

# The Comprehensive Annual Financial Report

*Chesterfield County, Virginia  
for the year ended June 30, 2013*



# COUNTY OF CHESTERFIELD, VIRGINIA



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2013

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

# Chesterfield County, Virginia

## **MISSION**

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

## **VISION**

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

## **GUIDING PRINCIPLES AND VALUES**

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

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

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

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

## INTRODUCTORY SECTION (unaudited)

	<u>Page</u>
Letter of Transmittal .....	1
Certificate of Achievement.....	8
Organization Chart .....	9
Directory of Officials .....	11

## FINANCIAL SECTION

Independent Auditors' Report.....	15
Management's Discussion and Analysis (unaudited).....	19

### Basic Financial Statements

#### Exhibit

#### **Government-wide Financial Statements**

I	Statement of Net Position .....	32
II	Statement of Activities .....	33

#### **Fund Financial Statements**

##### **Governmental Funds' Financial Statements**

III	Balance Sheet with Reconciliation to Government-wide Statement of Net Position .....	34
IV	Statement of Revenues, Expenditures and Changes in Fund Balances with Reconciliation to Government-wide Statement of Activities .....	35
V	Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund .....	37

##### **Proprietary Funds' Financial Statements**

VI	Statement of Net Position .....	39
VII	Statement of Revenues, Expenses and Changes in Fund Net Position .....	41
VIII	Statement of Cash Flows.....	42

##### **Fiduciary Funds' Financial Statements**

IX	Statement of Fiduciary Net Position .....	44
X	Statement of Changes in Fiduciary Net Position .....	45

##### **Discretely Presented Component Units' Financial Statements**

XI	Statement of Net Position .....	46
XII	Statement of Activities .....	47

# County of Chesterfield, Virginia

## Comprehensive Annual Financial Report

### Table of Contents

	<u>Page</u>
<b>Notes to Financial Statements</b>	
1. Summary of Significant Accounting Policies .....	48
2. Stewardship, Compliance, and Accountability .....	55
3. Significant Transactions of the County and Component Units .....	60
4. Deposits and Investments .....	61
5. Receivables .....	68
6. Payables .....	70
7. Reporting Entity - Internal Transactions.....	71
8. Capital and Intangible Assets .....	73
9. Long-term Obligations .....	77
10. Commitments and Contingent Liabilities.....	88
11. Risk Management - Claims Liability .....	88
12. Retirement Plans .....	90
13. Other Postemployment Benefit Plans .....	97
14. Joint Ventures.....	102
15. Jointly Governed Organizations .....	105

#### Required Supplementary Information

##### Primary Government

Schedule of Funding Progress - Virginia Retirement System.....	108
Schedule of Funding Progress - Supplemental Retirement Plan .....	108
Schedule of Employer Contributions - Supplemental Retirement Plan .....	108
Schedule of Funding Progress - Other Postemployment Benefits Plan - Retiree Healthcare .....	108
Schedule of Funding Progress - Other Postemployment Benefits Plan - Line of Duty .....	108

##### Component Unit - School Board

Schedule of Funding Progress - Virginia Retirement System.....	109
Schedule of Funding Progress - Supplemental Retirement Program.....	109
Schedule of Employer Contributions - Supplemental Retirement Program.....	109
Schedule of Funding Progress - Other Postemployment Benefits Plan - Retiree Healthcare .....	109

#### Supplementary Information

##### Primary Government Combining Statements and Schedules

##### Schedule

A-1	Combining Balance Sheet - Non-major Governmental Funds .....	114
A-2	Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-major Governmental Funds .....	115
A-3	Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund .....	116
A-4	Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Comprehensive Services Fund.....	121
A-5	Combining Statement of Net Position - Non-major Enterprise Funds.....	124
A-6	Combining Statement of Revenues, Expenses and Changes in Net Position - Non-major Enterprise Funds.....	125
A-7	Combining Statement of Cash Flows - Non-major Enterprise Funds .....	126
A-8	Combining Statement of Net Position - Internal Service Funds .....	128
A-9	Combining Statement of Revenues, Expenses and Changes in Net Position - Internal Service Funds.....	129
A-10	Combining Statement of Cash Flows - Internal Service Funds.....	130
A-11	Combining Balance Sheet - Agency Funds .....	132
A-12	Combining Statement of Changes in Assets and Liabilities - Agency Funds .....	133
A-13	Combining Statement of Net Position - Non-major Discretely Presented Component Units .....	136
A-14	Combining Statement of Activities - Non-major Discretely Presented Component Units .....	137

# County of Chesterfield, Virginia

## Comprehensive Annual Financial Report

### Table of Contents

	<u>Page</u>
<b>Capital Assets Used in the Operation of Governmental Funds</b>	
B-1	Schedule of Capital Assets by Function and Activity ..... 140
B-2	Schedule of Changes in Capital Assets by Function and Activity ..... 142
B-3	Schedule of Capital Assets by Source ..... 144
<b>School Board Component Unit Fund Statements and Schedules</b>	
C-1	Balance Sheet with Reconciliation to Government-wide Statement of Net Position - Governmental Fund..... 146
C-2	Statement of Revenues, Expenditures and Changes in Fund Balance with Reconciliation to Government-wide Statement of Activities - Governmental Fund ..... 147
C-3	Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - School Operating Fund ..... 148
C-4	Statement of Fiduciary Net Position..... 150
C-5	Statement of Changes in Fiduciary Net Position ..... 151
<b>Single Audit Schedule and Notes</b>	
D-1	Schedule of Expenditures of Federal Awards ..... 154
D-2	Notes to Schedule of Expenditures of Federal Awards ..... 157
 <b><u>STATISTICAL SECTION (UNAUDITED)</u></b> 	
I	Net Position by Component - Last Ten Fiscal Years ..... 161
II	Changes in Net Position - Last Ten Fiscal Years..... 162
III	Fund Balances, Governmental Funds - Last Ten Fiscal Years..... 164
IV	Changes in Fund Balances, Governmental Funds - Last Ten Fiscal Years ..... 165
V	General Governmental Tax Revenue by Source - Last Ten Fiscal Years ..... 166
VI	Assessed and Estimated Market Values of Taxable Property - Last Ten Fiscal Years ..... 167
VII	Property Tax Rates - Last Ten Fiscal Years ..... 168
VIII	Principal Property Taxpayers - Current Year and Nine Years Ago ..... 169
IX	Property Tax Levies and Collections - Last Ten Fiscal Years..... 170
X	Ratios of Outstanding Debt by Type - Last Ten Fiscal Years ..... 171
XI	Ratios of General Obligation Bonded Debt Outstanding - Last Ten Fiscal Years ..... 172
XII	Pledged Revenue Coverage - Last Ten Fiscal Years ..... 173
XIII	Demographic Statistics - Last Ten Years ..... 174
XIV	Principal Private Employers - Current Year and Nine Years Ago ..... 175
XV	Full-time County Employees by Function - Last Ten Fiscal Years..... 176
XVI	Operating Indicators by Function - Last Ten Fiscal Years ..... 177
XVII	Capital Asset Statistics by Function - Last Ten Fiscal Years ..... 178
 <b><u>COMPLIANCE SECTION</u></b> 	
	Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i> ..... 180
	Independent Auditors' Report on Compliance for Each Major Program and Report on Internal Control Over Compliance as Required by OMB Circular A-133, <i>Audits of States, Local Governments, and Non-Profit Organizations</i> ..... 182
	Schedule of Findings and Questioned Costs
	Part 1 - Summary of Auditors' Results..... 185
	Part 2 - Financial Statement Findings Section ..... 185
	Part 3 - Federal Award Findings and Questioned Costs Section ..... 185



## INTRODUCTORY SECTION





## Chesterfield County, Virginia

James J. L. Stegmaier, County Administrator

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### BOARD OF SUPERVISORS

**DOROTHY JAECKLE, CHAIRMAN**

Bermuda District

**STEPHEN A. ELSWICK, VICE CHAIRMAN**

Matoaca District

**ARTHUR S. WARREN**

Clover Hill District

**JAMES M. "Jim" HOLLAND**

Dale District

**DANIEL A. GECKER**

Midlothian District

November 25, 2013

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, 2013. 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 County's Accounting Department has prepared this report in accordance with the standards of financial reporting as prescribed by the Governmental Accounting Standards Board and the APA.

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

KPMG LLP, a firm of licensed certified public accountants, audited the County's financial statements as of and for the fiscal year ended June 30, 2013. The independent auditors planned and performed the audit to obtain reasonable assurance about whether the financial statements of the County as of and for the fiscal year ended June 30, 2013, are free of material misstatement. The independent audit involved 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, and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for forming and expressing unmodified opinions that the County's financial statements as of and for the fiscal year ended June 30, 2013, are fairly presented, in all material respects, in conformity with GAAP. The independent auditors' report on the financial statements is presented as the first component of the financial section of this report.

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

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

### **Profile of the Government**

The County is located in 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 323,000. A large portion of the land in the County, especially in the southwestern area, remains rural. The County is empowered to levy a property tax on both real and personal properties located within its boundaries.

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

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

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, Watkins Centre Community Development Authority, Chippenham Place Community Development Authority and Health Center Commission) and one blended component unit (Economic Development Authority) are included in the reporting entity because of the County's financial accountability for these organizations. The discretely presented component units are reported separately within the County's basic financial statements while the blended component unit is included as though it were a fund of the County. Additional information concerning these legally separate organizations can be found in Note 1 to the financial statements.

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

## Factors Affecting Economic Condition

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

### Local economy

Economic activity in the County is closely associated with that of the Richmond metropolitan area. Historically, the County has attracted a highly skilled labor force to quality jobs created in the region, which positions the County to prosper during healthy economic times and to weather downturns in the economy favorably when compared to other localities within the Richmond metropolitan area. The County's annual unemployment rate of 5.7% in calendar year 2012 was an improvement over the previous year's annual rate of 6.3%. The County fared better than the 2012 unemployment rates of the Richmond/Petersburg metropolitan statistical area (Richmond/Petersburg MSA) of 6.4% and to the Commonwealth of Virginia (Commonwealth) rate of 5.9%. The County's unemployment rate of 5.4% for August 2013 compared favorably to the MSA's rate of 6.0% and the Commonwealth's rate of 5.6%. Improvements in unemployment are expected to be gradual as the economy continues to rebuild job growth lost during the recession.

### Labor Market Characteristics

Calendar Year	Civilian Labor Force	Total Employment	Percentage Unemployed			
			Chesterfield County	Richmond/Petersburg MSA	Commonwealth of Virginia	United States
2003	151,694	146,367	3.5%	4.2%	4.1%	6.0%
2004	156,178	151,071	3.3	3.9	3.7	5.5
2005	159,633	154,634	3.1	3.7	3.5	5.1
2006	164,385	159,854	2.8	3.2	3.0	4.6
2007	166,183	161,825	2.6	3.1	3.1	4.6
2008	169,320	163,080	3.7	4.2	4.0	5.8
2009	169,835	158,366	6.8	7.7	6.9	9.3
2010	170,142	158,147	7.0	7.8	7.1	9.6
2011	173,646	162,681	6.3	7.1	6.4	8.9
2012	175,379	165,429	5.7	6.4	5.9	8.1

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

The County recognizes the importance of expanding its business and industrial tax base to ease the burden on residential property owners and is committed to promoting economic development. During fiscal year 2013, the County's Department of Economic Development assisted numerous Chesterfield companies in expanding their existing businesses and helped attract significant new business to the area. Business announcements included investments of approximately \$203.3 million and the creation of approximately 354 new jobs. Economic development successes in recent years reflect the County's continued ability to attract a broad range of services and industry to the area and encompass projects in the manufacturing, product distribution, technology and sports tourism sectors.

Sabra Dipping Company (Sabra), the country's leading hummus manufacturer, announced in April 2013 that it will invest \$86.0 million to further expand its existing manufacturing capacity in Chesterfield County. The expansion is expected to create about 140 new jobs over the next few years. In May 2013, Sabra opened a Center of Excellence research and development facility to establish best practices on all aspects of culinary food science, production, engineering, packaging, supply chain and product delivery, which will further increase production capabilities.

Maruchan Virginia, Inc., the Japanese-owned ramen noodle manufacturer, expanded its production line at its food processing plant in the County by investing \$30.0 million and adding at least 50 new jobs during FY2013.

Historically, trends in taxable retail sales in the County have compared favorably to the Richmond/Petersburg MSA and the Commonwealth. Retail sales appear to be rebounding from the recession as all three statistical areas show a positive year-over-year change in taxable retail sales for calendar year 2012. The average annual rate of change in the County over the period 2003-2012 was 2.3% compared to 2.4% for the Richmond/Petersburg MSA and 2.2% for the Commonwealth.

<b>Taxable Retail Sales<sup>(1)</sup></b> <b>(\$ in 000's)</b>						
<b>Calendar Year</b>	<b>Chesterfield County</b>	<b>% Change</b>	<b>Richmond/ Petersburg MSA</b>	<b>% Change</b>	<b>Commonwealth of Virginia</b>	<b>% Change</b>
2003	\$ 2,946,806	8.6 %	\$ 12,070,640	6.0 %	\$ 74,973,562	6.1 %
2004	3,083,206	4.6	13,146,796	8.9	81,291,117	8.3
2006	3,419,399	5.5	14,516,521	5.2	89,478,625	5.0
2007	3,593,576	5.1	15,198,975	4.7	92,043,249	2.9
2008	3,563,713	(0.8)	14,932,705	(1.8)	90,106,122	(2.1)
2009	3,345,048	(6.1)	14,150,214	(5.2)	85,869,132	(4.7)
2010	3,363,333	0.5	13,967,670	(1.3)	86,420,964	0.6
2011	3,502,240	4.1	14,472,427	3.6	89,070,341	3.1
2012	3,712,873	6.0	15,234,457	5.3	93,335,660	4.8

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

<sup>(1)</sup> 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 5.8% of the County's total assessed value tax base. This indicator compares favorably to 6.9% in fiscal year 2004. As of January 2013, the top ten employers accounted for 8.0% of total County employment. This indicator compares favorably to 8.9% in January 2004. 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 169 and 175, respectively.

