<u>\$ 1,817,682</u>	<u>\$ 24,841</u>	<u>\$ 4,060,806</u>
Noncash transactions related to financing, capital and investing activities are as follows:				
Contributions of capital assets	\$ 372,136	\$ -	\$ -	\$ 372,136

See accompanying independent auditors' report.

Fiduciary Funds

Agency Funds

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

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

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

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

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

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

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

County of Chesterfield, Virginia
Combining Balance Sheet
Agency Funds
June 30, 2011

	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	\$ 4,832,443	\$ 81,128	\$ 33,700	\$ 111,830	\$ 33,070	\$ 200,274	\$ 2,342,390	\$ 7,634,835
Investments with fiscal agent	1,298,665	-	-	-	-	-	-	1,298,665
Accounts receivable	594,718	-	-	-	-	13,819	13,640	622,177
Due from other governments	1,408,986	-	-	-	-	-	25,772	1,434,758
Restricted assets:								
Cash and cash equivalents	7,687,870	-	-	-	-	-	-	7,687,870
Investments	2,000,140	-	-	-	-	-	-	2,000,140
Cash, cash equivalents and investments with trustee	13,392,675	-	-	-	-	-	-	13,392,675
Due from other governments	1,718,550	-	-	-	-	-	-	1,718,550
Interest receivable	3,248	-	-	-	-	-	-	3,248
Total restricted assets	24,802,483	-	-	-	-	-	-	24,802,483
Total assets	\$ 32,937,295	\$ 81,128	\$ 33,700	\$ 111,830	\$ 33,070	\$ 214,093	\$ 2,381,802	\$ 35,792,918
LIABILITIES								
Amounts held for others	\$ 32,937,295	\$ 81,128	\$ 33,700	\$ 111,830	\$ 33,070	\$ 214,093	\$ 2,381,802	\$ 35,792,918

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, 2011

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2011</u>
GREATER RICHMOND CONVENTION CENTER AUTHORITY				
Assets				
Cash and cash equivalents	\$ 4,690,309	\$ 3,177,583	\$ 3,035,449	\$ 4,832,443
Investments with fiscal agent	-	1,298,665	-	1,298,665
Accounts receivable	259,830	594,718	259,830	594,718
Due from other governments	1,997,142	1,408,986	1,997,142	1,408,986
Restricted assets:				
Cash and cash equivalents	7,285,859	11,931,848	11,529,837	7,687,870
Investments	2,499,833	2,000,140	2,499,833	2,000,140
Cash, cash equivalents and Investments with trustee	13,774,720	17,715,801	18,097,846	13,392,675
Due from other governments	1,829,140	1,718,550	1,829,140	1,718,550
Interest receivable	15,731	3,248	15,731	3,248
Total restricted assets	<u>25,405,283</u>	<u>33,369,587</u>	<u>33,972,387</u>	<u>24,802,483</u>
Total assets	<u>\$ 32,352,564</u>	<u>\$ 39,849,539</u>	<u>\$ 39,264,808</u>	<u>\$ 32,937,295</u>
Liabilities				
Amounts held for others	<u>\$ 32,352,564</u>	<u>\$ 39,849,539</u>	<u>\$ 39,264,808</u>	<u>\$ 32,937,295</u>
SPECIAL WELFARE				
Assets				
Cash and cash equivalents	\$ 98,875	\$ 157,013	\$ 174,760	\$ 81,128
Due from other governments	4,203	100	4,303	-
Total assets	<u>\$ 103,078</u>	<u>\$ 157,113</u>	<u>\$ 179,063</u>	<u>\$ 81,128</u>
Liabilities				
Amounts held for others	<u>\$ 103,078</u>	<u>\$ 157,113</u>	<u>\$ 179,063</u>	<u>\$ 81,128</u>
MENTAL HEALTH SUPPORT SERVICES SOCIAL SECURITY ADMINISTRATION				
Assets				
Cash and cash equivalents	\$ 8,813	\$ 631,248	\$ 606,361	\$ 33,700
Liabilities				
Amounts held for others	<u>\$ 8,813</u>	<u>\$ 631,248</u>	<u>\$ 606,361</u>	<u>\$ 33,700</u>
POLICE SAFEKEEPING				
Assets				
Cash and cash equivalents	\$ 139,891	\$ 121,303	\$ 149,364	\$ 111,830
Liabilities				
Amounts held for others	<u>\$ 139,891</u>	<u>\$ 121,303</u>	<u>\$ 149,364</u>	<u>\$ 111,830</u>

(Continued)

County of Chesterfield, Virginia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2011

	Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011
INMATE TRUST FUND				
Assets				
Cash and cash equivalents	\$ 28,847	\$ 43,716	\$ 39,493	\$ 33,070
Liabilities				
Amounts held for inmates	\$ 28,847	\$ 43,716	\$ 39,493	\$ 33,070
JAIL CANTEEN FUND				
Assets				
Cash and cash equivalents	\$ 165,114	\$ 75,580	\$ 40,420	\$ 200,274
Accounts receivable	5,899	13,819	5,899	13,819
Total assets	\$ 171,013	\$ 89,399	\$ 46,319	\$ 214,093
Liabilities				
Amounts held for others	\$ 171,013	\$ 89,399	\$ 46,319	\$ 214,093
APPOMATTOX REGIONAL GOVERNOR'S SCHOOL				
Assets				
Cash and cash equivalents	\$ 2,032,662	\$ 3,803,633	\$ 3,493,905	\$ 2,342,390
Accounts receivable	2,238	13,640	2,238	13,640
Due from other governments	25,749	25,782	25,759	25,772
Total assets	\$ 2,060,649	\$ 3,843,055	\$ 3,521,902	\$ 2,381,802
Liabilities				
Amounts held for others	\$ 2,060,649	\$ 3,843,055	\$ 3,521,902	\$ 2,381,802
TOTAL AGENCY FUNDS				
Assets				
Cash and cash equivalents	\$ 7,164,511	\$ 8,010,076	\$ 7,539,752	\$ 7,634,835
Investments with fiscal agent	-	1,298,665	-	1,298,665
Accounts receivable	267,967	622,177	267,967	622,177
Due from other governments	2,027,094	1,434,868	2,027,204	1,434,758
Restricted assets:				
Cash and cash equivalents	7,285,859	11,931,848	11,529,837	7,687,870
Investments	2,499,833	2,000,140	2,499,833	2,000,140
Cash, cash equivalents and investments with trustees	13,774,720	17,715,801	18,097,846	13,392,675
Due from other governments	1,829,140	1,718,550	1,829,140	1,718,550
Interest receivable	15,731	3,248	15,731	3,248
Total restricted assets	25,405,283	33,369,587	33,972,387	24,802,483
Total assets	\$ 34,864,855	\$ 44,735,373	\$ 43,807,310	\$ 35,792,918
Liabilities				
Amounts held for others	\$ 34,864,855	\$ 44,735,373	\$ 43,807,310	\$ 35,792,918

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, 2011

	<u>Total</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements other than Buildings</u>	<u>Machinery and Equipment</u>	<u>Infrastructure</u>
General government:						
Accounting	\$ 41,301	\$ -	\$ -	\$ -	\$ 41,301	\$ -
Board of Supervisors	7,933	-	-	-	7,933	-
Budget and Management	14,709	-	-	-	14,709	-
Center for Organizational Excellence	5,446	-	-	-	5,446	-
Commissioner of the Revenue	17,163	-	-	-	17,163	-
County Administrator	423,921	-	-	-	423,921	-
County Assessor	496,544	85,500	377,034	-	34,010	-
General Services	10,557,905	584,668	8,107,741	-	1,865,496	-
Human Resource Management	93,606	-	-	-	93,606	-
Information Systems Technology	31,805,133	129,800	5,405,098	-	26,270,235	-
Internal Audit	301,006	150,000	151,006	-	-	-
Registrar	17,452	-	-	-	17,452	-
Treasurer	1,869,800	-	-	-	1,869,800	-
Total general government	<u>45,651,919</u>	<u>949,968</u>	<u>14,040,879</u>	<u>-</u>	<u>30,661,072</u>	<u>-</u>
Administration of justice:						
Circuit Court Judges	13,715	-	-	-	13,715	-
Clerk of Circuit Court	181,193	-	-	-	181,193	-
Commonwealth's Attorney	20,536	-	-	-	20,536	-
Community Corrections Services	48,092	-	-	-	48,092	-
General District Court	30,981,758	22,441	30,150,484	-	808,833	-
Juvenile and Domestic Relations Court	17,400,928	53,173	17,250,223	-	97,532	-
Total administration of justice	<u>48,646,222</u>	<u>75,614</u>	<u>47,400,707</u>	<u>-</u>	<u>1,169,901</u>	<u>-</u>
Public safety:						
Animal Control	1,837,064	181,324	1,332,121	33,304	290,315	-
Building Inspections	2,268,898	105,932	110,100	-	2,052,866	-
Communications Center	28,181,383	71,740	63,857	-	28,045,786	-
Fire	70,427,971	1,600,055	35,899,064	735,780	32,193,072	-
Jail	31,312,914	19,950	31,023,873	-	269,091	-
Juvenile Detention Home	17,904,918	14,000	17,742,109	-	148,809	-
Police	50,724,254	1,607,606	29,722,225	57,022	19,337,401	-
Probation	41,884	-	-	-	41,884	-
Sheriff	4,591,278	-	-	-	4,591,278	-
Total public safety	<u>207,290,564</u>	<u>3,600,607</u>	<u>115,893,349</u>	<u>826,106</u>	<u>86,970,502</u>	<u>-</u>
Public works:						
Buildings and Grounds	18,800,891	5,398,495	8,465,974	2,779,898	2,156,524	-
Environmental Engineering	36,413,725	3,500	355,951	-	1,337,772	34,716,502
Waste and Resource Recovery	10,355,146	800,254	640,644	7,450,709	1,463,539	-
Total public works	<u>65,569,762</u>	<u>6,202,249</u>	<u>9,462,569</u>	<u>10,230,607</u>	<u>4,957,835</u>	<u>34,716,502</u>
Health and welfare:						
Health	28,199	-	-	-	28,199	-
Mental Health Support Services	9,852,855	28,000	8,168,318	-	1,656,537	-
Social Services	7,445,000	297,200	7,086,231	-	61,569	-
Total health and welfare	<u>17,326,054</u>	<u>325,200</u>	<u>15,254,549</u>	<u>-</u>	<u>1,746,305</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, 2011

	<u>Total</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements other than Buildings</u>	<u>Machinery and Equipment</u>	<u>Infrastructure</u>
Parks, recreation and cultural:						
Library	\$ 32,882,366	\$ 3,034,357	\$ 27,084,828	\$ 12,356	\$ 2,750,825	\$ -
Parks and Recreation	64,475,999	13,292,549	9,056,126	37,779,594	4,347,730	-
Total parks, recreation and cultural	<u>97,358,365</u>	<u>16,326,906</u>	<u>36,140,954</u>	<u>37,791,950</u>	<u>7,098,555</u>	<u>-</u>
Education:						
School Board	<u>877,499,774</u>	<u>28,564,531</u>	<u>834,969,360</u>	<u>13,965,883</u>	<u>-</u>	<u>-</u>
Community development:						
Community Development	21,317,451	-	18,712,365	-	2,605,086	-
Economic Development	<u>20,406</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,406</u>	<u>-</u>
Total community development	<u>21,337,857</u>	<u>-</u>	<u>18,712,365</u>	<u>-</u>	<u>2,625,492</u>	<u>-</u>
Total governmental funds capital assets allocated by function	1,380,680,517	<u>\$ 56,045,075</u>	<u>\$1,091,874,732</u>	<u>\$ 62,814,546</u>	<u>\$ 135,229,662</u>	<u>\$34,716,502</u>
Redevelopment asset	16,266,795					
Construction in progress	<u>24,600,857</u>					
Total governmental funds capital assets	<u>\$1,421,548,169</u>					

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

See accompanying independent auditors' report.