### Long-term financial planning

For fiscal years 2013-2014, the County prepared and approved a biennial financial plan which balanced revenues and expenditures within available resources and forecasts projections for the three years succeeding each biennium. These multi-year projections permit policy makers and staff to plan ahead for future needs and to manage growth of services. Additionally, the multi-year budgeting process allows the County to systematically plan for multi-year acquisitions and program financing, thereby allowing for maximized cash flow and investment. Development of this plan was guided by the strategic plan and provides a means to link both individual and departmental performance to the County's overall mission, vision and goals. The fiscal year 2014 financial plan was carefully developed within the existing tax structure and with a renewed focus on its core mission, destination-level quality of life, and the leanest, full-service cost structure possible.

Real property tax revenues continue to be the County's main funding source, representing 40% of the General Fund budget in fiscal year 2014. Total real property revenues for fiscal year 2014 are budgeted at \$297.1 million, an increase of \$5.9 million (2.0%) from the fiscal year 2013 adopted budget, which reflects projected home values remaining static and small increases in commercial values and new construction for the tax year. It appears that taxable assessed values have found the bottom and are projected to slowly work their way back towards their long-term averages over the next several budgets. Personal property taxes are another major source of local revenue for the County and are budgeted at \$54.2 million, reflecting a decrease of \$0.5 million (0.9%) from the fiscal year 2013 original budget. An expected decrease in personal property tax collections reflects the impact of relatively high gasoline prices and a cautious consumer base on assessed values of cars and trucks. Reflecting stronger growth in payrolls and solid consumer spending, the

County budgeted state revenues at \$133.5 million which reflects a \$3.9 million (3.0%) increase from the fiscal year 2013 original budget.

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

The CIP for fiscal years 2014-2018 (FY2014-2018 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 schools, public safety, library, parks and recreation and road improvement projects. The remaining series of bonds on the referendum can be sold up until November 2014. The FY2014-2018 CIP includes projects financed with general obligation bonds approved through the 2004 referendum. The FY2014-2018 CIP totals \$751.1 million and is comprised of County improvements of \$210.3 million, School Board improvements of \$261.4 million and Utilities Department improvements of \$279.4 million.

The FY2014-2018 CIP represents a fiscally responsible approach in its level of reliance on long-term financing for general County improvement projects. Further, in keeping with the Board's financial policy regarding funding a portion of capital improvements with current revenues, the FY2014-2018 CIP exceeds the targeted current revenue funding levels for both County and School Board projects. The County has a goal of funding at least 20% of the general County projects and at least 10% of the School Board projects with current revenues. The FY2014-2018 CIP proposes current revenue funding levels (including cash proffers) of 38% for County projects and 16% for School projects over the five-year planning period.

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

The County's fiscally responsible financial policies, solid financial results and sound management were reaffirmed in fiscal year 2013. Both Standard and Poor's and Fitch Ratings affirmed the County's Water and Sewer Revenue Bonds as "AAA". Utilities' strong financial profile, low debt burden, manageable capital plan, leadership and affordable rates were cited as the basis for these rating affirmations. Utilities is one of only a handful of water and wastewater utilities in the nation to have achieved AAA ratings on its revenue bonds from each of the three top rating services.

### **Major initiatives**

The County has prepared a biennial financial plan since the development of the fiscal years 2007-2008 biennial financial plan. Beginning with the fiscal year 2015 budget, the County will begin developing an annual financial plan. Management believes the tools and processes used by the County to develop an annual budget will continue the focus on the Board's long-term goals of planning ahead for future needs and managing the growth and cost of services provided to citizens. In partnership with this change, the County adopted the "Blueprint Chesterfield" initiative. Blueprint Chesterfield provides County leaders with a framework to enhance our ability to focus on results, evaluate efforts, create priorities and allocate resources accordingly. The Blueprint Chesterfield system focuses on four complementary processes. The County's strategic plan sets direction and provides guidance for a period of four years. Division priorities identify areas where resources will be directed over a two year period. Department priorities identify areas where resources will be directed over the next two years with an annual validation. Program budgets, developed annually, will determine how available resources will be allocated.

The City of Richmond, in partnership with the County and the Local Initiatives Support Corporation, received a Community Challenge Planning Grant from the U. S. Department of Housing and Urban Development, as well as a 2010 TIGER II Planning Grant from the U. S. Department of Transportation. The grants will be used to prepare a corridor revitalization plan for a 4.7 mile stretch of Hull Street Road/Route 360, extending from Hicks Road in the County to the railroad line just west of Southside Plaza in the City of Richmond. The Hull Street Corridor Revitalization Plan provides a comprehensive strategy for creating sound, economically sustainable quality of life enhancements.

County leadership continued its focus on expanding the County's sports tourism profile with the completion of synthetic fields and other improvements at Stratton Park this past spring. During the FY2012 - FY2013 period, the economic impact of sports tourism in the County is estimated at \$21.8 million. Sports tourism venues in the County attracted approximately 67,000 out-of-town visitors during the same period. The increase in the impact of sports tourism locally is estimated at 7.0% over the prior period. These positive trends are expected to continue as several major sports tourism venues are located in the County. These venues include the Collegiate School Aquatics Center, River City Sportsplex, Clover Hill Sports Complex, Ironbridge Park, Stratton Park and Pocahontas State Park, each of which hosted major events in the past year.

The County continued making progress in its major redevelopment and revitalization initiative along the eastern Midlothian Turnpike corridor. The old Cloverleaf Mall site was demolished making way for the planned mixed-use, retail, office and multifamily residential Stonebridge development. The 123,000 square foot Kroger Marketplace megastore opened in December 2012. Since then, significant progress has been made in signing other tenants in the development, some of which are already open for business. The development of 600 apartments at the site has also been started. The apartment complex will serve both seniors and young professionals with specific amenities geared toward each group of residents. The location of the apartments is expected to be attractive because of access to shopping and transportation.

In the November 5, 2013 election, the County asked voters to approve bond referendum projects. Voters approved the \$304.0 million general obligation bond referendum to support school facility improvements, headlined by the renovation or replacement of ten older schools and the addition of one new elementary school. Voters approved the \$49.0 million general obligation bond referendum to provide for the replacement of the County's emergency communication system. The County's emergency communications system serves as the central method of communications for public safety first responders. The primary infrastructure of this public safety system was purchased in 1997 and will reach the end of its service life in 2017. In addition to the bond referendum projects, voters were also asked whether the County should establish a local meals tax in order to help finance the school construction and public safety improvements in the referendum. The meals tax was not approved by the voters.

### **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting (Certificate of Achievement) to Chesterfield County for its CAFR for the fiscal year ended June 30, 2012. This was the thirty-second consecutive year that the County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for one year. We believe our current CAFR continues to meet the GFOA's Certificate of Achievement requirements and are submitting it to the GFOA to determine its eligibility for another certificate.

The Budget and Management Department received the Distinguished Budget Presentation from the GFOA for its biennial budget for the fiscal years beginning July 1, 2012, and ending June 30, 2014. To achieve this award, a government must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications device. This is the highest form of recognition for excellence in local government budgeting.

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

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

Respectfully submitted,

A handwritten signature in cursive script that reads "James J. L. Stegmaier".

James J. L. Stegmaier  
County Administrator

A handwritten signature in cursive script that reads "Patsy J. Brown".

Patsy J. Brown, CPA  
Director of Accounting



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

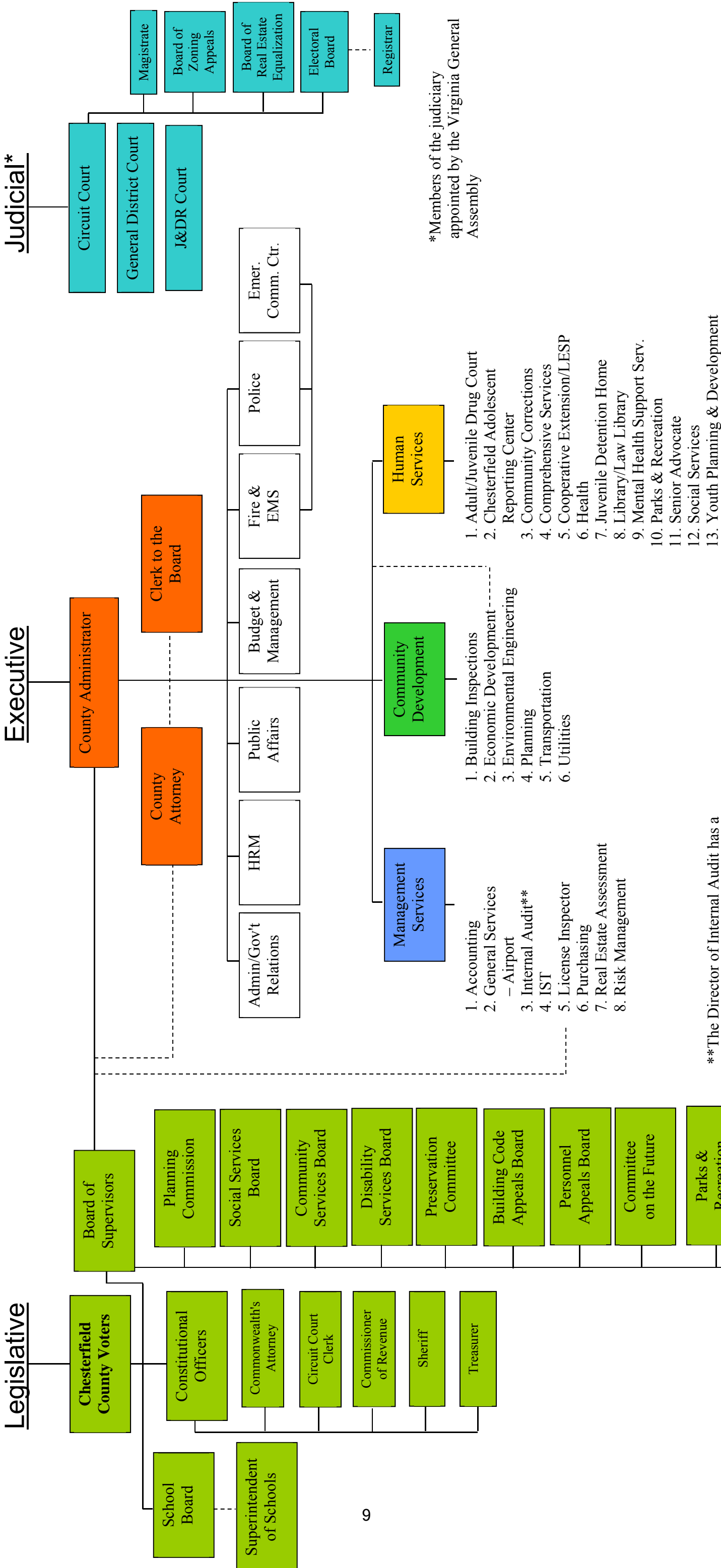
**County of Chesterfield  
Virginia**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2012**

Executive Director/CEO

CHESTERFIELD COUNTY ORGANIZATIONAL STRUCTURE





**County of Chesterfield, Virginia**  
**Directory of Officials**  
**June 30, 2013**

**Primary Government Officials**

**BOARD OF SUPERVISORS**

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

**CONSTITUTIONAL OFFICERS**

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

**ADMINISTRATIVE OFFICERS**

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

**School Board Component Unit Officials**

**SCHOOL BOARD**

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

**ADMINISTRATIVE OFFICERS**

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



## FINANCIAL SECTION





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

## **Independent Auditors' Report**

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Chesterfield, Virginia (the County) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Economic Development Authority of the County of Chesterfield (the Authority), a blended component unit of the County included within the non-major enterprise fund in the business-type activities of the County, which statements reflect total assets constituting 2% and 14% of total assets and total net position/fund balance constituting 2% and 14% of total net position/fund balance of the County's business-type activities and aggregate remaining fund information, respectively, as of June 30, 2013, and total revenues constituting 1% and 2% of total revenues and total expenses constituting 8% and 9% of total expenses of the County's business-type activities and aggregate remaining fund information, respectively, for the year then ended. We also did not audit the Chippenham Place Community Development Authority (Chippenham Place CDA) and the Health Center Commission for the County of Chesterfield (the Health Center Commission), discretely presented component units of the County, which statements reflect total assets constituting 0.2% and 36%, respectively, of total assets and total net (deficit) position constituting (28)% and 3%, respectively, of total net position of the County's aggregate discretely presented component units as of June 30, 2013, and total revenues constituting 0% and 4%, respectively, of total revenues and total expenses constituting 0.1% and 4%, respectively, of the County's aggregate discretely presented component units for the year then ended. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Authority, Chippenham Place CDA, and the Health Center Commission are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the



Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* (Specifications), issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and Specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, 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 of Chesterfield, Virginia as of June 30, 2013, and the respective changes in financial position, and where applicable, cash flows thereof and the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund for the year then ended in accordance with U.S. generally accepted accounting principles.

### ***Other Matters***

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

U.S. generally accepted accounting principles require that Management's Discussion and Analysis on pages 19 through 30, and the Schedules of Funding Progress and Schedules of Employer Contributions on pages 108 and 109, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Primary Government Combining Statements and Schedules, Capital Assets Used in the Operation of Governmental Funds, School Board Component Unit Fund Statements and Schedules, and the Schedule of Expenditures of Federal Awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, listed in the Financial Section as Supplementary Information in the table of contents, and the Introductory Section and the Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Primary Government Combining Statements and Schedules, Capital Assets Used in the Operation of Governmental Funds, School Board Component Unit Fund Statements and Schedules, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Primary Government Combining Statements and Schedules, Capital Assets Used in the Operation of Governmental Funds, School Board Component Unit Fund Statements and Schedules, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Introductory Section and Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2013 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

**KPMG LLP**

November 25, 2013



## **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, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal at the front of this report and the County's financial statements, which follow this analysis.

### **FINANCIAL HIGHLIGHTS**

- ◆ The County's total net position increased approximately \$29.2 million (1.6%). Net position of the governmental-type activities increased \$15.6 million (1.8%) and net position of the business-type activities increased \$13.6 million (1.4%).
- ◆ The County's unrestricted net position increased approximately \$15.4 million (4.6%). Unrestricted net position of the governmental-type activities decreased \$1.6 million (0.8%) and unrestricted net position of the business-type activities increased \$17.0 million (11.9%).
- ◆ The County's program and general revenues (including taxes) of \$718.9 million for governmental-type activities (excluding transfers) exceeded expenses of \$701.1 million by \$17.8 million.
- ◆ In the County's business-type activities, revenues increased 11.0% to \$102.8 million while expenses decreased 5.8% to \$91.4 million (excluding transfers and special item).
- ◆ The total cost of the primary government's programs increased approximately \$20.5 million (2.7%) to \$792.5 million.
- ◆ The General Fund reported an ending fund balance amount of \$254.2 million, a decrease of \$3.8 million (1.5%) in comparison with the prior year. Of the ending fund balance amount, \$53.5 million was unassigned.
- ◆ The County's outstanding debt decreased by \$29.9 million (4.7%). The County issued \$18.3 million in Virginia Public School Authority debt during the current fiscal year.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

The notes to the financial statements provide additional details for understanding the information presented in the CAFR. The notes are followed by a section of required supplementary information that further explains and supports the pension and OPEB plan information reported in the financial statements. The CAFR also includes a supplementary section containing combining schedules for the non-major governmental funds, enterprise funds, internal service funds and agency funds; capital assets schedules; School Board component unit fund statements and schedules; and the schedule of expenditures of federal awards and the notes thereto.

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

### **Government-wide Financial Statements**

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

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

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

- ◆ Governmental activities - Most of the County's basic services, such as police, fire, social services, parks and recreation, and general administration, are included in governmental activities. Property taxes and state and federal funding finance the majority of these activities' expenses.
- ◆ Business-type activities - Activities that are intended to recover all or a significant portion of their costs through user fee charges to external parties for goods or services are included in the business-type activities.
- ◆ Component units - The County includes four other entities in its report as discretely presented component units: Chesterfield County Public School System (School Board), Watkins Centre Community Development Authority (Watkins Centre CDA), Chippenham Place Community Development Authority and Health Center Commission for the County of Chesterfield (HCC). Although legally separate, each of these entities, with the exception of the HCC, are discretely presented component units because the County demonstrates financial accountability for them by providing operating, capital or tax increment financing. The HCC is presented as a component unit because, according to the Code of Virginia (State Code), the County Board of Supervisors (County Board) may remove appointed members of the HCC at will. The School Board is the only discretely presented component unit included in this management's discussion and analysis because it does not issue separately audited financial statements. As a result of the County's implementation of GASB Statement No. 61 in the current year, the Economic Development Authority of the County of Chesterfield (EDA) is a blended component unit reported in the business-type activities because the County uses its general revenues to repay the EDA's debt. This presentation is a change from the prior year when the EDA was discretely presented and, as such, certain reclassifications have been made to the presentation of prior year amounts to enhance comparability.

### **Fund Financial Statements**

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

The County has three kinds of funds:

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

financial statements, provide both long-term and short-term financial information and they also provide additional details and information, such as the Statement of Cash Flows. The County's enterprise funds are reported in the business-type activities of the government-wide financial statements because these funds generally provide services to customers external to the County. The internal service funds are reported in the governmental activities of the government-wide financial statements because those funds provide supplies and services internally to the County's other programs and activities.

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

### FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

**Net position.** The County's assets exceeded liabilities by \$1.8 billion at the close of the most recent fiscal year. This represents a 1.6% increase over the prior year.

**TABLE 1**  
**Chesterfield County's Net Position**  
**June 30, 2013 and 2012**  
**(in millions of dollars)**

	<b>Governmental Activities</b>		<b>Business-type Activities<sup>(1)</sup></b>		<b>Total Primary Government</b>		<b>School Board Component Unit</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Assets</b>								
Current and other assets	\$ 648.4	\$ 686.5	\$ 208.3	\$ 191.9	\$ 856.7	\$ 878.4	\$ 101.2	\$ 127.3
Capital assets	<u>1,014.0</u>	<u>996.0</u>	<u>866.1</u>	<u>869.0</u>	<u>1,880.1</u>	<u>1,865.0</u>	<u>13.2</u>	<u>10.1</u>
<b>Total assets</b>	<u>1,662.4</u>	<u>1,682.5</u>	<u>1,074.4</u>	<u>1,060.9</u>	<u>2,736.8</u>	<u>2,743.4</u>	<u>114.4</u>	<u>137.4</u>
<b>Liabilities</b>								
Long-term liabilities	563.8	586.9	93.7	96.3	657.5	683.2	35.2	30.9
Other liabilities	<u>232.7</u>	<u>245.3</u>	<u>18.9</u>	<u>16.4</u>	<u>251.6</u>	<u>261.7</u>	<u>36.6</u>	<u>39.6</u>
<b>Total liabilities</b>	<u>796.5</u>	<u>832.2</u>	<u>112.6</u>	<u>112.7</u>	<u>909.1</u>	<u>944.9</u>	<u>71.8</u>	<u>70.5</u>
<b>Net position</b>								
Net investment in capital assets	627.4	599.8	785.1	784.1	1,412.5	1,383.9	13.2	10.1
Restricted	51.1	61.5	16.6	21.0	67.7	82.5	5.6	5.1
Unrestricted	<u>187.4</u>	<u>189.0</u>	<u>160.1</u>	<u>143.1</u>	<u>347.5</u>	<u>332.1</u>	<u>23.8</u>	<u>51.7</u>
<b>Total net position</b>	<u>\$ 865.9</u>	<u>\$ 850.3</u>	<u>\$ 961.8</u>	<u>\$ 948.2</u>	<u>\$ 1,827.7</u>	<u>\$ 1,798.5</u>	<u>\$ 42.6</u>	<u>\$ 66.9</u>

<sup>(1)</sup> Reclasses were made to fiscal year 2012 for comparability to fiscal year 2013

At the end of both the current and prior fiscal years, the County reported positive balances in all three categories of net position, both for the primary government as a whole, as well as for its separate governmental and business-type activities. The largest portion (77.3%) of the County's net position at June 30, 2013, is its investment in capital assets (e.g., land, buildings, machinery, equipment, infrastructure and intangible assets), less accumulated depreciation and any debt used to acquire those assets that remains outstanding at year-end. The County uses these capital assets to provide services to residents; consequently, these assets are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources required to repay the debt must be provided from other sources because capital assets are not generally liquidated for the purpose of retiring debt. An additional portion of the County's net position (3.7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance is referred to as unrestricted net position (19.0%). Unrestricted net position is available to meet the County's ongoing obligations to residents and creditors.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

School Board component unit assets exceeded liabilities by \$42.6 million at the end of the current fiscal year. This represents a decrease of \$24.3 million (36.3%) compared to the prior year. Net investment in capital assets increased \$3.1 million because capital outlay for machinery and equipment was greater than depreciation expense during the year. At June 30, 2013, the School Board reported unrestricted net position of \$23.8 million, a decrease of \$27.9 million (54.0%) from the prior year. This change is due in part to a decrease of \$8.0 million in the net pension asset associated with the School Board's supplemental retirement plan; a decrease of \$10.9 million in funds set aside for future technology, new construction, maintenance and textbook expenses; and a \$4.3 million increase in unfunded workers' compensation liabilities. Note 12 of the notes to the financial statements provides additional information regarding the School Board's supplemental retirement plan.

**Changes in net position.** The County's total revenues (excluding transfers and special item) increased over the prior year by \$24.2 million (3.0%) to \$821.7 million. The total cost of all programs increased \$20.5 million (2.7%) to \$792.5 million.

**TABLE 2**  
**Changes in Chesterfield County's Net Position**  
**For the Years Ended June 30, 2013 and 2012**  
(in millions of dollars)

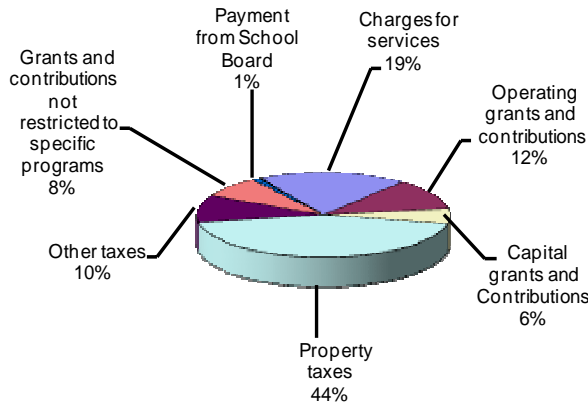
	<b>Governmental Activities<sup>(1)</sup></b>		<b>Business-type Activities<sup>(1)</sup></b>		<b>Total Primary Government</b>		<b>School Board Component Unit</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Revenues:</b>								
<b>Program revenues:</b>								
Charges for services	\$ 79.9	\$ 75.8	\$ 77.7	\$ 71.6	\$ 157.6	\$ 147.4	\$ 15.3	\$ 15.6
Operating grants and contributions	96.1	95.1	-	1.0	96.1	96.1	104.1	103.1
Capital grants and contributions	23.4	19.1	24.8	19.4	48.2	38.5	-	-
<b>General revenues:</b>								
Property taxes	359.2	354.7	-	-	359.2	354.7	-	-
Other taxes	85.0	82.6	-	-	85.0	82.6	-	-
Payment from School Board	8.0	10.2	-	-	8.0	10.2	-	-
Payment from County	-	-	-	-	-	-	253.3	238.6
Grants and contributions not restricted to specific programs	65.9	65.4	-	-	65.9	65.4	153.4	155.2
Other	1.4	2.0	0.3	0.6	1.7	2.6	2.0	3.5
<b>Total revenues</b>	<b>718.9</b>	<b>704.9</b>	<b>102.8</b>	<b>92.6</b>	<b>821.7</b>	<b>797.5</b>	<b>528.1</b>	<b>516.0</b>
<b>Expenses:</b>								
General government	61.6	63.8	-	-	61.6	63.8	-	-
Administration of justice	9.6	10.1	-	-	9.6	10.1	-	-
Public safety	176.8	164.3	-	-	176.8	164.3	-	-
Public works	41.8	38.7	-	-	41.8	38.7	-	-
Health and welfare	73.1	72.4	-	-	73.1	72.4	-	-
Parks, recreation and cultural	23.0	25.0	-	-	23.0	25.0	-	-
Education - School Board	277.1	262.6	-	-	277.1	262.6	552.4	520.7
Community development	18.8	18.3	-	-	18.8	18.3	-	-
Interest on long-term debt	19.3	19.8	-	-	19.3	19.8	-	-
Water	-	-	40.5	37.9	40.5	37.9	-	-
Wastewater	-	-	41.5	36.2	41.5	36.2	-	-
Non-major business activities	-	-	9.4	22.9	9.4	22.9	-	-
<b>Total expenses</b>	<b>701.1</b>	<b>675.0</b>	<b>91.4</b>	<b>97.0</b>	<b>792.5</b>	<b>772.0</b>	<b>552.4</b>	<b>520.7</b>
<b>Increase (decrease) in net position before special item and transfers</b>	<b>17.8</b>	<b>29.9</b>	<b>11.4</b>	<b>(4.4)</b>	<b>29.2</b>	<b>25.5</b>	<b>(24.3)</b>	<b>(4.7)</b>
Special item	-	-	-	12.6	-	12.6	-	-
Transfers	(2.2)	(1.3)	2.2	1.3	-	-	-	-
<b>Increase (decrease) in net position</b>	<b>15.6</b>	<b>28.6</b>	<b>13.6</b>	<b>9.5</b>	<b>29.2</b>	<b>38.1</b>	<b>(24.3)</b>	<b>(4.7)</b>
<b>Net position - beginning of year</b>	<b>850.3</b>	<b>821.7</b>	<b>948.2</b>	<b>938.7</b>	<b>1,798.5</b>	<b>1,760.4</b>	<b>66.9</b>	<b>71.6</b>
<b>Net position - end of year</b>	<b>\$ 865.9</b>	<b>\$ 850.3</b>	<b>\$ 961.8</b>	<b>\$ 948.2</b>	<b>\$ 1,827.7</b>	<b>\$ 1,798.5</b>	<b>\$ 42.6</b>	<b>\$ 66.9</b>

<sup>(1)</sup> Reclasses were made to fiscal year 2012 for comparability to fiscal year 2013

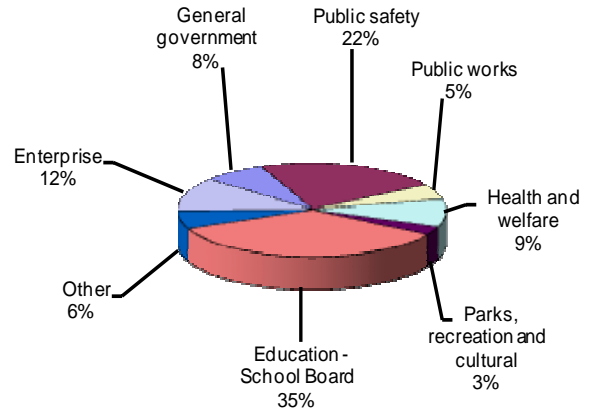
## MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

Approximately 44% of the County's revenues came from property taxes and approximately 10% came from other taxes. Another 26% of the total revenues came from grants and contributions. The remaining revenues are charges for services, payment from School Board, investment earnings and miscellaneous. The County's expenses cover a range of services with 66% related to public safety, health and welfare and education. Program revenues of the County's governmental activities covered 28% of its expenses.

**Figure A-1  
Chesterfield County  
Sources of Revenue for Fiscal Year 2013**



**Figure A-2  
Chesterfield County  
Expenses by Function for Fiscal Year 2013**



The School Board's total revenues increased compared to the prior year by \$12.1 million (2.3%) to \$528.1 million. The total expenses of all School programs and services increased over the prior year by 6.1% to \$552.4 million. Program revenues of School Board activities covered 22% of its expenses.