County of Chesterfield, Virginia
Schedule of Changes in Capital Assets Used in the Operation of Governmental Funds
by Function and Activity
For the Year Ended June 30, 2011

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2011</u>
General government:				
Accounting	\$ 41,301	\$ -	\$ -	\$ 41,301
Board of Supervisors	7,933	-	-	7,933
Budget and Management	14,709	-	-	14,709
Center for Organizational Excellence	5,446	-	-	5,446
Commissioner of the Revenue	17,163	-	-	17,163
County Administrator	463,988	13,474	53,541	423,921
County Assessor	496,544	-	-	496,544
General Services	10,488,929	90,194	21,218	10,557,905
Human Resource Management	93,606	-	-	93,606
Information Systems Technology	28,906,191	2,898,942	-	31,805,133
Internal Audit	301,006	-	-	301,006
Registrar	17,452	-	-	17,452
Treasurer	1,869,800	-	-	1,869,800
Total general government	<u>42,724,068</u>	<u>3,002,610</u>	<u>74,759</u>	<u>45,651,919</u>
Administration of justice:				
Circuit Court Judges	13,715	-	-	13,715
Clerk of Circuit Court	222,161	9,105	50,073	181,193
Commonwealth's Attorney	20,536	-	-	20,536
Community Corrections Services	48,092	-	-	48,092
General District Court	23,807,284	7,174,474	-	30,981,758
Juvenile and Domestic Relations Court	17,400,928	-	-	17,400,928
Total administration of justice	<u>41,512,716</u>	<u>7,183,579</u>	<u>50,073</u>	<u>48,646,222</u>
Public safety:				
Animal Control	1,786,564	50,500	-	1,837,064
Building Inspections	2,268,898	-	-	2,268,898
Communications Center	28,061,209	120,174	-	28,181,383
Fire	68,978,022	2,557,628	1,107,679	70,427,971
Jail	28,810,939	2,501,975	-	31,312,914
Juvenile Detention Home	17,904,918	-	-	17,904,918
Police	44,970,288	7,351,409	1,597,443	50,724,254
Probation	41,884	-	-	41,884
Sheriff	4,434,391	156,887	-	4,591,278
Total public safety	<u>197,257,113</u>	<u>12,738,573</u>	<u>2,705,122</u>	<u>207,290,564</u>
Public works:				
Buildings and Grounds	16,898,831	1,920,458	18,398	18,800,891
Environmental Engineering	35,492,911	920,814	-	36,413,725
Waste and Resource Recovery	10,336,349	306,589	287,792	10,355,146
Total public works	<u>62,728,091</u>	<u>3,147,861</u>	<u>306,190</u>	<u>65,569,762</u>

(Continued)

County of Chesterfield, Virginia
Schedule of Changes in Capital Assets Used in the Operation of Governmental Funds
by Function and Activity
For the Year Ended June 30, 2011

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2011</u>
Health and welfare:				
Health	\$ 28,199	\$ -	\$ -	\$ 28,199
Mental Health Support Services	16,471,089	729,171	7,347,405	9,852,855
Social Services	520,498	6,924,502	-	7,445,000
Total health and welfare	<u>17,019,786</u>	<u>7,653,673</u>	<u>7,347,405</u>	<u>17,326,054</u>
Parks, recreation and cultural:				
Library	32,674,626	218,270	10,530	32,882,366
Parks and Recreation	61,727,060	3,014,982	266,043	64,475,999
Total parks, recreation and cultural	<u>94,401,686</u>	<u>3,233,252</u>	<u>276,573</u>	<u>97,358,365</u>
Education:				
School Board	<u>852,049,741</u>	<u>25,529,624</u>	<u>79,591</u>	<u>877,499,774</u>
Community development:				
Community Development	21,332,519	-	15,068	21,317,451
Economic Development	20,406	-	-	20,406
Total community development	<u>21,352,925</u>	<u>-</u>	<u>15,068</u>	<u>21,337,857</u>
Redevelopment asset	16,266,795	-	-	16,266,795
Construction in progress	<u>34,272,515</u>	<u>14,612,419</u>	<u>24,284,077</u>	<u>24,600,857</u>
Total governmental funds' capital assets	<u>\$ 1,379,585,436</u>	<u>\$ 77,101,591</u>	<u>\$ 35,138,858</u>	<u>\$ 1,421,548,169</u>

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

See accompanying independent auditors' report.

County of Chesterfield, Virginia
Schedule of Capital Assets Used in the Operation of Governmental Funds
by Source
June 30, 2011

Governmental funds' capital assets:

Land	\$ 56,045,075
Buildings	1,091,874,732
Improvements other than buildings	62,814,546
Machinery and equipment	135,229,662
Infrastructure	34,716,502
Redevelopment asset	16,266,795
Construction in progress	24,600,857
Total governmental funds' capital assets	<u>\$ 1,421,548,169</u>

Investment in governmental funds' capital assets by source:

General obligation bonds	\$ 962,530,266
General government revenues	318,853,254
Federal and State grants	24,024,164
Capital lease purchases	53,308,056
Special Revenue Fund revenues	6,396,967
Contributions from public	56,435,462
Total investment in governmental funds' capital assets	<u>\$ 1,421,548,169</u>

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

See accompanying independent auditors' report.

School Board Discretely Presented Component Unit

Governmental Fund

Special Revenue Fund

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

Fiduciary Funds

Pension Trust Fund

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

Agency Fund

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

County of Chesterfield, Virginia
Discretely Presented Component Unit - School Board
Balance Sheet - Governmental Fund
June 30, 2011

Special Revenue Fund

**School
Operating**

ASSETS

Cash and cash equivalents	\$ 40,237,690
Accounts receivable	831,678
Due from other governments	7,981,045
Due from primary government	55,033,050
Inventories	1,423,319
Total assets	<u>\$ 105,506,782</u>

LIABILITIES

Accounts payable	\$ 3,802,796
Accrued liabilities	34,315,697
Deferred revenues	203,467
Total liabilities	<u>38,321,960</u>

FUND BALANCE

Nonspendable	1,423,319
Restricted	6,328,232
Assigned	59,433,271
Total fund balance	<u>67,184,822</u>
Total liabilities and fund balance	<u>\$ 105,506,782</u>

Total fund balance for School Operating Fund \$ 67,184,822

Amounts reported for the School Board's governmental activities in the Statement of Net Assets are different because:

Capital assets, net of accumulated depreciation, and prepayment for future capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

10,755,454

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. This adjustment combines the net changes of the following balances:

Compensated absences	\$ (19,929,948)	
Judgments and claims	(9,354,343)	
Retirement plan obligations, net	22,804,027	
Other post employment benefits obligation - asset	<u>176,161</u>	<u>(6,304,103)</u>
Net assets of the School Board's governmental activities		<u>\$ 71,636,173</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, 2011

Special Revenue Fund

	<u>School Operating</u>	
Revenues		
From local sources:		
Use of money and property	\$ 861,898	
Charges for services	14,942,759	
Donations	379,513	
Miscellaneous	1,820,472	
Payment from primary government	286,273,242	
From other governments	<u>251,535,127</u>	
Total revenues	<u>555,813,011</u>	
Expenditures		
Current:		
Education	499,279,675	
Payment to primary government	<u>61,378,052</u>	
Total expenditures	<u>560,657,727</u>	
Deficiency of revenues under expenditures	(4,844,716)	
Fund balance, July 1, 2010	<u>72,029,538</u>	
Fund balance, June 30, 2011	<u>\$ 67,184,822</u>	
Net change in fund balance		\$ (4,844,716)
Amounts reported for governmental activities in the Statement of Activities are different because:		
The governmental fund reports capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$1,728,386) were less than depreciation (\$4,663,715) in the current period.		
		(2,935,329)
The net effect of miscellaneous transactions involving capital assets (prepayments, trade-ins, donations, and disposals) increased net assets.		
		55,591
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	\$ 819,034	
Judgments and claims	(1,073,574)	
Retirement plan obligations	<u>6,433,806</u>	<u>6,179,266</u>
Change in net assets of governmental activities		<u>\$ (1,545,188)</u>

See accompanying independent auditors' report.

County of Chesterfield, Virginia
Discretely Presented Component Unit - School Board
School Operating Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
From local sources:				
Use of money and property	\$ 2,013,000	\$ 2,040,400	\$ 1,734,930	\$ (305,470)
Charges for services	16,681,300	16,460,531	15,393,428	(1,067,103)
Donations	611,000	562,500	379,513	(182,987)
Miscellaneous	1,425,700	2,395,803	1,820,472	(575,331)
Recovered costs	2,748,800	2,499,905	2,477,340	(22,565)
From the Commonwealth	211,524,150	208,806,662	206,423,184	(2,383,478)
From the federal government	38,224,500	49,722,107	45,111,943	(4,610,164)
Total revenues	<u>273,228,450</u>	<u>282,487,908</u>	<u>273,340,810</u>	<u>(9,147,098)</u>
Expenditures				
Current:				
Education:				
Instruction	365,007,969	381,771,076	371,151,863	10,619,213
Administration, attendance and health	19,896,037	20,171,565	18,091,782	2,079,783
Pupil transportation	28,212,159	28,586,440	27,821,311	765,129
Operations and maintenance	61,004,980	61,775,732	53,595,339	8,180,393
Technology	10,338,627	15,732,982	12,256,264	3,476,718
Food service	21,258,057	21,508,057	20,164,157	1,343,900
Debt service	47,741,440	47,829,758	47,831,237	(1,479)
Total expenditures	<u>553,459,269</u>	<u>577,375,610</u>	<u>550,911,953</u>	<u>26,463,657</u>
Deficiency of revenues under expenditures	<u>(280,230,819)</u>	<u>(294,887,702)</u>	<u>(277,571,143)</u>	<u>17,316,559</u>
Other financing sources (uses)				
Transfers in:				
General Fund	282,581,900	291,601,166	284,653,147	(6,948,019)
School Capital Projects Fund	1,300,000	1,547,938	1,547,938	-
Total transfers in	<u>283,881,900</u>	<u>293,149,104</u>	<u>286,201,085</u>	<u>(6,948,019)</u>
Transfers out:				
County Grants Fund	-	(182,000)	-	182,000
School Capital Projects Fund	(8,335,500)	(52,015,774)	(12,349,715)	39,666,059
Comprehensive Services Fund	(1,197,100)	(1,197,100)	(1,197,100)	-
Total transfers out	<u>(9,532,600)</u>	<u>(53,394,874)</u>	<u>(13,546,815)</u>	<u>39,848,059</u>
Bonds issued	248,100	72,157	72,157	-
Total other financing sources, net	<u>274,597,400</u>	<u>239,826,387</u>	<u>272,726,427</u>	<u>32,900,040</u>
Net change in fund balance	<u>(5,633,419)</u>	<u>(55,061,315)</u>	<u>(4,844,716)</u>	<u>50,216,599</u>
Fund balance, July 1, 2010	<u>72,029,538</u>	<u>72,029,538</u>	<u>72,029,538</u>	<u>-</u>
Fund balance, June 30, 2011	<u>\$ 66,396,119</u>	<u>\$ 16,968,223</u>	<u>\$ 67,184,822</u>	<u>\$ 50,216,599</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, 2011