### Governmental Activities

Governmental activities increased the County's net position by \$15.6 million and accounted for 53.4% of the total growth in the total net position of the County. Revenues (excluding transfers) for governmental activities increased \$14.0 million (2.0%) and total expenses increased \$26.1 million (3.9%) when compared to the prior year. Key elements of these changes are as follows:

- ◆ Charges for services increased \$4.1 million (5.4%). Charges related to residential and commercial building construction increased approximately \$1.3 million due to increased residential and commercial construction activity driven by local economic development activity that generated several large commercial permit fees. Charges for services to the School Board increased approximately \$0.8 million due to providing additional school nurse services and internal audit functions. The remaining increase is primarily due to improved billing processes for emergency medical transports by Fire/EMS and to increased revenue from Mental Health Support Service's early intervention and infant programs.
- ◆ Capital grants and contributions increased \$4.3 million (22.5%) primarily due to receiving approximately \$2.6 million in additional funding from the Commonwealth of Virginia (Commonwealth) for road construction which included funding for widening a section of Route 288 to Watermill Parkway. In addition, the County received additional capital assets contributions of approximately \$1.8 million, which included donated easements and drainage infrastructure from property owners that allows the County access to conduct the installation and/or repair of infrastructure as needed.
- ◆ Property tax revenues increased \$4.5 million (1.3%) primarily due to a 1.2% increase in the assessed valuation of taxable property over the preceding year. The assessed valuation for real property increased 0.5% while the real estate tax rate was \$0.95 per \$100 of assessed value for both fiscal years. Residential property assessed valuations decreased slightly while commercial and industrial property assessed valuations increased 2.7%. Commercial and industrial property comprised 22.0% of the assessed value of taxable real property. Calendar year 2013 (CY2013) assessments were developed from data as recent as December 2012. State Code mandates that "annual assessments shall be made at 100% of fair market value." The County's median assessment to sales ratio for CY2013 was 97.9%.

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

### **(unaudited)**

Overall, expenses of governmental activities increased \$26.1 million (3.9%). This result reflects management's on-going commitment to contain the cost of providing services while continuing to advance several Board priorities which included providing additional funding for: education; the restoration of four police officer positions; an additional animal control officer; replacement fire apparatus and police cruisers; and the next phase of career development funding for the police, fire and sheriff programs. The County also funded a 1.0% merit-based increase for eligible employees. In addition to the merit-based increase, the County provided an increase to Virginia Retirement System (VRS) Plan 1 employees in lieu of paying their 5.0% required contribution to VRS as mandated by State Code. Actual pay increases for employees also included an amount to offset higher payroll taxes and the corresponding reduction in take-home pay for most Plan 1 employees caused by the change in State Code. Note 12 of the notes to the financial statements provides additional information regarding the benefit plans administered by the VRS.

Public safety expenses increased \$12.5 million (7.6%) primarily due to the increase in VRS expense. VRS requires localities to pay a rate that blends the higher law enforcement officers' (LEOS) contribution rate with the lower general government employee rate. As a part of its initiative to capture the true costs of its programs and considering the growing differential between LEOS and general employee VRS rates and benefits, County management elected to allocate VRS expenses to LEOS and general government employees based on actuarial rates determined before blending. In FY2013, the LEOS rate charged, including employees' contributions funded through salary increases, was 27.2%. In FY2012, the fully blended rate, including the employees' contributions, charged to public safety was 16.6%. This change, along with the merit increase and the revisions to offset the reduction in take-home pay discussed earlier, accounted for a significant portion of the increase in public safety expenses.

Public works expenses increased \$3.1 million (8.0%) due to several major road projects funded by the County as the Board continued to demonstrate its commitment to improve road infrastructure. Two major road improvements, either underway or completed in the current fiscal year, include the Route 10 widening project and the widening of Route 288 to Watermill Parkway project.

Education expenses increased \$14.5 million (5.5%). FY2011 pay decreases of 3% for upper management and 2% for all other employees were restored in the current year. In addition, the General Assembly increased VRS contribution rates nearly 5% for both the agent plan and the cost-sharing teachers' pool. Note 12 of the notes to the financial statements provides additional information regarding the benefit plans administered by the VRS.

### **Business-type Activities**

Business-type activities increased the County's total net position by \$13.6 million, accounting for 46.6% of the overall growth. Revenues for business-type activities increased \$9.1 million (9.8%) and expenses decreased \$6.7 million (6.9%) when compared to the prior year.

Charges for services in the Water and Wastewater Funds (Utilities) increased \$5.0 million (7.0%) due to a combined water and wastewater rate increase of 4.5% in conjunction with a slight increase in water consumption and increased flows attributed to manufacturing plant expansions. As part of the Strong Waste Cost Recovery Program, Utilities added a cost recovery rate for "total nitrogen" and "total phosphorous" to recover the cost of removing these nutrients when treating wastewater.

Capital grants and contributions for business-type activities increased \$5.4 million (27.8%). An increase of \$4.6 million in developer contributions of water and wastewater pipeline assets show the beginning signs of economic recovery, especially in the areas of Magnolia Green, Meadowville Technology Park and Stonebridge. Similarly, Utilities collected an additional \$0.8 million in connection fees. Utilities also received approximately \$1.4 million in pipeline assets due to the completion of several unusually large road projects. Proctor's Creek Wastewater Treatment plant improvements addressing the initiatives related to reducing nutrients (nitrogen and phosphorous) going into the Chesapeake Bay and its tributaries, which were required by the Virginia Department of Environmental Quality (DEQ), are now complete and in service. 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. Final Commonwealth funding received for this project was \$1.8 million less than in the prior year.

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

In the prior year, the EDA sold land in the Meadowville Technology Park for a gain of \$12.6 million which was recorded as a special item. \$5.0 million of the gain was credited to the buyer as an economic development incentive. The remainder of the gain was used to fund infrastructure development projects in the Meadowville Technology Park.

Expenses for business-type activities decreased \$5.6 million (5.8%). As in governmental activities, the County funded a 1.0% merit based increase for eligible employees and provided an increase to offset a reduction in take-home pay for Plan 1 employees as a result of changes in VRS contribution requirements. The completion of construction and the full functionality of the Proctor's Creek Wastewater Treatment plant improvements replaced or eliminated existing assets yielding \$3.6 million in losses on disposal of assets for wastewater. In addition, depreciation expense for wastewater capital assets increased \$1.4 million. These changes were offset by a reduction of approximately \$13.3 million in EDA expenses. The EDA spent approximately \$5.9 million less in infrastructure development because a majority of the work for three road construction projects was performed in the prior year. In addition, the EDA paid out approximately \$7.4 million less in economic development incentives in the current year due to the timing of several unusually large development projects in the prior year.

### **FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS**

#### **Governmental Funds**

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

As of June 30, 2013, the County's governmental funds reported a combined fund balance of \$373.6 million, a decrease of \$27.8 million from the previous year. Of this combined fund balance amount, \$126.4 million (33.8%) constitutes restricted fund balance; \$0.8 million (0.2%) represents committed fund balance; \$192.9 million (51.7%) 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 fiscal year 2014 (FY2014) budget; critical capital and one-time needs; and revenue shortfalls in future fiscal years' budgets that may occur as the recovery period from the ongoing economic challenge continues. Note 2 of the notes to the financial statements provides additional fund balance details and a discussion of the criteria used by the County to classify categories of fund balance.

The General Fund is the operating fund of the County. At the end of the current fiscal year, the combined assigned and unassigned fund balances of the General Fund were \$239.8 million and total fund balances were \$254.2 million. As a measure of the General Fund's liquidity, it may be useful to compare the combined assigned and unassigned fund balances to total fund expenditures. Combined assigned and unassigned fund balances represent 37.2% of total General Fund expenditures. Unassigned fund balance of \$53.5 million represents 8.3% of total General Fund expenditures. Maintaining a ratio that exceeds the target ratio of 8.0% is an indicator of the County's ability to cope with unexpected or unusual financial scenarios including fluctuations in revenue cycles. Combined fund balances of the General Fund represent 39.4% of General Fund expenditures.

Fund balance of the General Fund decreased by \$3.8 million (1.5%) during the current fiscal year. Revenue categories not already discussed that factor into this change are as follows:

- ◆ Collections of other local taxes increased \$2.6 million (3.1%) primarily due to increases of \$1.9 million in local sales and use taxes and \$0.6 million in recordation taxes. Increases in these areas indicate modest growth in the local economy.
- ◆ Revenue from other governments increased \$1.2 million (0.8%) which is primarily attributable to an increase of \$4.8 million in state sales tax collected from the Commonwealth to fund education. This increase reflects a modest rebound in retail sales. This increase was offset by a general reduction of federal funding for County Social services programs. The Commonwealth's Social Services' Child Care Program implemented a new state automation system which allows eligible low-income working parents to use an electronic swipe

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

card at day care facilities to access day care subsidy benefits. Use of the automated system eliminated the need for federal funding of these benefits to flow through the County.

Overall, functional expenditures of the General Fund (including education and debt service) increased \$14.7 million (2.3%) with the most significant increases in the public safety (8.1%) and education (5.3%) functions. The more significant changes in expenditures were discussed in the governmental activities section.

At fiscal year-end, the County's Capital Projects Fund had a total fund balance of \$71.7 million that consisted primarily of bond proceeds and cash proffers which are restricted for use on specific County projects and functions. The School Capital Projects Fund had a total fund balance of \$39.7 million that consisted primarily of bond proceeds restricted for use on School projects.

### **General Fund Budgetary Highlights**

The overall difference between the original budget and the amended budget for revenues and other financing sources reflected an increase of \$6.9 million (1.1%). The final amended budget for expenditures and other financing uses was greater than the original budget by \$73.9 million (11.0%). Some of the key budget adjustments are summarized as follows:

- ◆ The original budget for revenues was increased by \$3.6 million. The budget was amended by:
  - \$0.7 million for additional School Board reimbursements for providing additional school nurse resources.
  - \$0.6 million for reimbursements from the City of Richmond for holding up to ten of their detainees on a daily basis due to the closure of the City of Richmond detention facility.
  - \$0.4 million to appropriate greater than expected sales and use tax receipts earmarked for education purposes received from the Commonwealth.
  - \$0.3 million for public, education and government fees which are not included in the original budget because these fees are considered "one-time" fees for budgeting purposes and, as such, are not generally used to fund normal operations.
  - \$0.2 million because more court fines were received than anticipated in the original budget.
- ◆ The original budget for other financing sources was amended by \$3.2 million primarily to appropriate a transfer of accumulated interest earned on unspent bond proceeds from the County Capital Projects Fund which was used to fund debt service payments.
- ◆ Expenditures in the original budget were increased by \$6.9 million. \$1.8 million in unspent appropriations from FY2012 for infrastructure improvements in the Meadowville Technology Park were re-appropriated in the current year. Fund balance of \$1.3 million was appropriated for the purchase of the building and land that has been occupied by Community Corrections Services department since 1996. The budget was amended by \$0.7 million to meet new state requirements regarding additional spending on school health nurses. The budget was amended by \$0.6 million for economic development incentives approved for Sabra Dipping Company to expand their manufacturing facilities in the County.
- ◆ The budget for transfers out increased by \$66.9 million. This increase included transfers to the County Capital Projects, the School Capital Projects and the County Grants Funds which increased \$58.8 million, \$5.9 million and \$1.4 million, respectively. Primarily, these amendments are due to the re-appropriation, in accordance with the appropriation resolution, of General Fund budgeted transfers that were not spent in the prior year due to timing of expenditures.

Actual revenues and other financing sources were \$7.0 million (1.1%) greater than the amended budget. A summary of some key variances includes the following:

- ◆ The collection of general property taxes was \$6.0 million higher than the amended budget. This surplus is largely the result of an increase in the collection of delinquent real estate taxes as the housing market continues to work through a backlog of foreclosures and short sales.
- ◆ Permits, privilege fees and regulatory licenses revenue was \$1.7 million higher than the amended budget. This surplus is the result of residential and commercial construction activity that was stronger than

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

### **(unaudited)**

anticipated, driven in particular by continued strength in local economic development activity that generated several unusually large commercial permit fees.

- ◆ Charges for services revenue was \$1.5 million less than expected. This revenue shortfall was generally attributable to receiving less in Medicaid funding than was expected when the original budget was developed.
- ◆ Miscellaneous revenue was \$1.0 million greater than budgeted due to receiving public, education and government fees, whose use is externally restricted, and gain-sharing revenue, whose use is internally restricted. These revenues are typically not appropriated in the budget until the County allocates specific expenditures that meet the legal or internal restrictions to actual revenues.

Actual expenditures and other financing uses were \$81.5 million (10.9%) less than the amended budget amount. A summary of several key differences is as follows:

- ◆ General government expenditures resulted in a \$2.4 million positive variance with the amended budget. Every general government department contributed to this savings reflecting the County's continued initiative to control the cost of providing support services.
- ◆ Public safety expenditures resulted in a \$2.3 million positive variance with the amended budget with the Police Department contributing the largest savings of \$1.4 million; however, most of this amount was encumbered at year-end for the purchase of police cruisers.
- ◆ Health and welfare expenditures resulted in a \$2.3 million positive variance with the amended budget, most of which was attributable to Mental Health Support Services and Social Services. Both of these departments were under budget for personnel costs primarily due to understaffing caused by employee turnover. In addition, the original budget did not reflect the impact of changes made to Social Service's Child Care program when the Commonwealth instituted an automated system.
- ◆ Transfers to other funds resulted in a \$72.1 million positive variance. Transfers to the County and School Capital Projects Funds were \$58.8 million and \$5.9 million, respectively, less than the amended budget due to the timing of expenditures for long-term capital projects. Unspent capital projects transfers were assigned at year-end and re-appropriated as a part of the amended budget for fiscal year 2014. A positive \$5.5 million variance in the transfer to School Board operations was assigned at year-end and earmarked, as directed by the County Board, as an offset to anticipated future revenue shortfalls.

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

### **Overview**

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

### **Capital and Intangible Assets**

At the end of the fiscal year, the County had a net investment of \$1.9 billion in a broad range of capital and intangible assets, including public safety buildings, park facilities, libraries, and water and wastewater facilities. This amount represents a net increase of \$15.1 million over the prior year. More detailed information about the County's capital and intangible assets is presented in Note 8 of the notes to the financial statements. The net

## MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

investment in capital assets of governmental activities includes \$627.7 million of capital assets used by the School Board in its operations.

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

- ◆ Completed major County projects:
  - E911 Phone System Replacement - \$1.4 million
  - Restoration of 1917 Courthouse - \$1.0 million
  - Stratton Park and Synthetic Fields - \$3.9 million
- ◆ Additions to major School construction in progress:
  - Midlothian Middle School Addition - \$3.5 million
  - J. B. Watkins Elementary School Renovations - \$2.4 million
  - 21<sup>st</sup> Century Academy - \$1.7 million
  - Midlothian High School Renovation - \$9.3 million
  - Thomas Dale High School Major Maintenance - \$2.7 million
- ◆ Completed major Water and Wastewater projects:
  - Wastewater Treatment Plant Upgrades - \$49.1 million
  - Cosby Road Tank - \$3.6 million

**TABLE 3**  
**Chesterfield County's Capital and Intangible Assets**  
**June 30, 2013 and 2012**  
**(net of depreciation, in millions of dollars)**

	Governmental		Business-type		Total		Total Percentage
	Activities		Activities <sup>(1)</sup>				Change
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013-2012</u>
<b>Non-depreciable assets:</b>							
Land	\$ 59.5	\$ 56.4	\$ 19.8	\$ 19.1	\$ 79.3	\$ 75.5	5.0%
Redevelopment asset	15.7	11.4	-	-	15.7	11.4	37.7%
Construction in progress	27.4	25.8	7.8	51.7	35.2	77.5	-54.6%
<b>Depreciable assets:</b>							
Capacity rights	-	-	72.1	72.6	72.1	72.6	-0.7%
Buildings	791.9	786.5	138.9	116.8	930.8	903.3	3.0%
Improvements other than buildings	32.8	26.9	29.8	31.1	62.6	58.0	7.9%
Machinery and equipment	59.4	61.9	596.7	576.7	656.1	638.6	2.7%
Infrastructure	27.3	27.1	1.0	1.0	28.3	28.1	0.7%
<b>Total</b>	<b>\$ 1,014.0</b>	<b>\$ 996.0</b>	<b>\$ 866.1</b>	<b>\$ 869.0</b>	<b>\$ 1,880.1</b>	<b>\$ 1,865.0</b>	<b>0.8%</b>

<sup>(1)</sup> Reclasses were made to fiscal year 2012 for comparability to fiscal year 2013

The County's FY2014 capital improvement program budget added \$120.7 million in planned funding for capital projects, which includes \$66.4 million for the primary government and \$54.3 million for the School Board. Principal projects for the primary government include major facilities maintenance and repair; Central Library space completion and office consolidation; Chester Library Community Arts Center; self-contained breathing apparatus replacement; two and three-story police building renovation; Matoaca tank and pump station; and River Road waterline improvements. School projects are principally for school building improvements with major projects planned at Beulah Elementary School, Monacan High School, and Providence Middle School. The County intends to issue new debt to finance portions of these and future projects as identified in the fiscal years 2014-2018 Capital Improvement Program.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

### Long-term Debt

At fiscal year-end, the County had \$609.2 million in bonds, leases and other long-term debt outstanding, a decrease of \$29.9 million (4.7%) compared to the prior year. More detailed information about the County's long-term liabilities is presented in Note 9 of the notes to the financial statements. Outstanding debt of the governmental activities includes \$322.7 million in debt outstanding related to School Board activities and \$18.5 million in outstanding debt for the EDA's development of infrastructure in the Meadowville Technology Park.

A key debt policy established by the County Board is the ratio of debt service (principal and interest) costs to governmental fund expenditures, which was 7.0% for the current year comparing favorably to the policy target of 10.0%. Governmental fund expenditures for purposes of this calculation include expenditures for all governmental fund types of both the primary government and the School Board, excluding capital project funds and payments between the primary government and the School Board.

The County's fiscally responsible financial policies, solid financial results and sound management were reaffirmed in fiscal year 2013. Both Standard and Poor's and Fitch Ratings affirmed the County's Water and Sewer Revenue Bonds as "AAA". Utilities' strong financial profile, low debt burden, manageable capital plan, leadership and affordable rates were cited as the basis for these rating affirmations. The County's Utilities division is one of only a few water and wastewater utilities in the nation to have achieved AAA ratings on its revenue bonds from each of the three top rating services.

**TABLE 4**  
**Chesterfield County's Outstanding Debt**  
**June 30, 2013 and 2012**  
**(in millions of dollars)**

	Governmental		Business-type		Total		Total Percentage
	Activities		Activities <sup>(1)</sup>				Change
	2013	2012	2013	2012	2013	2012	2013-2012
General obligation bonds, net (backed by the County)	\$ 427.2	\$ 445.8	\$ -	\$ -	\$ 427.2	\$ 445.8	-4.2%
Revenue bonds, net (backed by user fee revenues)	-	-	82.4	86.2	82.4	86.2	-4.4%
Revenue note payable	-	-	6.5	6.4	6.5	6.4	0.0%
Certificates of participation	50.4	55.8	1.1	1.2	51.5	57.0	-9.6%
Support agreement	18.5	19.8	-	-	18.5	19.8	-6.6%
Taxable redevelopment facility note	16.6	16.6	-	-	16.6	16.6	0.0%
Public facility revenue refunding bonds, net	5.8	6.5	-	-	5.8	6.5	-10.8%
Capital lease obligations	0.7	0.8	-	-	0.7	0.8	-12.5%
<b>Total</b>	<b>\$ 519.2</b>	<b>\$ 545.3</b>	<b>\$ 90.0</b>	<b>\$ 93.8</b>	<b>\$ 609.2</b>	<b>\$ 639.1</b>	<b>-4.7%</b>

<sup>(1)</sup> Reclasses were made to fiscal year 2012 for comparability to fiscal year 2013

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

The County's annual unemployment rate for calendar year 2012 (CY2012) averaged 5.7% and was a decrease from the previous calendar year's rate of 6.3%. The County's annual unemployment for CY2012 was comparable to the Commonwealth's 5.9% annual unemployment rate for the same period. The County's unemployment rate for August 2013 was 5.4% compared to the Commonwealth's rate of 5.6%. Improvements in unemployment are expected to remain gradual and somewhat volatile as the economy rebuilds job growth lost during the recession.

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

### **(unaudited)**

During fiscal year 2010, the Commonwealth initiated certain responsive actions to the economic downturn that continue to impact the County. Through changes in certain actuarial assumptions for VRS sponsored retirement plans, which were impacted by legislation passed by the General Assembly, the Commonwealth deferred 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 FY2011. The legislation requires that this deferral of costs be replenished starting in FY2012 and continue until fully replenished in fiscal year 2021. Ultimately, County and School Board budgets will have significant increases going forward for local employer costs in order for the VRS to meet its future payment obligations.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68), will be effective for the County in fiscal year 2015. Under GASB 68, both the County and the School Board will be required to report net pension liabilities, or unfunded liabilities, in the government-wide financial statements. GASB 68 reporting requirements will apply to all pension plans offered by the County and School Board as disclosed in Note 12 of the notes to the financial statements and will also include the County's proportionate share of the VRS cost-sharing multiple-employer teachers' pool (Teachers' Pool). The County's decision to participate in VRS is irrevocable although there have been opportunities to choose whether or not to participate in certain benefit options over the years. However, it is important to note that all school systems are required by State Code to participate in the Teachers' Pool whose benefit decisions are made by the Commonwealth. The Commonwealth designates the minimum number of teachers allowed for classroom size purposes and the benefits offered under the plan. VRS controls the assumptions used to calculate plan liabilities and the contributions required to adequately fund the plan. The General Assembly determines the actual contribution amount the Commonwealth will provide to each locality through Basic Aid and the amount each locality must, in turn, fund. As such, local governments and school divisions within the Commonwealth have no ability to improve the funding position for their respective share of the Teachers' Pool. GASB 68 requires that Virginia localities report their proportionate share of the net unfunded liability for the Teachers' Pool on their statements of net position with no offset for the Commonwealth's share of funding. Initial information provided by VRS indicates the County's proportionate share of the Teachers' Pool liability is approximately \$543.9 million at June 30, 2012. Management continues to evaluate the impacts of the future adoption of GASB 68 on the County and the School Board component unit.

The County developed a Biennial Financial Plan for fiscal years 2013 and 2014 that was adopted on March 28, 2012, whereby the resolution for the first year of the biennium contained appropriated first-year expenditures and approved second-year expenditures. 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 10, 2013. The FY2014 adopted budget, totaling \$1.2 billion, represents an increase of 2.6% over the FY2013 adopted budget. For FY2014, education and public safety remain the focus. New resources for the School Board comprise more than a third, or approximately \$4.9 million, of the overall increase in the General Fund budget. \$3.9 million of the increase in new resources for the School Board is entirely locally funded. As a result, the School Board budget is scheduled to include a 2.0% salary increase (beginning in January 2014), funding for the full conversion to the VRS shared contribution model and the delivery of the third consecutive year of no classroom impacts. The General Fund budget also sets aside a \$1.0 million reserve to partially mitigate the impact of significant increases in the VRS Teachers' Pool rates scheduled for FY2015. For the public safety function, the FY2014 budget includes resources for four additional police officers, increased funding for the maintenance of fire apparatus, required matching funds for a federal grant to secure nearly \$1.0 million of protective gear for firefighters and the funding for improving the competitiveness of public safety pay by providing resources to increase the starting salaries of police officers, firefighters, sheriff deputies and 911 call operators. The FY2014 budget is balanced within the existing tax structure with a real estate tax rate of \$0.95 per \$100 of assessed value.

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

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

# **FINANCIAL STATEMENTS**

**County of Chesterfield, Virginia**  
**Statement of Net Position**  
**June 30, 2013**

***Exhibit I***

	Primary Government			Component	Total
	Governmental	Business-type	Total	Units	Reporting Entity
	Activities	Activities			
<b>ASSETS</b>					
Cash and cash equivalents	\$ 268,350,339	\$ 75,083,134	\$ 343,433,473	\$ 39,687,169	\$ 383,120,642
Investments	143,121,405	109,905,380	253,026,785	7,323,075	260,349,860
Receivables, net of allowance for uncollectibles	225,362,501	15,509,324	240,871,825	9,924,134	250,795,959
Due from component unit	-	6,536,820	6,536,820	-	6,536,820
Due from primary government	-	-	-	50,735,088	50,735,088
Internal balances	14,924	(14,924)	-	-	-
Inventories	663,628	873,643	1,537,271	1,066,495	2,603,766
Prepays	8,591,161	-	8,591,161	11,111,540	19,702,701
Bond issuance costs, net of amortization	2,274,224	441,196	2,715,420	1,668,810	4,384,230
Capital assets, not being depreciated	102,648,526	27,673,511	130,322,037	192,290	130,514,327
Other capital and intangible assets, net of depreciation	911,361,292	838,371,047	1,749,732,339	62,015,381	1,811,747,720
Total assets	<u>1,662,388,000</u>	<u>1,074,379,131</u>	<u>2,736,767,131</u>	<u>183,723,982</u>	<u>2,920,491,113</u>
<b>LIABILITIES</b>					
Accounts payable	42,272,803	17,813,422	60,086,225	38,382,296	98,468,521
Due to component units	50,735,088	-	50,735,088	-	50,735,088
Due to primary government	-	-	-	6,536,820	6,536,820
Unearned revenues	139,715,456	56,044	139,771,500	1,841,963	141,613,463
Deposits and advances	-	21,171	21,171	13,410,332	13,431,503
Developers' connection fees refundable	-	824,577	824,577	-	824,577
Prepaid connection fees	-	202,800	202,800	-	202,800
Non-current liabilities:					
Due within one year	65,626,573	5,428,805	71,055,378	15,826,137	86,881,515
Due in more than one year	498,126,565	88,260,089	586,386,654	85,098,979	671,485,633
Total liabilities	<u>796,476,485</u>	<u>112,606,908</u>	<u>909,083,393</u>	<u>161,096,527</u>	<u>1,070,179,920</u>
<b>NET POSITION</b>					
Net investment in capital assets	627,400,224	785,112,123	1,412,512,347	21,027,311	1,433,539,658
Restricted for:					
Capital projects	29,559,910	-	29,559,910	-	29,559,910
Debt covenants	-	16,559,193	16,559,193	-	16,559,193
Grantor programs	8,642,244	-	8,642,244	106,650	8,748,894
Legislated programs	11,787,511	-	11,787,511	5,503,309	17,290,820
Public safety programs	1,150,575	-	1,150,575	-	1,150,575
Expendable	9,503	-	9,503	-	9,503
Nonexpendable	5,000	-	5,000	-	5,000
Total restricted	51,154,743	16,559,193	67,713,936	5,609,959	73,323,895
Unrestricted (deficit)	187,356,548	160,100,907	347,457,455	(4,009,815)	343,447,640
Total net position	<u>\$ 865,911,515</u>	<u>\$ 961,772,223</u>	<u>\$ 1,827,683,738</u>	<u>\$ 22,627,455</u>	<u>\$ 1,850,311,193</u>

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

**County of Chesterfield, Virginia**  
**Statement of Activities**  
**For the Year Ended June 30, 2013**

**Exhibit II**

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			Total Reporting Entity
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Component Units	
				Governmental Activities	Business-type Activities		
Primary government							
Governmental activities							
General government	\$ 61,583,107	\$ 26,076,591	\$ 1,095,738	\$ 15,823	\$ (34,394,955)	\$ -	\$ (34,394,955)
Administration of justice	9,672,405	2,366,912	3,748,834	-	(3,556,659)	-	(3,556,659)
Public safety	176,821,834	16,973,314	12,271,398	1,984,334	(145,592,788)	-	(145,592,788)
Public works	41,785,217	4,212,504	241,271	15,679,055	(21,652,387)	-	(21,652,387)
Health and welfare	73,067,353	22,239,975	21,606,300	94,834	(29,126,244)	-	(29,126,244)
Parks, recreation and cultural	22,970,560	3,338,082	349,589	4,995,244	(14,287,645)	-	(14,287,645)
Education - School Board	277,126,087	23,080	55,346,250	635,926	(221,120,831)	-	(221,120,831)
Community development	18,844,043	4,653,765	1,419,521	36,247	(12,734,510)	-	(12,734,510)
Interest on long-term debt	19,285,140	-	-	-	(19,285,140)	-	(19,285,140)
Total governmental activities	701,155,746	79,884,223	96,078,901	23,441,463	(501,751,159)	-	(501,751,159)
Business-type activities							
Water	40,454,185	38,354,424	-	13,588,286	-	11,488,525	11,488,525
Wastewater	41,534,715	37,315,136	-	10,741,042	-	6,521,463	6,521,463
Non-major business activities	9,369,149	2,029,452	-	448,524	-	(6,891,173)	(6,891,173)
Total business-type activities	91,358,049	77,699,012	-	24,777,852	-	11,118,815	11,118,815
Total primary government	\$ 792,513,795	\$ 157,583,235	\$ 96,078,901	\$ 48,219,315	(501,751,159)	-	(490,632,344)
Component units	\$ 579,200,271	\$ 36,933,237	\$ 104,138,172	\$ -	-	(438,128,862)	(438,128,862)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					357,536,014	-	357,536,014
Property taxes, levied for special purposes					1,633,193	-	1,633,193
Utility taxes					7,692,460	-	7,692,460
Sales taxes					42,293,047	-	42,293,047
Motor vehicle licenses					7,097,823	-	7,097,823
Business license taxes					17,250,726	-	17,250,726
Other					10,662,930	-	10,662,930
Payment from School Board					7,988,893	-	7,988,893
Payment from County of Chesterfield					-	-	-
Grants and contributions not restricted to specific programs					65,943,441	255,736,702	255,736,702
Investment earnings					898,053	153,401,201	219,344,642
Miscellaneous					814,327	257,330	1,155,383
Transfers					(2,154,078)	2,047,487	2,861,814
Total general revenues and transfers					517,392,314	-	517,392,314
Change in net position					15,641,155	411,442,720	931,253,627
Net position-July 1, 2012 (restated)					850,270,360	(26,686,142)	2,492,421
Net position-June 30, 2013					\$ 865,911,515	49,313,597	1,847,818,772
					\$ 1,827,683,738	\$ 22,627,455	\$ 1,850,311,193