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.	\$ 273,340,810
For budgetary purposes, interfund reimbursements and recovered costs are accounted for as revenues and expenditures but are eliminated for financial reporting purposes.	(3,801,041)
Budgetary transfers from the primary government are revenues for financial reporting purposes.	286,201,085
Proceeds from debt issued by the primary government "on behalf" of the School Board are revenues for financial reporting purposes.	<u>72,157</u>
Total revenues on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Fund.	<u><u>\$ 555,813,011</u></u>

Expenditures

Total expenditures on the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual.	\$ 550,911,953
For budgetary purposes, interfund reimbursements and recovered costs are accounted for as revenues and expenditures but are eliminated for financial reporting purposes.	(3,801,041)
Budgetary transfers to the primary government are expenditures for financial reporting purposes.	<u>13,546,815</u>
Total expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Fund.	<u><u>\$ 560,657,727</u></u>

Other financing sources (uses)

Total other financing sources on the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual.	\$ 272,726,427
Budgetary transfers from the primary government are revenues for financial reporting purposes.	(286,201,085)
Proceeds from debt issued by the primary government "on behalf" of the School Board are revenues for financial reporting purposes.	(72,157)
Budgetary transfers to the primary government are expenditures for financial reporting purposes.	<u>13,546,815</u>
Total other financing sources on the Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Fund.	<u><u>\$ -</u></u>

See accompanying independent auditors' report.

County of Chesterfield, Virginia
Discretely Presented Component Unit - School Board
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	<u>Pension Trust</u>	<u>Agency Funds</u>
	Supplemental Retirement Program Fund	School Activities Fund
ASSETS		
Cash and cash equivalents	\$ -	\$ 5,886,116
Cash, cash equivalents and investments with trustees	27,746,873	-
Interest receivable	10,474	-
Total assets	<u>27,757,347</u>	<u>\$ 5,886,116</u>
LIABILITIES		
Amounts held for others	<u>-</u>	<u>\$ 5,886,116</u>
NET ASSETS		
Held in trust for pension benefits	<u>\$ 27,757,347</u>	

See accompanying independent auditors' report.

County of Chesterfield, Virginia
Discretely Presented Component Unit - School Board
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2011

	<u>Pension Trust</u>
	<u>Supplemental Retirement Program</u>
Additions	
Contributions	\$ 14,769,415
Investment earnings:	
Interest and dividends	204,699
Net increase in the fair value of investments	<u>2,950,350</u>
Net investment earnings	<u>3,155,049</u>
Total additions	<u>17,924,464</u>
Deductions	
Benefit payments	10,498,814
Administrative expenses	<u>126,953</u>
Total deductions	<u>10,625,767</u>
Change in net assets	7,298,697
Net assets - July 1, 2010	<u>20,458,650</u>
Net assets - June 30, 2011	<u>\$ 27,757,347</u>

See accompanying independent auditors' report.

SINGLE AUDIT SCHEDULE AND NOTES

County of Chesterfield, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Schedule D-1

Federal Granting Agency/Recipient State Agency/Grant Program	Federal catalog number	Federal expenditures
DEPARTMENT OF AGRICULTURE:		
Direct payments:		
Child and Adult Care Food Program	10.558	\$ 9,863
Forest Stewardship Program	10.678	2,390
Pass through payments:		
Department of Education:		
School Breakfast Program	10.553	1,215,863
Fresh Fruit and Vegetable Program	10.582	198,500
Department of Health:		
Child and Adult Care Food Program	10.558	7,317
Department of Agriculture:		
Food Donations/Non-cash	10.555	\$ 1,031,728
Department of Education:		
National School Lunch Program	10.555	5,364,447
Department of Juvenile Justice:		
National School Lunch Program	10.555	92,440
Total for federal catalog number 10.555		6,488,615
Department of Social Services:		
State Administrative Matching Grants for the		
Supplemental Nutrition Assistance Program	10.561	1,374,707
American Recovery and Reinvestment Act (ARRA) - State		
Administrative Matching Grants for the Supplemental		
Nutrition Assistance Program	10.561	139,798
Total for federal catalog number 10.561		1,514,505
DEPARTMENT OF DEFENSE:		
Direct payments:		
JROTC	12.XXX	306,186
Competitive Grants: Promoting K-12 Student Achievement		
at Military-Connected Schools	12.556	30,986
DEPARTMENT OF EDUCATION:		
Direct payments:		
Impact Aid	84.041	37,578
Safe and Drug-free Schools and Communities - National Programs	84.184	97,242
Fund for the Improvement of Education	84.215	407,395
Pass through payments:		
Department of Education:		
Adult Education - Basic Grants to States	84.002	255,684
Title I Grants to Local Educational Agencies	84.010	4,835,464
Title I State Agency Program for Neglected and Delinquent Children	84.013	36,665
Special Education - Grants to States	84.027	10,269,938
Career and Technical Education - Basic Grants to States	84.048	584,786
Special Education - Preschool Grants	84.173	216,328
Safe and Drug-free Schools and Communities - State Grants	84.186	18,650
Education for Homeless Children and Youth	84.196	15,000
Twenty-first Century Community Learning Centers	84.287	171,917
Education Technology State Grants	84.318	37,362
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	30,115
Teacher Quality Partnership Grants	84.336	74,397
English Language Acquisition Grants	84.365	374,864
Improving Teacher Quality State Grants	84.367	1,255,126
ARRA - Education Technology State Grants	84.386	18,934
ARRA - Title I Grants to Local Educational Agencies	84.389	2,622,777
ARRA - Special Education Grants to States	84.391	4,491,301

(Continued)

County of Chesterfield, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Schedule D-1

Federal Granting Agency/Recipient State <u>Agency/Grant Program</u>	Federal catalog number	Federal expenditures
DEPARTMENT OF EDUCATION (continued):		
Pass through payments:		
Department of Education:		
ARRA - Special Education - Preschool Grants	84.392	\$ 205,167
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants	84.394	6,898,528
ARRA - Special Education - Grants for Infants and Families	84.393	244,757
Education Jobs Fund	84.410	2,058,300
Department of Behavioral Health and Developmental Services:		
Special Education - Grants for Infants and Families	84.181	310,743
DEPARTMENT OF ENERGY:		
Direct payments:		
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	954,827
DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
Direct payments:		
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	162,462
Head Start	93.600	1,308,369
ARRA - Head Start	93.708	2,407
Pass through payments:		
Department of Behavioral Health and Developmental Services:		
Block Grants for Community Mental Health Services	93.958	83,197
Block Grants for Prevention and Treatment of Substance Abuse	93.959	930,466
Department of Social Services:		
Promoting Safe and Stable Families	93.556	113,354
Temporary Assistance for Needy Families	93.558	1,556,651
Refugee and Entrant Assistance - State Administered Programs	93.566	9,665
Low-income Home Energy Assistance	93.568	63,476
Child Care and Development Block Grant	93.575	1,018,100
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	1,340,318
Chafee Education and Training Vouchers Program (ETV)	93.599	8,329
Stephanie Tubbs Jones Child Welfare Services Program	93.645	5,092
Foster Care - Title IV-E	93.658	\$ 786,488
ARRA - Foster Care - Title IV-E	93.658	17,654
Total for federal catalog number 93.658		804,142
Adoption Assistance	93.659	620,069
ARRA - Adoption Assistance	93.659	40,388
Total for federal catalog 93.659		660,457
Social Services Block Grant	93.667	785,805
Chafee Foster Care Independence Program	93.674	23,761
ARRA - Child Care and Development Block Grant	93.713	157,697
Children's Health Insurance Program	93.767	40,779
Medical Assistance Program	93.778	858,850
Virginia Board for People with Disabilities:		
Developmental Disabilities Basic Support and Advocacy Grants	93.630	27,856
DEPARTMENT OF HOMELAND SECURITY:		
Direct payments:		
Non-profit Security Program	97.008	258,890
Flood Mitigation Assistance	97.029	175,817
Assistance to Firefighters Grant	97.044	365,938
Pass through payments:		
Department of Criminal Justice:		
Homeland Security Grant	97.067	3,362

(Continued)

County of Chesterfield, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Schedule D-1

Federal Granting Agency/Recipient State Agency/Grant Program	Federal catalog number	Federal expenditures
DEPARTMENT OF HOMELAND SECURITY (continued):		
Pass through payments:		
Department of Emergency Management:		
2009 Emergency Operations Grant	97.001	\$ 235,657
Emergency Management Performance Grants	97.042	26,409
Citizen Corps	97.053	27,042
State Homeland Security Program (SHSP)	97.073	313,023
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:		
Direct payments:		
Community Development Block Grants/Entitlement Grants	14.218	1,259,510
Home Investment Partnerships Program	14.239	421,955
ARRA - Community Development Block Grants/Entitlement Grants	14.253	178,942
ARRA - Homelessness Prevention and Rapid Re-housing Program	14.257	267,282
Pass through payments:		
Housing Development Authority:		
Section 8 Housing Choice Vouchers	14.871	239,174
DEPARTMENT OF THE INTERIOR:		
Direct payments:		
Fish and Wildlife Service		
National Wildlife Refuge Fund	15.659	4,927
National Park Service	15.929	788
DEPARTMENT OF JUSTICE:		
Direct payments:		
State Criminal Alien Assistance Program	16.606	177,756
ARRA - Public Safety Partnership and Community Policing Grants	16.710	963,933
Edward Byrne Memorial Competitive Grant Program	16.751	114,698
Pass through payments:		
Department of Criminal Justice Services:		
Juvenile Accountability Block Grants	16.523	57,373
Title V Delinquency Prevention Program	16.548	3,424
Crime Victim Assistance	16.575	229,493
Violence Against Women Formula Grants	16.588	\$ 119,915
ARRA - Violence Against Women Formula Grants	16.588	<u>21,012</u>
Total for federal catalog number 16.588		140,927
Edward Byrne Memorial Justice Assistance Grant Program	16.738	235,682
ARRA - State Victim Assistance Formula Grant Program	16.801	49,727
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804	161,509
DEPARTMENT OF TRANSPORTATION:		
Direct payments:		
Department of Aviation:		
Airport Improvement Program	20.106	70,728
Pass through payments:		
Federal Highway Administration:		
Highway Planning and Construction	20.205	25,271
ARRA - Highway Planning and Construction	20.205	6,157,987
Department of Motor Vehicles:		
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	<u>90,053</u>
Total		<u>\$ 68,516,580</u>

See notes to Schedule of Expenditure of Federal Awards.