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

**County of Chesterfield, Virginia**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2013**

**Exhibit III**

	<u>General</u>	<u>County Capital Projects</u>	<u>School Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 200,716,978	\$ 25,031,853	\$ 1,250,041	\$ 7,355,272	\$ 234,354,144
Cash, cash equivalents and investments with fiscal agents	22,658	9,633,853	-	-	9,656,511
Investments	55,975,826	42,613,019	44,532,560	-	143,121,405
Receivables, net of allowances for uncollectibles of \$18,643,983	171,264,794	21,964	23,647	1,694,221	173,004,626
Due from other funds	420,000	-	-	-	420,000
Due from other governments	47,592,098	2,233,851	-	2,395,805	52,221,754
Total assets	<u>\$ 475,992,354</u>	<u>\$ 79,534,540</u>	<u>\$ 45,806,248</u>	<u>\$ 11,445,298</u>	<u>\$ 612,778,440</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 4,898,384	\$ 5,365,593	\$ 4,774,738	\$ 2,100,040	\$ 17,138,755
Due to other funds	405,076	-	-	-	405,076
Due to component units:					
School Board	50,735,088	-	-	-	50,735,088
Accrued liabilities	10,163,778	16,908	-	253,307	10,433,993
Retainages payable	-	416,942	1,319,922	1,812	1,738,676
Unavailable revenues:					
Uncollected taxes	153,906,500	-	-	-	153,906,500
Other	1,515,078	13,626	-	1,049,376	2,578,080
Deposits payable	213,299	2,061,606	-	-	2,274,905
Total liabilities	<u>221,837,203</u>	<u>7,874,675</u>	<u>6,094,660</u>	<u>3,404,535</u>	<u>239,211,073</u>
<b>FUND BALANCES</b>					
Nonspendable	-	-	-	5,000	5,000
Restricted	13,554,070	71,659,865	39,495,917	1,703,045	126,412,897
Committed	755,493	-	-	-	755,493
Assigned	186,350,588	-	215,671	6,332,718	192,898,977
Unassigned	53,495,000	-	-	-	53,495,000
Total fund balances	<u>254,155,151</u>	<u>71,659,865</u>	<u>39,711,588</u>	<u>8,040,763</u>	<u>373,567,367</u>
Total liabilities and fund balances	<u>\$ 475,992,354</u>	<u>\$ 79,534,540</u>	<u>\$ 45,806,248</u>	<u>\$ 11,445,298</u>	<u>\$ 612,778,440</u>

Total fund balances for governmental funds \$ 373,567,367

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and are not reported in the funds. 1,007,519,304

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

Uncollected taxes receivable	\$ 10,658,745	
Uncollected receivables from other governments	3,746,544	
Uncollected miscellaneous receivables	<u>2,489,569</u>	16,894,858

Prepaid items:

Other post employment benefit assets	3,599,548	
Prepaid pension asset	10,851	
Prepaid capital asset	939,512	
Rent	<u>4,041,250</u>	8,591,161

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 Position. 25,046,534

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	(516,926,433)	
Judgments and claims	(11,645,063)	
Landfill	(1,111,138)	
Retirement plan obligations, net	(2,588,467)	
Compensated absences	(21,432,160)	
Pollution remediation obligation	(2,686,500)	
Interest payable	<u>(9,317,948)</u>	(565,707,709)

Net position of governmental activities \$ 865,911,515

*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, 2013**

	<u>General</u>	<u>County Capital Projects</u>	<u>School Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
From local sources:					
General property taxes	\$ 360,929,869	\$ -	\$ -	\$ -	\$ 360,929,869
Other local taxes	85,392,248	-	-	-	85,392,248
Permits, privilege fees and regulatory licenses	5,208,451	-	-	-	5,208,451
Fines and forfeitures	2,278,991	-	-	-	2,278,991
Use of money and property	1,069,410	147,057	96,617	110	1,313,194
Contributions from developers	-	8,788,528	-	-	8,788,528
Charges for services	31,381,817	50,461	23,080	6,900,124	38,355,482
Miscellaneous	3,320,994	115,797	-	83,331	3,520,122
Recovered costs	11,916,331	-	-	323,311	12,239,642
Donations and contributions	156,850	219,000	5,500	84,759	466,109
From component unit:					
School Board	-	-	7,067,793	921,100	7,988,893
From other governments	152,731,008	9,711,502	-	10,975,892	173,418,402
Total revenues	<u>654,385,969</u>	<u>19,032,345</u>	<u>7,192,990</u>	<u>19,288,627</u>	<u>699,899,931</u>
<b>Expenditures</b>					
Current:					
General government	44,647,030	-	-	-	44,647,030
Administration of justice	8,645,095	-	-	633,183	9,278,278
Public safety	160,114,203	-	-	8,605,514	168,719,717
Public works	18,603,387	-	-	441,705	19,045,092
Health and welfare	62,351,236	-	-	9,681,195	72,032,431
Parks, recreation and cultural	17,968,888	-	-	157,419	18,126,307
Education - School Board	249,784,947	-	700,000	8,219	250,493,166
Community development	16,263,033	-	-	1,591,759	17,854,792
Debt service:					
Retirement of principal	44,454,795	-	-	-	44,454,795
Interest	21,155,270	-	-	-	21,155,270
Other	261,685	-	-	-	261,685
Capital outlay	-	44,583,217	35,947,324	-	80,530,541
Total expenditures	<u>644,249,569</u>	<u>44,583,217</u>	<u>36,647,324</u>	<u>21,118,994</u>	<u>746,599,104</u>
Excess (deficiency) of revenues over (under) expenditures	<u>10,136,400</u>	<u>(25,550,872)</u>	<u>(29,454,334)</u>	<u>(1,830,367)</u>	<u>(46,699,173)</u>
<b>Other financing sources (uses)</b>					
Transfers in	5,047,426	13,177,083	5,534,323	3,320,495	27,079,327
Transfers out	(19,075,919)	(8,799,754)	(88,183)	(1,205,911)	(29,169,767)
Bonds issued	84,752	-	18,220,248	-	18,305,000
Premium on bonds issued	-	-	2,709,209	-	2,709,209
Total other financing sources (uses), net	<u>(13,943,741)</u>	<u>4,377,329</u>	<u>26,375,597</u>	<u>2,114,584</u>	<u>18,923,769</u>
Net change in fund balances	<u>(3,807,341)</u>	<u>(21,173,543)</u>	<u>(3,078,737)</u>	<u>284,217</u>	<u>(27,775,404)</u>
Fund balances, July 1, 2012	<u>257,962,492</u>	<u>92,833,408</u>	<u>42,790,325</u>	<u>7,756,546</u>	<u>401,342,771</u>
Fund balances, June 30, 2013	<u>\$ 254,155,151</u>	<u>\$ 71,659,865</u>	<u>\$ 39,711,588</u>	<u>\$ 8,040,763</u>	<u>\$ 373,567,367</u>

(Continued)

**County of Chesterfield, Virginia**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2013**

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.	\$	(27,775,404)
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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	\$ 52,965,510	
Depreciation	(36,261,984)	16,703,526

In the Statement of Activities, only the gain on the sale of surplus assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the surplus assets sold.		(279,299)
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Donations of capital assets increase revenues in the Statement of Changes in Net Position but do not appear in the governmental funds because they are not financial resources.		2,739,727
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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.		379,702
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Amortization of prepaid rent in the government-wide statements is not an expenditure in the fund statements.		(115,000)
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Debt proceeds provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the Statement of Net Position:

Payments	44,454,795	
Proceeds	(21,014,209)	23,440,586

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	(1,909,773)	
Judgment and claims	(2,579,061)	
Retirement plan obligations, net	(36,575)	
Other post employment benefits obligation	107,987	
Landfill	(45,788)	
Interest payable	(260,774)	
Amortization of bond premiums and issuance costs	3,774,591	
Amortization of deferred amount on refunding	(1,382,002)	(2,331,395)

Internal service funds are used by management to charge the costs of insurance, vehicles and communications and capital projects management to individual funds. The net revenue of the internal service funds is reported with governmental activities.		2,878,712
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Change in net position of governmental activities.	\$	15,641,155
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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, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>				
From local sources:				
General property taxes	\$ 354,976,600	\$ 354,976,600	\$ 360,929,869	\$ 5,953,269
Other local taxes	99,876,900	99,969,702	100,380,236	410,534
Permits, privilege fees and regulatory licenses	4,054,100	4,062,908	5,732,820	1,669,912
Fines and forfeitures	1,517,500	1,886,777	2,278,991	392,214
Use of money and property	1,433,600	1,434,037	1,069,410	(364,627)
Charges for services	31,611,800	32,426,516	30,895,754	(1,530,762)
Miscellaneous	1,743,300	2,283,176	3,320,994	1,037,818
Recovered costs	10,824,700	11,727,566	11,878,025	150,459
Donations and contributions	43,400	49,073	156,850	107,777
From other governments	137,382,100	138,285,691	137,743,020	(542,671)
Total revenues	<u>643,464,000</u>	<u>647,102,046</u>	<u>654,385,969</u>	<u>7,283,923</u>
<b>Expenditures</b>				
Current:				
General government	47,911,266	46,997,065	44,647,030	2,350,035
Administration of justice	8,460,584	8,868,283	8,689,998	178,285
Public safety	157,217,507	162,395,255	160,130,414	2,264,841
Public works	17,142,108	19,102,897	18,603,387	499,510
Health and welfare	65,403,964	65,331,767	63,072,619	2,259,148
Parks, recreation and cultural	17,935,478	18,547,833	17,968,888	578,945
Community development	16,294,320	19,099,547	18,857,596	241,951
Non-departmental	1,205,700	705,700	-	705,700
Debt service:				
Retirement of principal	14,567,100	14,546,368	14,663,862	(117,494)
Interest	8,690,400	6,451,071	6,451,071	-
Other	899,800	626,961	142,871	484,090
Total expenditures	<u>355,728,227</u>	<u>362,672,747</u>	<u>353,227,736</u>	<u>9,445,011</u>
Excess of revenues over expenditures	<u>287,735,773</u>	<u>284,429,299</u>	<u>301,158,233</u>	<u>16,728,934</u>
<b>Other financing sources (uses)</b>				
Transfers in	2,109,000	5,357,661	5,047,426	(310,235)
Transfers out	<u>(315,158,600)</u>	<u>(382,099,639)</u>	<u>(310,013,000)</u>	<u>72,086,639</u>
Total other financing uses, net	<u>(313,049,600)</u>	<u>(376,741,978)</u>	<u>(304,965,574)</u>	<u>71,776,404</u>
Net change in fund balance	(25,313,827)	(92,312,679)	(3,807,341)	88,505,338
Fund balance, July 1, 2012	257,962,492	257,962,492	257,962,492	-
Fund balance, June 30, 2013	<u>\$ 232,648,665</u>	<u>\$ 165,649,813</u>	<u>\$ 254,155,151</u>	<u>\$ 88,505,338</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, 2013**

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

**Expenditures**

Total expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	\$ 353,227,736
Local funding of grant programs are transfers to other funds, rather than expenditures, for financial reporting purposes.	(782,498)
Budgetary transfers to component units, excluding transfers for funding "on behalf" debt payments, are expenditures for financial reporting purposes.	249,784,947
Budgetary expenditures to blended component units are transfers for financial reporting purposes	(2,594,562)
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>44,613,946</u>
Total expenditures of the General Fund on the Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds	<u>\$ 644,249,569</u>

**Other financing sources (uses)**

Total other financing uses on the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	\$ (304,965,574)
Local funding of grant programs are transfers to other funds, rather than expenditures, for financial reporting purposes.	(782,498)
Budgetary transfers to component units are expenditures for financial reporting purposes.	294,314,141
Budgetary expenditures to blended component units are transfers for financial reporting purposes	(2,594,562)
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>84,752</u>
Total other financing uses of the General Fund on the Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds	<u>\$ (13,943,741)</u>

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

**County of Chesterfield, Virginia**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2013**

*Exhibit VI*

	Business-type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	Water	Wastewater	Total Non-major Enterprise Funds	Total	
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 28,860,067	\$ 31,283,916	\$ 3,456,906	\$ 63,600,889	\$ 24,339,684
Investments	52,023,472	49,303,199	-	101,326,671	-
Receivables, net of allowances for uncollectibles of \$637,276					
Accounts	6,652,029	6,782,490	80,029	13,514,548	47,660
Special assessments	12,910	23,481	-	36,391	-
Total net receivables	6,664,939	6,805,971	80,029	13,550,939	47,660
Due from component unit	-	-	6,536,820	6,536,820	-
Accrued interest	30,176	43,695	-	73,871	-
Due from other governments	77,035	758,226	466,396	1,301,657	88,461
Due from other funds	-	-	405,076	405,076	-
Inventories	873,643	-	-	873,643	663,628
Total current assets	88,529,332	88,195,007	10,945,227	187,669,566	25,139,433
Non-current assets:					
Accrued interest receivable	-	161,148	-	161,148	-
Special assessments receivable	146,236	275,473	-	421,709	-
Restricted :					
Investments	4,905,926	3,672,783	-	8,578,709	-
Cash and cash equivalents with trustees	5,302,104	5,010,985	1,169,156	11,482,245	-
Total restricted assets	10,208,030	8,683,768	1,169,156.00	20,060,954	-
Bond issuance costs, net of amortization	136,509	304,687	-	441,196	-
Capital and Intangible assets:					
Capacity rights	69,322,768	2,734,167	-	72,056,935	-
Land and land improvements	3,914,473	1,522,310	14,410,203	19,846,986	193,685
Buildings	50,157,096	145,238,640	7,112,132	202,507,868	2,207,007
Improvements other than buildings	8,854,082	18,807,293	27,250,648	54,912,023	311,805
Infrastructure	-	-	1,171,221	1,171,221	-
Machinery and equipment	410,288,849	485,300,440	1,588,124	897,177,413	13,849,137
Construction in progress	2,207,352	4,281,285	1,337,888	7,826,525	34,787
Total capital and intangible assets	544,744,620	657,884,135	52,870,216	1,255,498,971	16,596,421
Less accumulated depreciation	(152,157,562)	(219,503,752)	(17,793,099)	(389,454,413)	(10,105,907)
Total capital and intangible assets, net of accumulated depreciation	392,587,058	438,380,383	35,077,117	866,044,558	6,490,514
Total non-current assets	403,077,833	447,805,459	36,246,273	887,129,565	6,490,514
Total assets	491,607,165	536,000,466	47,191,500	1,074,799,131	31,629,947