County of Chesterfield, Virginia
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

1. General

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

2. Basis of Accounting

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

3. Relationship to Financial Statements

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

<u>Fund</u>	<u>Federal Expenditures</u>
<u>Primary Government</u>	
Governmental Activities	
General Fund	\$ 10,156,358
County Capital Projects Fund	6,157,987
Non-major - Grants Fund	<u>7,622,959</u>
Total Governmental Activities	23,937,304
Business-type Activities	
Non-major - Airport Fund	<u>70,728</u>
Total Primary Government	24,008,032
<u>Component Unit</u>	
Governmental Activities	
School Operating Fund	44,508,548
Total	<u>\$ 68,516,580</u>

4. Sub-recipient Payments

The total amount of \$1,058,071 received by pass-through entities from the County during the fiscal year included \$381,544 from the Community Development Block Grants, \$412,010 from the Home Investment Partnerships Program and \$264,517 from ARRA Homelessness Prevention and Rapid Re-Housing Program.

County of Chesterfield, Virginia
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

5. Expenditures for Clusters of Federal Programs

<u>Name of Cluster</u>	<u>CFDA Number</u>		<u>Cluster Total</u>
CDBG Entitlements	14.218	\$ 1,259,510	
	14.253	<u>178,942</u>	\$ 1,438,452
Child Care Development Fund	93.575	1,018,100	
	93.596	1,340,318	
	93.713	<u>157,697</u>	2,516,115
Child Nutrition	10.553	1,215,863	
	10.555	<u>6,488,615</u>	7,704,478
Early Intervention Services	84.181	310,743	
	84.393	<u>244,757</u>	555,500
Educational Technology State Grants	84.318	37,362	
	84.386	<u>18,934</u>	56,296
Head Start	93.600	1,308,369	
	93.708	<u>2,407</u>	1,310,776
JAG Program	16.738	235,682	
	16.804	<u>161,509</u>	397,191
Special Education	84.027	10,269,938	
	84.173	216,328	
	84.391	4,491,301	
	84.392	<u>205,167</u>	15,182,734
Title I, Part A	84.010	4,835,464	
	84.389	<u>2,622,777</u>	7,458,241

See accompanying independent auditors' report.



STATISTICAL SECTION

STATISTICAL SECTION

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

Pages

Financial Trends151-155

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

Revenue Capacity156-160

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

Debt Capacity161-163

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

Demographic and Economic Information164-165

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

Operating Information166-168

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

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

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities ⁽¹⁾										
Invested in capital assets, net of related debt	\$ 306,101,715	\$ 341,091,865	\$ 360,274,011	\$ 394,677,734	\$ 415,009,147	\$ 458,603,478	\$ 487,741,373	\$ 530,702,086	\$ 552,032,799	\$ 574,885,562
Restricted	10,344,064	12,565,206	21,886,605	21,171,516	28,938,619	23,244,451	50,295,285	42,099,392	52,160,770	58,812,683
Unrestricted	66,345,383	75,857,637	86,997,476	93,680,842	139,045,238	147,996,016	143,352,794	149,288,745	160,465,007	187,964,641
Total governmental activities net assets	\$ 382,791,162	\$ 429,514,708	\$ 469,158,092	\$ 509,530,092	\$ 582,993,004	\$ 629,843,945	\$ 681,389,452	\$ 722,090,223	\$ 764,658,576	\$ 821,662,886
Business-type activities										
Invested in capital assets, net of related debt ⁽³⁾	\$ 459,272,574	\$ 483,464,084	\$ 522,052,614	\$ 559,917,886	\$ 597,187,773	\$ 643,325,018	\$ 682,591,012	\$ 714,330,054	\$ 741,730,464	\$ 765,410,845
Restricted ⁽²⁾	10,907,407	32,974,700	18,071,837	14,745,218	14,308,324	19,148,367	17,242,966	25,002,197	25,417,498	15,637,228
Unrestricted ⁽²⁾	104,809,855	88,369,652	93,636,540	96,023,650	105,207,647	111,033,540	117,696,445	114,292,930	117,421,774	130,992,671
Total business-type activities net assets	\$ 574,989,836	\$ 604,808,436	\$ 633,760,990	\$ 670,686,754	\$ 716,703,744	\$ 773,506,925	\$ 817,530,423	\$ 853,625,181	\$ 884,569,736	\$ 912,040,744
Primary government										
Invested in capital assets, net of related debt	\$ 765,374,289	\$ 824,555,949	\$ 882,326,625	\$ 954,595,620	\$ 1,012,196,920	\$ 1,101,928,496	\$ 1,170,332,385	\$ 1,245,032,140	\$ 1,293,763,263	\$ 1,340,296,407
Restricted	21,251,471	45,539,906	39,958,442	35,916,734	43,246,943	42,392,818	67,538,251	67,101,589	77,578,268	74,449,911
Unrestricted	171,155,238	164,227,289	180,634,016	189,704,492	313,851,970	330,226,946	261,049,239	263,581,675	277,886,781	318,957,312
Total primary government net assets	\$ 957,780,998	\$ 1,034,323,144	\$ 1,102,919,082	\$ 1,180,216,846	\$ 1,369,295,833	\$ 1,474,548,260	\$ 1,498,919,875	\$ 1,575,715,404	\$ 1,649,228,312	\$ 1,733,703,630

⁽¹⁾ Beginning in 2003, the School Capital Projects Fund was included as a major fund of the primary government. 2008 net assets were restated to reflect the County's adoption of GASB Statement 49.

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

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

See accompanying independent auditors' report.

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses										
Governmental activities:										
General government	\$ 32,479,929	\$ 37,999,304	\$ 38,236,017	\$ 45,695,112	\$ 46,460,964	\$ 53,941,385	\$ 62,125,394	\$ 64,753,892	\$ 59,652,475	\$ 58,141,077
Administration of justice	10,075,422	7,993,285	8,402,004	9,333,004	9,984,083	9,578,091	9,433,583	10,165,647	9,689,658	9,838,076
Public safety	96,084,504	103,201,382	111,347,750	121,761,928	131,672,438	145,470,820	152,400,203	158,317,621	154,703,866	159,738,182
Public works	18,990,761	20,917,172	20,240,164	24,776,442	21,642,615	39,031,478	37,044,887	32,749,415	31,583,528	28,851,217
Health and welfare	52,936,782	47,259,986	52,030,499	56,999,992	60,543,646	67,477,015	72,490,313	73,645,385	70,707,991	72,416,110
Parks, recreation and cultural	17,534,596	18,431,310	20,359,198	20,155,901	21,328,956	22,528,120	25,048,041	26,279,170	23,871,088	21,531,768
Education - School Board	238,248,940	264,255,339	301,516,892	275,058,438	287,052,952	336,542,438	337,123,894	337,123,894	308,669,193	310,962,247
Community development	10,760,008	12,508,312	12,876,300	13,978,515	14,179,400	14,444,469	16,697,501	19,839,416	17,316,286	18,143,396
Interest on long-term debt	18,138,041	16,850,391	17,177,171	19,752,479	19,433,153	21,477,059	23,272,102	20,554,873	24,463,742	21,600,283
Total governmental activities expenses	495,248,983	529,416,481	582,185,995	587,511,811	612,298,207	710,490,875	735,748,462	743,429,313	700,657,807	701,222,356
Business-type activities:										
Water	22,734,705	22,146,750	21,986,759	24,413,374	27,674,062	30,001,661	33,897,447	34,499,851	36,788,760	36,717,857
Wastewater	23,347,670	22,973,022	23,731,419	28,322,391	26,480,048	26,829,256	28,359,324	28,938,778	28,892,927	30,679,018
Airport	1,083,672	1,222,035	1,166,102	1,544,038	1,419,586	1,363,653	1,830,406	2,033,079	1,894,870	1,892,830
Total business-type activities expenses	47,166,047	46,341,807	46,884,280	54,279,803	55,573,696	58,194,570	64,087,177	65,471,708	67,576,557	69,289,705
Total primary government expenses	\$ 542,415,030	\$ 575,758,288	\$ 629,070,275	\$ 641,791,614	\$ 667,871,903	\$ 768,685,445	\$ 799,835,639	\$ 808,901,021	\$ 768,234,364	\$ 770,512,061
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 8,726,528	\$ 9,410,251	\$ 11,750,722	\$ 14,740,613	\$ 17,617,418	\$ 18,494,228	\$ 22,610,238	\$ 24,291,925	\$ 24,296,030	\$ 25,073,965
Public safety	7,516,390	10,734,271	11,190,249	12,515,330	12,700,056	12,854,109	15,189,151	15,444,515	13,374,815	14,615,801
Health and welfare	12,019,213	12,429,986	13,935,877	15,000,118	16,606,647	18,831,152	19,579,694	20,718,939	21,580,964	22,551,628
Other activities	12,154,488	11,638,695	11,963,781	13,397,249	11,808,179	13,475,548	14,099,296	11,831,679	11,385,840	13,727,131
Operating grants and contributions	81,963,760	73,666,254	79,620,341	89,610,129	95,949,288	101,631,282	103,539,529	96,146,925	90,963,621	94,216,649
Capital grants and contributions	3,824,436	8,145,176	13,157,445	14,010,139	13,628,258	23,599,820	22,402,657	8,057,210	7,117,695	19,507,591
Total governmental activities program revenues	126,204,815	126,024,633	141,618,415	159,273,578	166,309,846	188,886,139	197,420,565	176,491,193	168,718,965	189,692,765
Business-type activities:										
Charges for services:										
Water	23,218,250	22,848,077	22,933,096	24,061,227	28,162,945	31,263,930	33,171,182	33,557,269	35,294,123	34,918,515
Wastewater	21,974,731	22,413,097	22,385,369	24,917,744	25,683,159	28,040,156	28,844,584	31,135,811	32,991,772	34,197,043
Airport	513,185	505,016	571,349	734,227	793,318	713,269	815,883	626,602	614,093	651,579
Capital grants and contributions	25,700,506	28,329,805	29,975,046	40,249,985	43,624,718	49,668,211	40,063,647	33,860,040	31,029,526	26,705,648
Total business-type activities program revenues	71,406,672	74,095,995	75,864,860	89,963,183	98,264,140	109,685,566	102,895,296	99,179,722	99,929,514	96,472,785
Total primary government program revenues	\$ 197,611,487	\$ 200,120,628	\$ 217,483,275	\$ 249,236,761	\$ 266,573,986	\$ 298,571,705	\$ 300,315,861	\$ 275,670,915	\$ 268,648,479	\$ 286,165,550

(Continued)