(Continued)

**County of Chesterfield, Virginia**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2013**

*Exhibit VI*

	Business-type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	Water	Wastewater	Total	Total	
			Non-major Enterprise Funds		
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	\$ 3,055,650	\$ 2,498,860	\$ 169,000	5,723,510	\$ 1,037,965
Due to other funds	-	-	420,000	420,000	-
Accrued liabilities:					
Wages and benefits	448,514	389,057	10,264	847,835	330,561
Interest	-	-	1,695	1,695	-
Due to broker	4,000,000	5,000,000	-	9,000,000	-
Other	408,559	31,661	915,884	1,356,104	-
Total accrued liabilities	4,857,073	5,420,718	927,843	11,205,634	330,561
Compensated absences	422,701	432,047	15,665	870,413	305,870
Judgments and claims	451,264	93,460	-	544,724	3,422,669
Certificates of participation, net	-	-	105,567	105,567	-
Revenue bonds payable, net	1,936,471	1,971,630	-	3,908,101	-
Total current liabilities	10,723,159	10,416,715	1,638,075	22,777,949	5,097,065
Non-current liabilities:					
Liabilities payable from restricted assets:					
Principal installments with trustee	1,280,000	1,256,655	-	2,536,655	-
Accrued interest payable	265,680	264,701	-	530,381	-
Deposits and advances	6,026	8,500	6,645	21,171	-
Total liabilities payable from restricted assets	1,551,706	1,529,856	6,645	3,088,207	-
Developers' connection fees refundable	266,067	558,510	-	824,577	-
Retainages payable	32,927	42,882	278,088	353,897	-
Prepaid connection fees	-	202,800	-	202,800	-
Compensated absences	320,327	364,686	8,824	693,837	224,606
Unearned revenue	44,382	11,662	-	56,044	125,734
Judgments and claims	1,121,991	232,374	-	1,354,365	1,057,223
Retirement plan obligations	154,719	87,196	4,550	246,465	78,785
Revenue note payable	-	-	6,510,000	6,510,000	-
Certificates of participation, net	-	-	969,388	969,388	-
Revenue bonds payable, net	35,751,383	40,197,996	-	75,949,379	-
Total non-current liabilities	39,243,502	43,227,962	7,777,495	90,248,959	1,486,348
Total liabilities	49,966,661	53,644,677	9,415,570	113,026,908	6,583,413
<b>NET POSITION</b>					
Net investment in capital assets	354,899,204	396,210,757	34,002,162	785,112,123	6,490,514
Restricted - debt covenants	8,662,350	7,162,412	734,431	16,559,193	-
Unrestricted	78,078,950	78,982,620	3,039,337	160,100,907	18,556,020
Total net position	\$ 441,640,504	\$ 482,355,789	\$ 37,775,930	\$ 961,772,223	\$ 25,046,534

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

**County of Chesterfield, Virginia**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2013**

*Exhibit VII*

	Business-type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	Water	Wastewater	Total Non-major Enterprise Funds	Total	
<b>Operating revenues</b>					
Charges for services	\$ 36,433,602	\$ 37,295,534	\$ 903,610	\$ 74,632,746	\$ 28,447,630
Sale of supplies	733,561	-	-	733,561	-
Rental fees	940,226	-	-	940,226	-
From other governments	-	-	1,100,000	1,100,000	-
Other	247,035	19,602	25,842	292,479	863,612
Total operating revenues	<u>38,354,424</u>	<u>37,315,136</u>	<u>2,029,452</u>	<u>77,699,012</u>	<u>29,311,242</u>
<b>Operating expenses</b>					
Salaries and wages	8,082,512	7,632,803	243,171	15,958,486	7,735,959
Contractual services	12,206,248	3,915,662	203,052	16,324,962	951,287
Capacity rights amortization	1,902,064	118,877	-	2,020,941	-
Materials and supplies	2,652,610	4,408,200	49,913	7,110,723	11,333,059
Heat, light and power	1,324,366	2,933,079	83,608	4,341,053	75,072
Rent	750	-	-	750	-
Depreciation	10,633,826	15,922,589	1,357,649	27,914,064	1,545,980
Repairs and maintenance	764,968	971,446	40,790	1,777,204	1,186,094
Insurance	-	-	-	-	2,568,799
Claims	-	-	-	-	1,436,972
Other	444,576	254,725	2,040,165	2,739,466	30,442
Total operating expenses	<u>38,011,920</u>	<u>36,157,381</u>	<u>4,018,348</u>	<u>78,187,649</u>	<u>26,863,664</u>
Operating income (loss)	<u>342,504</u>	<u>1,157,755</u>	<u>(1,988,896)</u>	<u>(488,637)</u>	<u>2,447,578</u>
<b>Non-operating revenues (expenses)</b>					
Investment income	107,210	149,030	8,275	264,515	8,787
Bond amortization and interest expense	(1,539,935)	(949,768)	(28,408)	(2,518,111)	-
Gain (loss) on disposal of capital assets	(669,074)	(3,638,860)	(1,329)	(4,309,263)	23,657
Other	(233,256)	(788,706)	(5,321,064)	(6,343,026)	-
Net non-operating expenses	<u>(2,335,055)</u>	<u>(5,228,304)</u>	<u>(5,342,526)</u>	<u>(12,905,885)</u>	<u>32,444</u>
Gain (loss) before contributions and transfers	(1,992,551)	(4,070,549)	(7,331,422)	(13,394,522)	2,480,022
Capital contributions	13,588,286	10,741,042	499,562	24,828,890	411,290
Transfers in	7,408	11,112	2,681,545	2,700,065	-
Transfers out	(593,725)	(3,300)	-	(597,025)	(12,600)
Change in net assets	11,009,418	6,678,305	(4,150,315)	13,537,408	2,878,712
Total net position-July 1, 2012 (restated)	<u>430,631,086</u>	<u>475,677,484</u>	<u>41,926,245</u>	<u>948,234,815</u>	<u>22,167,822</u>
Total net position-June 30, 2013	<u>\$ 441,640,504</u>	<u>\$ 482,355,789</u>	<u>\$ 37,775,930</u>	<u>\$ 961,772,223</u>	<u>\$ 25,046,534</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, 2013**

	Business-type Activities Enterprise Funds			Governmental Activities	
	<u>Water</u>	<u>Wastewater</u>	<u>Total</u> Non-major Enterprise Funds	<u>Total</u>	<u>Internal Service Funds</u>
<b>Cash flows from operating activities</b>					
Receipts from customers	\$38,248,086	\$ 36,806,363	\$ 1,645,877	\$ 76,700,326	\$ 28,692,525
Payments to suppliers	(16,743,038)	(11,848,830)	(1,606,415)	(30,198,283)	(16,168,962)
Payments to employees	(8,052,200)	(7,596,821)	(244,424)	(15,893,445)	(7,718,556)
Claims recovered	-	-	-	-	322,922
Claims paid	-	-	-	-	(3,028,141)
Net cash provided by (used in) operating activities	<u>13,452,848</u>	<u>17,360,712</u>	<u>(204,962)</u>	<u>30,608,598</u>	<u>2,099,788</u>
<b>Cash flows from non-capital financing activities</b>					
Transfers in	-	-	452,276	452,276	-
Transfers out	(591,800)	(3,300)	-	(595,100)	(12,600)
Net cash provided by (used in) non-capital financing activities	<u>(591,800)</u>	<u>(3,300)</u>	<u>452,276</u>	<u>(142,824)</u>	<u>(12,600)</u>
<b>Cash flows from capital and related financing activities</b>					
Advance from General Fund	-	-	(1,336,749)	(1,336,749)	-
Purchase of capital assets	(7,026,623)	(8,621,382)	(10,477,676)	(26,125,681)	(899,412)
Purchase of capacity rights	(1,432,611)	-	-	(1,432,611)	-
Payments to developers for utility assets	(80,171)	(104,349)	-	(184,520)	-
Retainages paid to contractors	(271,242)	(288,122)	-	(559,364)	-
Proceeds from sale of capital assets	-	1,909	-	1,909	84,100
Capital contributions	6,454,544	5,789,487	363,661	12,607,692	-
Interest paid on bonds, certificates of participation and other liabilities	(1,631,130)	(1,611,050)	(40,031)	(3,282,211)	-
Principal paid on revenue bonds and certificates of participation	(1,845,000)	(1,840,000)	(100,696)	(3,785,696)	-
Payment of other debt expenses	(5,800)	(2,500)	-	(8,300)	-
Net cash used in capital and related financing activities	<u>(5,838,033)</u>	<u>(6,676,007)</u>	<u>(11,591,491)</u>	<u>(24,105,531)</u>	<u>(815,312)</u>
<b>Cash flows from investing activities</b>					
Purchase of investments	(65,996,000)	(61,996,250)	-	(127,992,250)	-
Proceeds from sale of investments	56,000,000	55,000,000	-	111,000,000	-
Interest received	<u>216,945</u>	<u>164,328</u>	<u>10,102</u>	<u>391,375</u>	<u>8,787</u>
Net cash provided by (used in) investing activities	<u>(9,779,055)</u>	<u>(6,831,922)</u>	<u>10,102</u>	<u>(16,600,875)</u>	<u>8,787</u>
Net increase (decrease) in cash and cash equivalents	<u>(2,756,040)</u>	<u>3,849,483</u>	<u>(11,334,075)</u>	<u>(10,240,632)</u>	<u>1,280,663</u>

(Continued)

**County of Chesterfield, Virginia**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2013**

	Enterprise Funds				Governmental Activities Internal Service Funds
	<u>Water</u>	<u>Wastewater</u>	<u>Total Non-major Enterprise Funds</u>	<u>Total</u>	
Cash and cash equivalents, June 30, 2012:					
Cash and cash equivalents	\$31,663,304	\$ 27,456,767	\$ 2,955,146	\$ 62,075,217	\$ 23,059,021
Investments	38,115,174	37,331,107	-	75,446,281	-
Less: Investments with maturities greater than 90 days when purchased	(38,115,174)	(37,331,107)	-	(75,446,281)	-
Restricted investments	4,905,926	3,672,783	-	8,578,709	-
Less: Investments with maturities greater than 90 days when purchased	(4,905,926)	(3,672,783)	-	(8,578,709)	-
Restricted cash and cash equivalents with trustees	5,254,907	4,988,651	13,004,991	23,248,549	-
Total cash and cash equivalents, June 30, 2012	<u>36,918,211</u>	<u>32,445,418</u>	<u>15,960,137</u>	<u>85,323,766</u>	<u>23,059,021</u>
Cash and cash equivalents, June 30, 2013:					
Cash and cash equivalents	28,860,067	31,283,916	3,456,906	63,600,889	24,339,684
Investments	52,023,472	49,303,199	-	101,326,671	-
Less: Investments with maturities greater than 90 days when purchased	(52,023,472)	(49,303,199)	-	(101,326,671)	-
Restricted investments	4,905,926	3,672,783	-	8,578,709	-
Less: Investments with maturities greater than 90 days when purchased	(4,905,926)	(3,672,783)	-	(8,578,709)	-
Restricted cash and cash equivalents with trustees	5,302,104	5,010,985	1,169,156	11,482,245	-
Total cash and cash equivalents, June 30, 2013	<u>\$34,162,171</u>	<u>\$ 36,294,901</u>	<u>\$ 4,626,062</u>	<u>\$ 75,083,134</u>	<u>\$ 24,339,684</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>					
Operating income (loss)	\$ 342,504	\$ 1,157,755	\$ (1,988,896)	\$ (488,637)	\$ 2,447,578
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	10,633,826	15,922,589	1,357,649	27,914,064	1,545,980
Amortization	1,902,064	118,877	-	2,020,941	-
Changes in assets and liabilities:					
Receivables, net	94,160	(351,926)	(383,575)	(641,341)	221,496
Inventories	10,475	-	809,860	820,335	(42,597)
Accounts and other payables	469,819	513,417	-	983,236	(1,676,630)
Unearned revenue	-	-	-	-	(396,039)
Net cash provided by (used in) operating activities	<u>\$13,452,848</u>	<u>\$ 17,360,712</u>	<u>\$ (204,962)</u>	<u>\$ 30,608,598</u>	<u>\$ 2,099,788</u>
<b>Noncash transactions related to financing, capital and investing activities:</b>					
Capital contributions	\$ 7,133,742	\$ 4,951,555	\$ 152,884	\$ 12,238,181	\$ 411,290
Issuance of developer contracts	22,965	51,659	-	74,624	-
Unrealized gain on investments	(87,702)	(24,158)	-	(111,860)	-
Interest receivable	(22,033)	8,860	1,827	(11,346)	-

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

County of Chesterfield, Virginia  
Statement of Fiduciary Net Position  
June 30, 2013