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

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Net (Expense)/Revenue										
Governmental activities	\$ (369,044,168)	\$ (403,391,848)	\$ (440,567,580)	\$ (428,238,233)	\$ (443,988,361)	\$ (521,604,736)	\$ (538,327,897)	\$ (566,938,120)	\$ (531,938,842)	\$ (511,529,591)
Business-type activities	24,240,625	27,754,188	28,980,580	35,683,380	42,690,444	51,490,996	38,808,119	33,708,014	32,352,957	27,183,080
Total primary government net expense	<u>\$ (344,803,543)</u>	<u>\$ (375,637,660)</u>	<u>\$ (411,587,000)</u>	<u>\$ (392,554,853)</u>	<u>\$ (401,297,917)</u>	<u>\$ (470,113,740)</u>	<u>\$ (499,519,778)</u>	<u>\$ (533,230,106)</u>	<u>\$ (499,585,885)</u>	<u>\$ (484,346,511)</u>
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes: ⁽¹⁾										
Property taxes, levied for general purposes	\$ 223,160,879	\$ 237,104,053	\$ 252,733,579	\$ 280,625,081	\$ 311,387,656	\$ 336,151,532	\$ 368,792,917	\$ 375,949,615	\$ 370,085,003	\$ 366,013,114
Property taxes, levied for special purposes	12,749,973	14,202,177	14,804,378	15,510,660	15,847,696	158,435	318,644	953,614	940,457	1,025,519
Utility taxes	28,561,242	30,356,010	32,770,997	34,673,367	37,678,256	17,092,203	19,539,935	19,760,114	7,510,925	7,676,851
Sales taxes	5,810,096	5,709,976	6,049,304	6,187,924	6,458,496	39,708,387	40,736,677	38,465,858	37,775,437	39,951,936
Motor vehicle licenses	15,771,642	15,153,669	16,717,257	16,392,877	17,510,915	6,626,608	6,204,690	7,386,980	6,698,408	6,813,084
Business license taxes	11,040,274	14,267,199	15,689,956	17,974,278	20,994,261	18,678,250	15,014,721	16,949,861	9,259,788	16,139,259
Other	92,264,494	83,420,794	93,378,084	56,724,170	42,426,235	64,127,744	52,059,151	74,630,044	55,662,221	61,378,052
Payment from School Board	46,460,335	46,925,585	46,423,907	51,785,443	54,124,100	53,281,156	52,754,645	51,746,112	66,053,783	66,236,099
Unrestricted grants and contributions ⁽³⁾	3,002,219	1,855,119	2,174,800	4,638,160	9,046,080	13,396,400	14,571,536	5,823,371	1,517,603	1,096,015
Miscellaneous	1,338,685	451,082	66,580	66,645	322,305	506,935	298,620	1,425,727	713,621	607,932
Extraordinary loss - Hurricane Isabel	-	-	(1,757,615)	-	-	-	-	-	-	-
Special item -	-	-	-	(18,120,000)	-	-	-	-	-	(8,345,000)
Meadowville Support Agreement	1,032,776	669,730	1,159,737	2,151,628	1,602,708	2,115,625	2,082,572	1,528,448	3,126,266	700,079
Transfers	441,192,615	450,115,394	480,210,964	468,610,233	517,451,273	568,455,677	589,873,404	607,638,891	574,507,195	568,533,901
Total governmental activities										
Business-type activities:										
Investment earnings	4,313,028	2,734,142	1,131,711	3,394,012	4,929,254	7,427,810	7,297,951	3,915,192	1,717,864	988,007
Transfers	(1,032,776)	(669,730)	(1,159,737)	(2,151,628)	(1,602,708)	(2,115,625)	(2,082,572)	(1,528,448)	(3,126,266)	(700,079)
Total business-type activities	<u>3,280,252</u>	<u>2,064,412</u>	<u>(28,026)</u>	<u>1,242,384</u>	<u>3,326,546</u>	<u>5,312,185</u>	<u>5,215,379</u>	<u>2,386,744</u>	<u>(1,408,402)</u>	<u>287,928</u>
Total primary government	<u>\$ 444,472,867</u>	<u>\$ 452,179,806</u>	<u>\$ 480,182,938</u>	<u>\$ 469,852,617</u>	<u>\$ 520,777,819</u>	<u>\$ 573,767,862</u>	<u>\$ 595,088,783</u>	<u>\$ 610,025,635</u>	<u>\$ 573,098,793</u>	<u>\$ 568,821,829</u>
Change in Net Assets										
Governmental activities	\$ 72,148,447	\$ 46,723,546	\$ 39,643,384	\$ 40,372,000	\$ 73,462,912	\$ 46,850,941	\$ 51,545,507	\$ 40,700,771	\$ 42,568,353	\$ 57,004,310
Business-type activities	27,520,877	29,818,600	28,952,554	36,925,764	46,016,990	56,803,181	44,023,498	36,094,758	30,944,555	27,471,008
Total primary government ⁽²⁾	<u>\$ 99,669,324</u>	<u>\$ 76,542,146</u>	<u>\$ 68,595,938</u>	<u>\$ 77,297,764</u>	<u>\$ 119,479,902</u>	<u>\$ 103,654,122</u>	<u>\$ 95,569,005</u>	<u>\$ 76,795,529</u>	<u>\$ 73,512,908</u>	<u>\$ 84,475,318</u>

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

(2) Beginning in fiscal year 2003, the School Capital Projects Fund was included as a major fund of the primary government.

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

See accompanying independent auditors' report.

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 ⁽³⁾
General Fund										
Reserved	\$ 47,598,665	\$ 46,844,230	\$ 56,289,287	\$ 60,217,325	\$ 57,567,067	\$ 56,654,285	\$ 60,076,202	\$ 67,004,317	\$ 68,057,843	\$ -
Unreserved:										
Designated	23,301,909	14,724,307	9,063,976	24,644,489	44,509,640	74,513,087	76,568,430	94,647,808	108,860,017	-
Undesignated	42,493,947	42,264,186	49,403,726	56,277,457	71,444,558	65,204,348	70,704,544	53,495,000	53,495,000	-
Total unreserved	65,795,856	56,988,493	58,467,702	80,921,946	115,954,198	139,717,435	147,272,974	148,142,808	162,355,017	-
Restricted	-	-	-	-	-	-	-	-	-	11,486,173
Committed	-	-	-	-	-	-	-	-	-	690,074
Assigned	-	-	-	-	-	-	-	-	-	182,374,682
Unassigned	-	-	-	-	-	-	-	-	-	53,495,000
Total General Fund	\$ 113,394,521	\$ 103,832,723	\$ 114,756,989	\$ 141,139,271	\$ 173,521,265	\$ 196,371,720	\$ 207,349,176	\$ 215,147,125	\$ 230,412,860	\$ 248,045,929
All Other Governmental Funds ⁽¹⁾										
Reserved	\$ 44,486,087	\$ 42,625,091	\$ 98,108,247	\$ 79,831,868	\$ 110,878,641	\$ 116,622,619	\$ 154,588,206	\$ 161,454,879	\$ 128,379,230	\$ -
Unreserved, reported in:										
School Capital Projects Fund ⁽²⁾	(8,544,469)	-	-	-	-	-	(10,590,936)	-	-	-
Special Revenue Funds	(60,265)	97,206	(138,825)	(206,838)	-	1,132,514	2,281,047	2,782,267	3,118,649	-
Nonspendable	-	-	-	-	-	-	-	-	-	5,000
Restricted	-	-	-	-	-	-	-	-	-	120,021,503
Assigned, reported in:										
School Capital Projects Fund	-	-	-	-	-	-	-	-	-	215,000
Special Revenue Funds	-	-	-	-	-	-	-	-	-	6,086,966
Total all other governmental funds	\$ 35,881,353	\$ 42,722,297	\$ 97,969,422	\$ 79,625,030	\$ 110,878,641	\$ 117,755,133	\$ 146,278,317	\$ 164,237,146	\$ 131,497,879	\$ 126,328,469

⁽¹⁾ Beginning in fiscal year 2003, the School Capital Projects Fund was included as a major fund of the primary government.

⁽²⁾ In fiscal years 2002 and 2008, encumbrances exceeded actual funding received at year end.

⁽³⁾ The County prospectively implemented GASB 54 for the fiscal year ended June 30, 2011. Historical data was not restated.

See accompanying independent auditors' report.

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
General property taxes	\$ 221,488,509	\$ 236,710,581	\$ 253,448,743	\$ 279,900,006	\$ 310,422,872	\$ 335,039,531	\$ 367,784,907	\$ 375,887,861	\$ 370,358,546	\$ 370,513,296
Other local taxes ⁽¹⁾	73,933,227	79,689,031	86,031,892	90,739,106	98,347,138	98,717,849	98,995,319	95,581,960	76,551,062	80,008,276
Permits, fees and licenses	8,541,426	5,816,000	6,806,680	7,928,524	7,522,107	7,279,086	6,411,648	4,542,125	3,984,902	3,586,770
Fines and forfeitures	1,175,928	1,303,907	1,876,556	2,180,571	1,682,991	1,584,802	2,555,991	2,097,014	2,119,362	2,296,228
Use of money and property	4,495,374	2,339,287	1,764,281	4,631,122	9,083,797	15,135,424	14,866,249	6,344,978	2,055,073	1,652,694
Charges for services	19,203,260	22,314,638	23,846,306	25,811,910	28,033,471	30,297,026	32,596,470	34,623,544	34,833,624	38,623,262
Donations and miscellaneous	5,607,703	8,187,151	11,965,401	11,303,788	11,087,191	10,490,692	11,576,794	7,782,805	6,499,504	8,559,883
Recovered costs	2,359,636	6,871,170	8,164,667	8,722,741	8,738,443	10,881,339	12,445,614	15,339,867	13,760,783	13,140,128
From component unit - School Board	39,757,684	65,914,353	93,368,159	56,715,270	42,568,721	64,105,686	51,289,900	74,630,044	55,662,221	61,378,052
From other governments ⁽¹⁾	127,851,962	120,642,033	125,467,792	145,595,474	148,832,439	168,430,765	168,241,737	149,519,290	157,456,277	168,557,560
Total revenues	504,414,709	549,788,151	612,740,477	633,528,512	666,329,170	741,962,200	766,764,629	766,349,488	723,281,354	748,316,149
Expenditures										
General government	25,619,379	29,066,814	30,668,010	34,046,235	35,801,627	38,878,557	46,365,935	45,833,201	43,215,375	42,636,365
Administration of justice	7,899,031	7,286,110	7,621,051	8,457,969	9,863,338	8,265,185	9,039,329	8,966,363	8,756,089	9,152,233
Public safety	91,022,819	100,207,259	108,340,259	118,326,162	127,463,261	139,138,082	145,924,583	150,999,210	151,122,446	156,223,287
Public works	14,429,637	14,714,025	15,417,078	17,793,956	16,792,195	18,601,326	19,996,286	19,849,499	18,365,860	17,330,421
Health and welfare	52,445,521	46,689,182	51,369,561	56,877,271	60,689,166	66,941,306	72,087,641	72,934,960	69,919,248	72,688,435
Parks, recreation and cultural	15,336,142	15,147,360	16,467,805	17,563,791	18,168,394	19,054,909	21,326,681	21,505,518	19,681,201	22,374,211
Education - School Board	210,589,968	247,989,442	279,750,931	252,976,793	261,521,532	311,151,647	314,603,869	316,956,577	286,137,953	286,952,462
Community development	10,607,126	12,254,885	12,908,998	12,975,808	12,833,578	13,775,065	14,966,770	18,177,218	15,893,983	16,956,080
Debt service:										
Principal	33,879,257	34,357,772	34,429,508	33,843,492	36,738,215	39,106,776	41,352,282	43,910,171	44,075,601	45,453,298
Interest	18,311,916	16,815,327	16,950,600	17,941,758	18,823,764	20,248,273	22,184,734	23,992,255	23,841,263	23,687,589
Other	281,511	1,435,123	1,797,522	911,410	421,006	964,441	550,556	565,906	85,997	667,429
Capital outlay	85,709,954	58,547,715	52,883,085	99,491,245	82,099,100	113,531,642	120,756,601	99,877,943	62,797,936	59,272,863
Total expenditures	566,132,261	584,491,014	628,604,408	671,205,890	681,215,176	789,657,209	829,155,267	823,568,821	743,892,952	753,374,673
Excess of expenditures over revenues	(61,717,552)	(34,702,863)	(15,863,931)	(37,677,378)	(14,886,006)	(47,695,009)	(62,390,638)	(57,219,333)	(20,611,598)	(5,058,524)
Other Financing Sources (Uses)										
Transfers in	14,858,718	31,046,563	21,551,169	24,869,121	26,252,697	26,656,114	30,526,922	32,521,513	26,765,458	21,388,162
Transfers out	(13,930,525)	(30,400,379)	(20,163,432)	(22,750,163)	(26,476,088)	(24,544,948)	(28,506,784)	(30,981,265)	(23,627,392)	(20,625,300)
Certificates of participation issued	-	6,147,772	21,162,581	25,432,065	12,059,526	-	22,885,927	7,371,199	-	-
Bonds issued	23,749,406	24,993,598	60,178,944	17,643,695	66,685,476	75,256,772	76,985,213	74,043,219	-	16,822,749
Refunding bonds issued	-	33,076,575	66,940,137	21,563,926	-	25,680,236	-	22,425,825	-	7,399,075
Payments to escrow agent	-	(32,882,120)	(65,936,527)	(21,043,376)	-	(25,626,218)	-	(22,404,380)	-	(7,462,503)
Proceeds from sale of land	1,200,000	-	-	-	-	-	-	-	-	-
Extraordinary loss - Hurricane Isabel	-	-	(1,697,550)	-	-	-	-	-	-	-
Total other financing sources, net	25,877,599	31,982,009	82,035,322	45,715,268	78,521,611	77,421,956	101,891,278	82,976,111	3,138,066	17,522,183
Net change in fund balances	\$ (35,839,953)	\$ (2,720,854)	\$ 66,171,391	\$ 8,037,890	\$ 63,635,605	\$ 29,726,947	\$ 39,500,640	\$ 25,766,778	\$ (17,473,532)	\$ 12,463,659
Debt service as a percentage of noncapital expenditures	10.70%	9.57%	8.73%	8.82%	8.97%	8.40%	8.68%	9.12%	9.71%	9.70%

Notes:

Beginning in fiscal year 2003, the School Capital Projects Fund was included as a major fund of the primary government. Fiscal year 2002 amounts have been restated to include revenues and expenditures of School Capital Projects Fund as well as reclassifying debt payments and assets from the School Operating Fund.

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

See accompanying independent auditors' report.

Table V

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Real property taxes	\$ 165,693,615	\$ 181,105,449	\$ 197,247,004	\$ 218,288,289	\$ 243,289,086	\$ 267,879,286	\$ 295,937,075	\$ 310,906,883	\$ 303,352,142	\$ 295,381,760
Property taxes for special purposes	-	-	-	-	52,565	158,435	318,644	953,614	1,357,751	2,196,240
Personal property taxes ⁽¹⁾	73,247,163	74,030,236	74,944,122	84,205,053	89,700,137	90,857,452	94,275,917	87,280,037	86,882,112	93,145,764
Real and personal public service corporation taxes	12,532,004	12,628,617	11,745,691	11,381,857	10,366,883	9,357,842	10,772,082	11,462,397	12,475,064	12,646,051
Machinery and tools taxes	4,600,637	3,971,207	4,155,915	4,399,948	4,506,163	5,629,855	4,369,496	4,333,848	4,339,276	4,281,381
Local sales and use tax ⁽²⁾	28,561,242	30,356,010	32,770,997	34,673,367	37,678,256	39,708,387	40,736,677	38,455,858	37,918,258	40,138,121
Business license taxes	15,771,642	15,153,669	16,717,257	16,392,877	17,510,915	16,612,402	17,499,296	16,949,861	15,163,683	16,139,258
Consumer utility tax ⁽⁴⁾	12,749,973	14,202,177	14,804,378	15,510,660	15,847,696	17,092,203	19,539,935	7,499,495	7,510,925	7,676,851
Emergency 911 tax ⁽³⁾	3,777,052	3,717,959	3,813,252	3,708,252	3,616,838	1,748,921	-	-	-	-
Motor vehicle licenses	5,810,096	5,709,976	6,049,304	6,187,924	6,458,496	6,626,608	6,204,690	7,386,980	6,698,408	6,813,084
Recordation tax	3,068,710	3,549,252	4,143,559	6,292,804	8,384,766	7,626,619	6,096,549	4,306,611	3,905,500	3,479,084
Transient occupancy tax	3,070,340	3,278,071	3,681,635	3,637,137	4,026,848	4,183,839	4,468,629	3,960,301	3,503,222	3,727,095
Cable franchise fees ⁽⁴⁾	2,910,787	2,817,728	2,962,381	3,134,764	3,426,398	3,773,163	3,227,272	3,332,022	-	-
Other taxes ^{(4) (5)}	3,514,018	3,676,326	3,652,803	4,271,805	4,076,856	4,256,532	4,418,519	16,677,576	4,895,315	5,960,726
Total	\$ 335,307,279	\$ 354,196,677	\$ 376,688,298	\$ 412,084,737	\$ 448,941,903	\$ 475,511,544	\$ 507,864,781	\$ 513,515,483	\$ 488,001,656	\$ 491,585,415

(1) Includes reimbursement to the County by the Commonwealth for personal property as defined in the Personal Property Tax Relief Act of 1998.

Amount is reported under non-categorical aid from the Commonwealth in the financial statements.

(2) Includes Watkins incremental sales tax

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

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

(5) Includes penalties and interest on property taxes.

See accompanying independent auditors' report.

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

Fiscal Year	Assessed Values						Total direct tax rate ⁽³⁾
	Real Estate ⁽²⁾		Personal property	Machinery and tools	Public service	Total	
	Residential	Commercial/ industrial					
2002	\$ 12,561,682,015	\$ 3,534,584,450	\$ 2,700,290,649	\$ 462,130,730	\$ 1,154,771,765	\$ 20,413,459,609	\$ 1.41
2003	13,688,518,943	3,736,944,720	2,698,910,633	400,004,490	1,170,557,988	21,694,936,774	1.38
2004	15,193,604,463	3,986,717,185	2,807,314,224	420,079,114	1,087,202,383	23,494,917,369	1.37
2005	16,889,432,228	4,503,087,387	3,137,616,107	404,752,040	1,060,282,022	25,995,169,784	1.37
2006	19,509,239,881	4,965,460,886	3,834,060,417	457,959,170	977,692,155	29,744,412,509	1.38
2007	23,439,147,536	5,458,439,780	3,330,659,179	543,314,870	926,030,901	33,697,592,266	1.26
2008	26,476,217,323	6,286,058,061	3,436,200,412	435,488,170	1,114,518,126	37,748,482,092	1.20
2009	26,444,495,499	6,538,019,297	3,072,809,133	438,809,420	1,198,254,238	37,692,387,587	1.17
2010	25,404,972,139	6,199,204,274	3,047,498,874	435,428,490	1,294,938,309	36,382,042,086	1.17
2011	24,371,644,507	6,209,724,943	3,167,813,011	436,491,890	1,323,381,861	35,509,056,212	1.19

Source:

County Assessor's Office

- (1) Property in the County is assessed each year. Assessed values of all classes of property approximate market value except for public service property, which is determined by the State Corporation Commission.
- (2) Real estate assessed values include both halves of the year's assessments.
- (3) The total direct tax rate for each fiscal year is per \$100 of assessed valuation and is calculated on a weighted average basis with no adjustment for prorated personal property tax valuations.

See accompanying independent auditors' report.

Table VII

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

Fiscal Year	Personal Property								
	<u>Real estate</u>	<u>Airplanes</u>	<u>Motor vehicles clean special fuels</u>	<u>Motor vehicles of voluntary personnel⁽¹⁾</u>	<u>Wild or exotic animals</u>	<u>Special equipped motor vehicles physically handicap</u>	<u>Vehicle trailer and semi-trailer⁽²⁾</u>	<u>All others⁽³⁾</u>	<u>Machinery and tools</u>
2002	\$1.08/\$1.07 ⁽⁴⁾	\$ 0.50	\$ 3.24	\$ 0.96	\$ 0.01	N/A	\$ 0.96	\$ 3.60	\$ 1.00
2003	1.07	0.50	3.24	0.96	0.01	N/A	0.96	3.60	1.00
2004	1.07	0.50	3.24	0.96	0.01	N/A	0.96	3.60	1.00
2005	1.07	0.50	3.24	0.96	0.01	\$ 0.01	0.96	3.60	1.00
2006	1.07/1.04 ⁽⁴⁾⁽⁵⁾	0.50	3.24	0.96	0.01	0.01	0.96	3.60	1.00
2007	1.04/0.97 ⁽⁴⁾⁽⁵⁾	0.50	3.24	0.96	0.01	0.01	0.96	3.60	1.00
2008	0.97/0.95 ⁽⁴⁾⁽⁵⁾	0.50	3.24	0.96	0.01	0.01	0.96	3.60	1.00
2009	0.95 ⁽⁵⁾	0.50	3.24	0.96	0.01	0.01	0.96	3.60	1.00
2010	0.95 ⁽⁵⁾	0.50	3.24	0.96	0.01	0.01	0.96	3.60	1.00
2011	0.95 ⁽⁵⁾	0.50	3.24	0.96	0.01	0.01	0.96	3.60	1.00

Source:

Chesterfield County Accounting Department

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

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

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

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

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

N/A = not applicable

See accompanying independent auditors' report.

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

	2011			2002		
	Assessed value ⁽¹⁾	Percentage of total assessed valuation	Rank	Assessed value ⁽¹⁾	Percentage of total assessed valuation	Rank
Taxpayer						
Dominion Virginia Power	\$ 801,567,624	2.26 %	1	\$ 664,867,762	3.26%	1
Verizon Communications	295,047,339	0.83	2	221,121,504	1.08	3
E. I. duPont De Nemours and Company	232,339,240	0.65	3	297,411,959	1.46	2
Macerich Partnership	116,686,100	0.33	4			
Philip Morris, USA	106,950,700	0.30	5	88,751,223	0.43	5
Brandywine Operating Partnership	103,253,600	0.29	6			
Bon Secours St. Francis Medical Center	101,409,100	0.29	7			
Zaremba Metropolitan Mid LLC	79,373,900	0.22	8			
Columbia Gas of Virginia, Inc.	70,660,275	0.20	9			
C. J. W. Medical Center	63,830,600	0.18	10	53,228,391	0.26	7
Chesterfield Towne Center				100,021,616	0.49	4
Honeywell, International				70,422,063	0.35	6
Petula Association				46,099,400	0.23	8
Liberty Property Development Corporation				43,223,200	0.21	9
Wal-Mart Stores, Inc.				39,235,024	0.19	10
	<u>\$ 1,971,118,478</u>	<u>5.55%</u>		<u>\$ 1,624,382,142</u>	<u>7.96%</u>	

Source: Assessor and Commissioner of Revenue, Chesterfield County

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

See accompanying independent auditors' report.

Table IX

County of Chesterfield, Virginia
Property Tax Levies and Collections
Last Ten Fiscal Years

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
2002	\$ 262,227,247	\$ (1,691,744)	\$ 260,535,503	\$ 252,165,780	96.16 %	\$ 7,679,404	\$ 259,845,184	99.74 %
2003	275,142,161	(1,674,313)	273,467,848	266,884,823	97.00	5,982,314	272,867,137	99.78
2004	293,173,116	(1,596,668)	291,576,448	284,677,174	97.10	6,318,513	290,995,687	99.80
2005	322,950,302	(1,755,659)	321,194,643	313,803,911	97.17	6,617,501	320,421,412	99.76
2006	353,487,419	(2,298,599)	351,188,820	343,153,993	97.08	6,405,316	349,559,309	99.54
2007	379,450,995	(2,337,030)	377,113,965	364,202,059	95.98	11,520,031	375,722,090	99.63
2008	411,660,361	(2,436,578)	409,223,783	393,666,244	95.63	13,040,523	406,706,767	99.38
2009	418,267,041	(2,167,410)	416,099,631	400,440,812	95.74	12,644,054	413,084,866	99.28
2010	413,886,463	(2,089,775)	411,796,688	395,328,026	95.52	11,294,794	406,622,820	98.74
2011	405,337,481	-	405,337,481	386,437,915	95.34	-	386,437,915	95.34

Source: Chesterfield County Treasurer's Office

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

See accompanying independent auditors' report.

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

Governmental Activities					Business-Type Activities						
Fiscal year	General obligation bonds	State literary loans	Public facility		Certificates of participation ⁽¹⁾	Capital leases	Revenue bonds	Certificates of participation	Total primary government	Percentage of personal income	Debt per capita
			lease	bonds							
2002	\$ 341,720,000	\$ 6,405,618	\$ 14,490,000	\$ 13,310,000	\$ 791,771	\$ 39,543,967	\$ 415,000	\$ 416,676,356	4.50 %	\$ 1,538	
2003	335,635,000	4,852,068	13,685,000	18,510,750	541,799	34,463,967	394,250	408,082,834	4.28	1,468	
2004	361,895,000	3,404,218	12,880,000	38,574,295	279,391	28,090,521	1,380,705	446,504,130	4.29	1,572	
2005	348,130,000	2,079,718	12,075,000	60,625,045	2,010,789	23,888,891	1,809,955	450,619,398	4.12	1,549	
2006	380,510,000	1,334,218	11,270,000	70,276,228	1,863,261	19,851,888	1,738,773	486,844,368	4.16	1,628	
2007	419,520,000	726,218	10,465,000	66,152,409	1,690,270	63,248,312	1,647,591	563,449,800	4.50	1,841	
2008	458,620,000	118,218	9,660,000	84,253,592	1,509,805	59,437,914	1,556,408	615,155,937	4.66	1,978	
2009	492,015,000	55,218	8,855,000	86,340,973	1,321,452	102,076,093	1,465,225	692,128,961	5.44	2,204	
2010	454,770,000	-	8,050,000	81,407,156	1,124,886	96,819,642	1,374,043	643,545,727	N/A	2,037	
2011	432,115,000	-	7,185,000	76,478,338	965,406	88,660,000	1,282,861	606,686,605	N/A	1,908	

Note:

Beginning September 1985, the Chesterfield County Utilities Department operated under the terms and conditions of bond resolutions requiring the County to fix, establish, and maintain rates and charges (including interest) sufficient to produce revenue of not less than the total of budgeted operating expenses and 115% of the debt service to become due during such fiscal year. The above revenue, expenses, and debt service relationships existed for the last ten fiscal years.

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.

(1) Includes a taxable redevelopment facility note.

N/A = not available

See accompanying independent auditors' report.

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

<u>Fiscal year</u>	<u>General obligation bonds outstanding</u>	<u>Estimated population⁽¹⁾</u>	<u>Assessed value of taxable property</u>	<u>Per capita</u>	<u>Ratio to assessed value</u>
2002	\$ 341,720,000	271,000	\$ 20,413,459,609	\$ 1,261	1.67 %
2003	335,635,000	278,000	21,694,936,774	1,207	1.55
2004	361,895,000	284,000	23,494,917,369	1,274	1.54
2005	348,130,000	291,000	25,995,169,784	1,196	1.34
2006	380,510,000	299,000	29,744,412,509	1,273	1.28
2007	419,520,000	306,000	33,697,592,266	1,371	1.24
2008	458,620,000	311,000	37,748,482,092	1,475	1.21
2009	492,015,000	314,000	37,692,387,587	1,567	1.31
2010	454,770,000	316,000	36,382,042,086	1,439	1.25
2011	432,115,000	318,000	35,509,056,212	1,359	1.22

Source:

(1) Population - Chesterfield County Planning Department estimates.

See accompanying independent auditors' report.

**County of Chesterfield, Virginia
Pledged Revenue Coverage
Last Ten Fiscal Years**

Water and Sewer Revenue Bonds									
Fiscal Year	Gross revenues	Less operating expenses⁽¹⁾⁽²⁾	Net revenues available for debt service	Debt Service		Coverage			
				Principal	Interest				
2002	\$ 62,367,468	\$ 28,039,155	\$ 34,328,313	\$ 6,690,000	\$ 1,353,836	427%			
2003	61,726,879	27,497,911	34,228,968	7,080,000	659,691	442			
2004	64,211,933	29,059,734	35,152,199	4,373,446	3,474,393	448			
2005	71,023,369	35,124,746	35,898,623	4,201,629	3,650,296	457			
2006	76,974,847	36,278,861	40,695,986	4,037,005	3,808,326	519			
2007	80,439,452	37,556,107	42,883,345	3,918,576	3,939,005	546			
2008	81,314,558	40,712,319	40,602,239	3,810,398	5,888,418	419			
2009	81,850,504	41,245,910	40,604,594	5,261,821	6,079,815	358			
2010	78,143,427	40,437,936	37,705,491	5,256,452	7,776,051	289			
2011	78,585,637	40,861,691	37,723,946	8,159,642	10,479,723	202			

(1) Net of depreciation and amortization.

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

Note:

Beginning September 1985, the Chesterfield County Utilities Department operated under the terms and conditions of bond resolutions requiring the County to fix, establish, and maintain rates and charges (including interest) sufficient to produce revenue of not less than the total of budgeted operating expenses and 115% of the debt service to become due during such fiscal year. The above revenue, expenses, and debt service relationships existed for the last ten fiscal years.

See accompanying independent auditors' report.

County of Chesterfield, Virginia
Demographic Statistics
Last Ten Years

<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⁾
2002	271,000	\$ 9,260,462	\$ 33,586	3.0 %	36.5
2003	278,000	9,523,638	34,428	3.1	36.9
2004	284,000	10,417,294	36,879	3.2	37.3
2005	291,000	10,934,444	37,911	2.9	37.5
2006	299,000	11,704,457	39,834	2.8	37.7
2007	306,000	12,525,294	41,888	2.7	37.9
2008	311,000	13,194,842	43,425	4.3	36.0
2009	314,000	12,713,000	41,454	7.1	36.0
2010	316,000	N/A	N/A	7.2	35.9
2011	318,000	N/A	N/A	6.3	37.6

Sources:

(1) Chesterfield County Planning Department estimates.

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

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

N/A = not available

See accompanying independent auditors' report.

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

<u>Employer</u>	<u>2011⁽¹⁾</u>			<u>2002⁽¹⁾</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of total civilian labor force</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of total civilian labor force</u>
E. I. duPont De Nemours and Company	2,478	1	1.47 %	2,833	1	1.91 %
United Parcel Service	1,761	2	1.04	1,000	6	0.67
C. J. W. Medical Center	1,566	3	0.93	1,184	4	0.80
Wal-Mart Stores, Incorporated	1,555	4	0.92	1,110	5	0.75
Hill PHOENIX	1,100	5	0.65			
Ukrop's/Martin's Super Markets, Incorporated	1,089	6	0.64	2,036	2	1.37
Bon Secours St. Francis Medical Center	1,080	7	0.64			
Capital One Financial Corporation	1,069	8	0.63	800	10	0.54
Vangent	897	9	0.53			
The Kroger Company	875	10	0.52			
Honeywell, Incorporated				1,617	3	1.09
Food Lion, Incorporated				980	7	0.66
J. C. Penney Company, Incorporated				905	8	0.61
Alstom Power, Incorporated				850	9	0.57
Total	<u>13,470</u>		7.97 %	<u>13,315</u>		8.97 %
Total civilian labor force	168,945			148,227		

Source: Chesterfield County Economic Development Department

(1) Reported as of January 2011 and January 2002

See accompanying independent auditors' report.

County of Chesterfield, Virginia
Full-time County Employees by Function
Last Ten Fiscal Years

<u>Function</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Governmental activities										
General government	452	445	452	468	468	475	501	519	490	476
Administration of justice	138	143	148	149	155	161	161	160	156	154
Public safety:										
Fire	363	401	424	447	450	454	460	463	462	461
Police	526	510	536	526	545	551	568	567	593	575
Sheriff	188	186	194	219	236	242	245	244	235	222
Other	156	194	194	195	202	203	200	201	198	190
Total public safety	1,233	1,291	1,348	1,387	1,433	1,450	1,473	1,475	1,488	1,448
Public works	150	156	164	169	170	172	169	159	152	147
Health and welfare	454	462	482	490	515	530	566	580	547	554
Parks, recreation and cultural	159	165	170	174	167	174	184	187	179	161
Community development	78	78	79	75	80	84	90	91	84	74
Total governmental activities	2,664	2,740	2,843	2,912	2,988	3,046	3,144	3,171	3,096	3,014
Business-type activities										
Water	135	136	139	144	145	146	151	153	148	151
Wastewater	119	121	122	123	122	125	129	129	130	128
Airport	5	5	4	5	4	4	4	5	5	4
Total business-type activities	259	262	265	272	271	275	284	287	283	283
Grand total	2,923	3,002	3,108	3,184	3,259	3,321	3,428	3,458	3,379	3,297
Number of County employees per 1,000 population	10.8	10.8	10.9	10.9	10.9	10.9	11.0	11.0	10.7	10.4

Source: Chesterfield County Accounting Department

See accompanying independent auditors' report.

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Police ⁽¹⁾										
Police Initiated Activities ⁽²⁾	208,813	212,095	223,870	218,247	225,824	380,982	415,521	485,401	516,651	599,460
IBR Group A Incidents/Part 1 Offenses	16,484	16,400	16,929	16,903	16,980	17,385	17,414	17,224	17,145	17,079
IBR Group A Clearance Rate/Uniform Clearance Rate	45%	45%	47%	48%	44%	46%	44%	46%	48%	50%
Average Response Time for Priority 1 (life threatening calls)	3.35 min.	3.25 min.	3.51 min.	3.55 min.	3.55 min.	3.54 min.	3.62 min.	3.55 min.	3.23 min.	3.48 min.
Fire Protection										
Emergency operations dispatches	26,519	26,335	28,099	28,337	29,241	31,389	32,737	32,946	32,924	34,314
Emergency medical ambulance dispatches	18,987	20,434	21,578	21,432	21,754	23,492	24,835	25,354	25,784	26,143
Fire engine medical support calls	7,031	7,818	8,385	9,719	11,915	14,511	13,871	13,459	12,792	11,351
Firefighter staffed ambulance calls	12,059	12,416	14,106	15,965	16,559	17,853	19,777	20,220	20,804	22,967
Building inspections conducted	3,399	2,380	3,089	4,735	3,889	4,672	4,793	4,575	3,459	3,438
Construction plans reviewed	2,076	2,237	2,623	2,947	2,150	1,656	1,663	2,065	1,408	943
Library ⁽⁴⁾										
Materials circulated	3,768,374	4,129,159	4,188,855	4,234,893	4,229,030	3,855,455	3,932,984	3,474,052	3,292,105	2,825,447
Number of visitors	1,678,540	1,759,325	1,821,188	1,758,505	1,810,614	1,779,176	1,736,740	1,877,105	1,858,961	1,465,236
Number of reference and general assistance questions	708,006	854,663	869,070	851,931	729,285	732,148	591,203	625,521	603,058	416,031
Number of public access computer sessions ⁽³⁾	N/A	N/A	N/A	N/A	N/A	N/A	N/A	548,332	557,588	444,636
Elections										
Registered voters	167,055	167,621	174,674	179,286	184,384	186,181	202,640	209,078	207,273	210,946
Utilities										
Water customers serviced	85,947	88,370	90,921	93,525	96,523	98,521	99,921	100,054	100,668	101,147
Wastewater customers serviced	71,571	73,625	75,844	78,204	80,891	82,681	83,948	84,067	84,566	85,010
Parks and Recreation										
Number of park visitors	3,956,014	3,936,516	4,297,497	3,781,035	3,826,968	3,817,965	3,919,823	4,061,315	4,670,192	4,710,680
Cost per visitor	\$ 0.28	\$ 0.29	\$ 0.23	\$ 0.35	\$ 0.20	\$ 0.24	\$ 0.22	\$ 0.27	\$ 0.20	\$ 0.18

Source: County Departments providing the service

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

(2) Prior to 2008 this category was labeled calls and assignments but now is all inclusive of the officer activities.

(3) Automated counts for all of the public computer work stations became available after implementation of the Internet Management System in the fall of 2008.

(4) Beginning on July 1, 2011 libraries were open one less day per week

N/A = Not available

See accompanying independent auditors' report.

**County of Chesterfield, Virginia
Capital Asset Statistics by Function
Last Ten Fiscal Years**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Airport										
Number of airplane hangars	90	90	90	110	110	110	110	110	110	110
Police										
Number of stations	3	3	3	3	3	4	4	4	4	4
Fire Protection										
Number of fire companies	17	18	19	21	21	21	21	21	21	21
Library ⁽¹⁾										
Number of facilities	10	10	10	10	10	10	10	9	9	9
Utilities										
Water line in system (miles)	1,532	1,561	1,598	1,656	1,693	1,750	1,780	1,823	1,839	1,857
Wastewater line in system (miles)	1,628	1,658	1,689	1,751	1,790	1,850	1,898	1,926	1,945	1,962
Parks and Recreation ⁽²⁾										
Number of parks	31	41	43	43	43	43	45	44	45	45
Park acreage	3,152	3,991	3,995	3,778	3,783	3,903	4,009	4,009	4,387	4,412
Number of athletic complexes maintained	10	11	16	10	10	10	11	11	11	11

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.

See accompanying independent auditors' report.

COMPLIANCE SECTION



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

**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance With
*Government Auditing Standards***

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Chesterfield, Virginia (the County) as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 18, 2011. Our report was modified to include a reference to other auditors and included a paragraph describing the adoption by the County of the provisions of GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Specifications for Audits of Counties, Cities, and Towns* (Specifications) issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Other auditors audited the financial statements of the Economic Development Authority and the Health Center Commission, discretely presented component units of the County. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

Management of the County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.



Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Supervisors, management, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 18, 2011



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

**Independent Auditors' Report on Compliance With Requirements
That Could Have A Direct Direct and Material Effect on
Each Major Program and on Internal Control Over
Compliance in Accordance with OMB Circular A-133**

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

Compliance

We have audited the County of Chesterfield, Virginia's (the County) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2011. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 11-01 and 11-02.



Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weakness, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 11-01 and 11-02. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 18, 2011



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

Independent Auditors' Report on Compliance with Commonwealth of Virginia Laws, Regulations, Contracts, and Grants

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

We have audited the basic financial statements of the County of Chesterfield, Virginia (the County) as of and for the year ended June 30, 2011, and have issued our report thereon dated November 18, 2011.

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; OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*; and *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

As part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we performed tests of the County's compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with such provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The following is a summary of the Commonwealth of Virginia laws, regulations, contracts, and grants (as specified in *Specifications for Audits of Counties, Cities, and Towns*, Chapters Two and Three) for which we performed tests of compliance:

Code of Virginia

- Property Taxes and Property Taxes Receivable
- Intergovernmental Revenues
- Intergovernmental Agreements
- Budget and Appropriations Laws
- Cash and Investments
- Conflicts of Interest
- Debt Provisions
- Retirement Systems
- Procurement
- Unclaimed Property



State Agency Requirements

- Education
- Comprehensive Services Act Funds
- Social Services

The results of our tests did not discover any instances of noncompliance with those requirements that are required to be reported in accordance with the Specifications for Audits of Counties, Cities, and Towns.

This report is intended solely for the information and use of the Board of Supervisors, management, and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 18, 2011

COUNTY OF CHESTERFIELD, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

(1) Summary of Auditors' Results

- (a) The type of report issued on the financial statements: **unqualified**
- (b) Significant deficiencies in internal control disclosed by the audit of the financial statements: **none reported**
- (c) Material weakness in internal control disclosed by the audit of the financial statements: **none reported**
- (d) Noncompliance which is material to the financial statements: **none reported**
- (e) Significant deficiencies in internal control over major programs: **yes, findings 11-01 and 11-02**
- (f) Material weakness in internal control over major programs: **none reported**
- (g) The type of report issued on compliance for major programs: **unqualified**
- (h) Any audit findings which are required to be reported under section 510(a) of OMB Circular A-133: **yes, findings 11-01 and 11-02**
- (i) Major programs:
 - **State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (CFDA Number 10.561)**
 - **Title I Cluster (CFDA Numbers 84.010 and 84.389)**
 - **Special Education Cluster (CFDA Numbers 84.027, 84.173, 84.391 and 84.392)**
 - **ARRA State Fiscal Stabilization Fund - Education State Grants (CFDA Number 84.394)**
 - **Education Jobs Fund (CFDA Number 84.410)**
 - **Highway Planning and Construction (CFDA Number 20.205)**
 - **Child Nutrition Cluster (CFDA Numbers 10.553 and 10.555)**
- (j) Dollar threshold used to distinguish between Type A and Type B programs: **\$2,055,497**
- (k) Auditee qualified as low-risk auditee under section 530 of OMB Circular A-133: **no**

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None

(3) Findings and Questioned Costs Relating to Federal Awards

11-01 Reporting

Program – Child Nutrition Cluster (CFDA Numbers 10.553 and 10.555 – U.S. Department of Agriculture – Commonwealth of Virginia Departments of Agriculture, Education and Juvenile Justice)

COUNTY OF CHESTERFIELD, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Condition – The County prepares and submits the Financial Report SNP020 (SNP020) on a monthly basis to the Commonwealth of Virginia (the Commonwealth). Purchased food values and purchased materials and supplies values are reported on the SNP020. The County incorrectly reported these amounts for the months of July 2010 through April 2011. Beginning in May 2011, the SNP020 reports were correctly prepared as the County corrected their inputs for the report as a result of our audit finding.

Criteria – Reports are required by the Commonwealth to be prepared accurately.

Cause – The spreadsheet utilized by the County to summarize these amounts contained inaccurate inputs and formulas.

Effect – Non-compliance with the Commonwealth's requirements may result in reduced funding for these programs.

Questioned Cost – None – amounts incorrectly reported did not impact the amounts requested by the County and funded from the Commonwealth.

Recommendation – The County should revise policies and procedures to ensure that reports are accurately prepared and submitted to the Commonwealth.

Views of Management:

- **Contact Person:** Warren Grigg, Director – Food and Nutrition Services
- **Corrective Action:** The State was contacted and edits to incorrect reports were permissible. Corrections were made to reports for July 2010 through April 2011 and reports for May 2011 and June 2011 were submitted correctly as they came due. The spreadsheet that is used for reporting purposes has been modified to prevent this error in the future.
- **Anticipated Completion Date:** As of May 1, 2011 all errors were corrected and re-submitted to the State.

11-02 Procurement, Suspension and Debarment

Program – Child Nutrition Cluster (CFDA Numbers 10.553 and 10.555 – U.S. Department of Agriculture – Commonwealth of Virginia Departments of Agriculture, Education and Juvenile Justice)

Condition – The County's request for proposal for school food services included a requirement that the selected vendor have a stocking warehouse within the Commonwealth.

Criteria – Per 7 CFR section 3016.60(c), "a State or local government shall not apply in-State or local geographical preference, whether statutorily or administratively prescribed."

Cause – The County was not aware of the prohibition of geographical preference when awarding contracts for the school food services.

Effect – Non-compliance with the Code of Federal Regulations may result in reduced funding for these programs.

COUNTY OF CHESTERFIELD, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Questioned Cost – None.

Recommendation – The County should revise policies and procedures to ensure that vendors are procured in accordance with the grantors' regulations.

Views of Management

- **Contact Person:** Warren Grigg, Director – Food and Nutrition Services
- **Corrective Action:** Make no references regarding geographical preferences during procurement processes for school food services.
- **Anticipated Completion Date:** The correction was made immediately once it was brought to our attention.

OUR STRATEGIC GOALS

To be exemplary stewards of the public trust and a model for excellence in government

To provide world-class customer service

To be known for extraordinary quality of life

To be the safest and most secure community

To be the employer of choice

To be the **FIRST CHOICE** business community

To be responsible protectors of the environment



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

ACCOUNTING DEPARTMENT EMPLOYEES

06/30/2011

June Albrecht	Linda Covington	Carol Kelley	Kristie Szafranski
Donna Arrington	Michael Dance	Lorraine Kosobucki	Kathy Taylor
Steve Arritt	Dana Davis	Diane Lanier	Lindsey Thornton
Debbie Baicy	Marsha Edgerton	Dawana Lowry	Donna Tucker
Ronda Bailey	Courtney Farrell	Nicole Nicolosi	Catie Wilson
Karen Brittain	Elizabeth Fritts	Kevin Payne	Consuela Wilson
Kristi Brittle	Christine Garner	Bridget Pillow	Jackie Winston
Mattie Brown	April Green	Pam Schley	Nora Wooten
Patsy Brown	Mandy Haasch	Diane Shiflett	
Virginia Brown	Wanda Jenkins	Drecilla Smith	
Kimberly Collette	Kathy Jones	Kristie Smith	

Cover: *The recreated 1611 Citie of Henricus, an outdoor living history museum with 12 recreated colonial structures, demonstrates history through “hands-on” encounters with period dressed historical interpreters. For additional information on the 400th anniversary of Citie of Henricus please visit www.Henricus.org.*

Please visit us at: www.chesterfield.gov