	<u>Pension Trust</u>	<u>OPEB Trust</u>	<u>OPEB Trust</u>	<u>OPEB Trust</u>	<u>Agency</u>
	<u>County Supplemental Retirement Plan</u>	<u>Pooled Postemployment Retiree Healthcare Benefits County</u>	<u>Pooled Postemployment Retiree Healthcare Benefits Schools</u>	<u>Pooled Postemployment Line of Duty Benefits County</u>	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 946,474	\$ -	\$ -	\$ -	\$ 9,976,116
Accounts receivable	-	-	-	-	109,275
Due from other governments	-	-	-	-	1,272,527
Restricted assets:					
Cash and cash equivalents	-	-	-	-	5,933,650
Investments	-	-	-	-	4,995,100
Cash, cash equivalents, and investments with trustee	-	-	-	-	13,010,932
Due from other governments	-	-	-	-	1,889,838
Interest receivable	-	2	-	-	396
Total restricted assets	-	2	-	-	25,829,916
Investments:					
Fund of funds	3,880,126	-	-	-	-
Common stocks	12,002,241	-	-	-	-
Corporate bonds	2,813,180	-	-	-	-
U.S. government and agency securities	2,303,369	-	-	-	-
Exchange traded funds	3,891,144	-	-	-	-
Collateralized mortgage obligations	302,733	-	-	-	-
Pooled funds	-	18,235,052	6,877,165	3,899,867	-
Total investments	25,192,793	18,235,052	6,877,165	3,899,867	-
Total assets	26,139,267	18,235,054	6,877,165	3,899,867	\$ 37,187,834
<b>LIABILITIES</b>					
Due to broker	5,067	-	-	-	-
Amounts held for others	-	-	-	-	37,187,834
Total liabilities	5,067	-	-	-	\$ 37,187,834
<b>NET POSITION</b>					
Held in trust for pension/other post employment benefits	\$ 26,134,199	\$ 18,235,054	\$ 6,877,165	\$ 3,899,867	

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

County of Chesterfield, Virginia  
Statement of Changes in Fiduciary Net Position  
For the Year Ended June 30, 2013

	<u>Pension Trust</u>	<u>OPEB Trust</u>	<u>OPEB Trust</u>	<u>OPEB Trust</u>
	County Supplemental Retirement Plan	Pooled Postemployment Retiree Healthcare Benefits County	Pooled Postemployment Retiree Healthcare Benefits Schools	Pooled Postemployment Line of Duty Benefits County
<b>Additions:</b>				
Contributions - employer	\$ 1,966,206	\$ 9,742,108	\$ 18,719,363	\$ 911,464
Investment earnings:				
Interest and dividends	553,938	3,016	1,099	316
Accrued income	-	2	-	-
Net increase in the fair value of investments	2,305,519	1,578,516	631,973	309,490
Total investment income	2,859,457	1,581,534	633,072	309,806
Less investment expenses	(164,256)	(14,525)	(5,245)	(2,863)
Net investment income	2,695,201	1,567,009	627,827	306,943
Total additions, net	4,661,407	11,309,117	19,347,190	1,218,407
<b>Deductions:</b>				
Benefit payments	1,204,427	8,280,942	17,893,149	297,164
Administrative expenses	49,110	500	500	438
Total deductions	1,253,537	8,281,442	17,893,649	297,602
Change in fiduciary net position	3,407,870	3,027,675	1,453,541	920,805
Net position - July 1, 2012	22,726,329	15,207,379	5,423,624	2,979,062
Net position - June 30, 2013	\$ 26,134,199	\$ 18,235,054	\$ 6,877,165	\$ 3,899,867

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

**County of Chesterfield, Virginia**  
**Statement of Net Position**  
**Discretely Presented Component Units**  
**June 30, 2013**

	<u>School Board</u>	<u>Non-major Component Units</u>	<u>Total Component Units</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$32,605,299	\$ 7,081,870	\$ 39,687,169
Investments	-	7,323,075	7,323,075
Receivables, net of allowance for uncollectibles of \$59,436	7,781,487	2,142,647	9,924,134
Due from primary government	50,735,088	-	50,735,088
Inventories	1,024,527	41,968	1,066,495
Prepays	9,088,074	2,023,466	11,111,540
Bond issuance costs, net of amortization	-	1,668,810	1,668,810
Capital assets, not being depreciated	-	192,290	192,290
Other capital assets, net of depreciation	<u>13,159,547</u>	<u>48,855,834</u>	<u>62,015,381</u>
Total assets	<u>114,394,022</u>	<u>69,329,960</u>	<u>183,723,982</u>
<b>LIABILITIES</b>			
Accounts payable and other liabilities	36,191,677	2,190,619	38,382,296
Due to primary government	-	6,536,820	6,536,820
Unearned revenues	415,007	1,426,956	1,841,963
Deposits and advances	-	13,410,332	13,410,332
Non-current liabilities:			
Due within one year	13,277,586	2,548,551	15,826,137
Due in more than one year	<u>21,926,290</u>	<u>63,172,689</u>	<u>85,098,979</u>
Total liabilities	<u>71,810,560</u>	<u>89,285,967</u>	<u>161,096,527</u>
<b>NET POSITION</b>			
Net investment in capital assets	13,159,547	7,867,764	21,027,311
Restricted for:			
Grantor programs	106,650	-	106,650
Legislated programs	<u>5,503,309</u>	<u>-</u>	<u>5,503,309</u>
Total restricted	5,609,959	-	5,609,959
Unrestricted (deficit)	<u>23,813,956</u>	<u>(27,823,771)</u>	<u>(4,009,815)</u>
Total net position (deficit)	<u>\$42,583,462</u>	<u>\$(19,956,007)</u>	<u>\$22,627,455</u>

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

**County of Chesterfield, Virginia**  
**Statement of Activities**  
**Discretely Presented Component Units**  
**For the Year Ended June 30, 2013**

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	School Board	Non-major component units	Total Component Units
School Board	\$ 552,423,365	\$ 15,287,726	\$ 104,138,172	\$ (432,997,467)	\$ -	\$ (432,997,467)
Non-major Component Units	26,776,906	21,645,511	-	-	(5,131,395)	(5,131,395)
Total	<u>\$ 579,200,271</u>	<u>\$ 36,933,237</u>	<u>\$ 104,138,172</u>	<u>(432,997,467)</u>	<u>(5,131,395)</u>	<u>(438,128,862)</u>
General revenues:						
Payment from County of Chesterfield				253,272,881	2,463,821	255,736,702
Grants and contributions						
not restricted to specific programs				153,401,201	-	153,401,201
Investment earnings				9,246	248,084	257,330
Miscellaneous				2,047,487	-	2,047,487
Total general revenues				408,730,815	2,711,905	411,442,720
Change in net position (deficit)				(24,266,652)	(2,419,490)	(26,686,142)
Net position (deficit) - July 1, 2012				66,850,114	(17,536,517)	49,313,597
Net position (deficit) - June 30, 2013				\$ 42,583,462	\$ (19,956,007)	\$ 22,627,455

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

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2013**

**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

**Primary Government.** Chesterfield County, Virginia (County) is a political subdivision of the Commonwealth of Virginia (Commonwealth) governed by a five-member elected Board of Supervisors (County Board). The accompanying financial statements for the primary government and its component units are prepared in accordance with Specifications issued by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia 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 No. 61 titled "The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34". This Statement, effective for fiscal year 2013, modifies certain requirements for inclusion of component units. Based on this new reporting requirement, the County changed its presentation of the Economic Development Authority of the County of Chesterfield (EDA) from a discretely presented non-major component unit to a blended component unit in the proprietary funds and business-type activities of the County.

In June 2011, the GASB issued Statement No. 63 titled "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", effective for fiscal years ending after December 15, 2012. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, "Elements of Financial Statements", introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. The County retroactively implemented the provisions of GASB Statement No. 63 in fiscal year 2013 by replacing the previous term "net assets" with the new term "net position" in the accompanying financial statements.

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

The Economic Development Authority of the County of Chesterfield, previously known as the Industrial Development Authority, was created as a political subdivision of the Commonwealth by the County, pursuant to the provisions of the Industrial Development and Revenue Bond Act, Chapter 49 of Title 15.2, Code of Virginia. This Act empowers the EDA, among other activities, to issue tax-exempt bonds to bond issuers so that they may acquire, improve, maintain, equip, own, lease or dispose of properties by inducing manufacturing and industrial enterprises to locate or remain in the Commonwealth. The County Board appoints the seven directors of the EDA. In addition, the County's General Fund provides financial support by making direct payments of substantially all of the debt service expenses of the EDA which fulfills the requirements for reporting the EDA as a blended component unit under GASB Statement No. 61. Separate and complete financial statements for the EDA may be obtained at Chesterfield County Economic Development Department, 9401 Courthouse Road, Centre Court - Suite B, Chesterfield, Virginia 23832.

**Discretely Presented Component Units.** The financial information of the County's component units that meet the criteria for inclusion under GAAP but do not meet the criteria for blending are reported in a single column/row on the face of the government-wide financial statements with combining statements of major and non-major component units as Exhibits XI and XII.

1. The Chesterfield County Public School System (School Board) is responsible for elementary and secondary education within the County's jurisdiction. The five members of the School Board are elected for a four-year term. The members of the current School Board were elected in November 2011. The School Board functions independently of the County Board and County Administration, but is fiscally dependent upon the County because the County Board approves the budget, levies the necessary taxes to finance operations and issues debt on behalf of the

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2013**

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 Watkins Centre Community Development Authority (Watkins Centre CDA) was created as a political subdivision of the Commonwealth by the County, pursuant to Sections 15.2-5152 of the Code of Virginia. The Watkins Centre CDA was created for the purpose of financing a portion of the transportation infrastructure improvements within the Watkins Centre District (District), a site located in the northwest quadrant at the intersection of State Route 288 and State Route 60 within the County. The District is part of a mixed-use development that includes retail and commercial components. The County Board appoints the five members of the Watkins Centre CDA board and has pledged a tax increment of certain real property and sales taxes collected within the District as a revenue source for retiring debt issued by the Watkins Centre CDA. The County's obligation is limited to the amount of tax increments collected as well as to any special assessments collected on the Watkins Centre CDA's behalf. Complete financial statements for the Watkins Centre CDA may be obtained by contacting the Chesterfield County Accounting Department, 9901 Lori Road, P.O. Box 40, Chesterfield, Virginia 23832.
3. The Chippenham Place Community Development Authority (Chippenham Place CDA) was created as a political subdivision of the Commonwealth by the County, pursuant to Sections 15.2-5152 of the Code of Virginia. The Chippenham Place CDA was created to fund public infrastructure improvements at the former Cloverleaf Mall site owned by the County. The improvements are part of a mixed-use development project that will provide residential, retail and commercial office components. The County Board appoints the five members of the Chippenham Place CDA board and has pledged a tax increment of certain real property and sales taxes collected within the Chippenham Place CDA district as a revenue source for retiring debt issued by the Chippenham Place CDA. The County's obligation is limited to the amount of tax increments collected as well as to any special assessments collected on the Chippenham Place CDA's behalf. Complete financial statements for the Chippenham Place CDA may be obtained by contacting the Chesterfield County Accounting Department, 9901 Lori Road, P.O. Box 40, Chesterfield, Virginia 23832.
4. The Health Center Commission for the County of Chesterfield (Health Center Commission or HCC) is responsible for operating a long-term care facility and independent living campus (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 Position and a Statement of Activities and reflect a full economic resources measurement focus and the accrual basis of accounting. The Statement of Net Position presents the assets and deferred outflows, and liabilities and deferred inflows, and net position of the governmental and business-type activities by columns. In the Statement of Activities, both the gross and net cost per individual function is reported for both governmental and business-type activities. Related program revenues include 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by the function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of the function. The County does not

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2013**

allocate indirect expenses. Taxes and other revenues not restricted to a particular function are reported as general revenues.

In the fund financial statements, financial transactions and accounts are organized on the basis of funds. Fund financial statements consist of a series of statements that primarily focus on the information about the County's major governmental and enterprise funds. The governmental funds' financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Proprietary funds' financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, 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 Position and a Statement of Changes in Fiduciary Net Position.

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

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

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2013**

The non-major governmental funds of the County are:

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

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

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

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

**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.

**Economic Development Authority** - The EDA is a blended component unit of the County whose economic development operations are reported as a non-major fund.

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

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

Additionally, the County reports the following fund category:

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

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

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

Operating revenues and expenses in the proprietary funds result from the provision of goods and services in connection with their principal ongoing operations. The principal operating revenues of the County's proprietary funds are charges for services. Operating expenses for the enterprise and internal service funds include the cost of services, administrative expenses, contractual services and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2013**

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 \$5,843,979 and \$4,340,796 in fiscal year 2013 have been recorded as capital contributions in the Water and Wastewater Enterprise Funds, respectively and the meter installation fees have been classified as charges for services in the Water Enterprise Fund.

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

**D. Assets, Liabilities, and Net Position or Equity**

**1. Cash and Cash Equivalents**

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

**2. Investment Policy**

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

**3. Allowances for Uncollectibles**

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

**4. Inventories**

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

**5. Restricted Assets - Enterprise Funds**

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

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2013**

**6. Capacity Rights - Enterprise Funds**

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

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

**7. Capital Assets**

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

Capital assets are reported in the business-type activities and proprietary funds at cost, net of accumulated depreciation. Contributed assets are valued at 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	20-60 years
Improvements other than buildings	8-25 years
Machinery and equipment:	
Transmission lines and mains	35-50 years
Other	3-20 years
Infrastructure:	
Drainage systems	25-100 years

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

Interest costs of \$683,686 in the business-type activities of the primary government were capitalized during the fiscal year.

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2013**

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

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

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

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

**9. Retirement Plans**

Retirement plan contributions are actuarially determined for the 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 in fiscal year 2013. The County made a contribution to its Supplemental Retirement Plan in fiscal year 2013, which was equal to the annual required contribution. Retirement contributions for the School Board Supplemental Retirement Program are based on savings derived from employees electing to retire under the Plan. The School Board made a contribution to its Supplemental Retirement Program in fiscal year 2013, which was less than the required contribution. The required supplementary information section presents required schedules of funding progress that includes multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

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

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2013**

**11. Long-term Obligations**

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

In the basic financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type Statement of Net Position. 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.

**12. Use of Estimates**

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

**2. Stewardship, Compliance, and Accountability**

**A. Budgetary Accounting**

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

- ◆ Prior to budget submission, department directors develop departmental performance plans which include objectives, performance measures, initiatives and work plans for the coming year.
- ◆ In early fall, the School Board and County departments receive an expenditure target. Budgets are prepared with work plans consistent with the resources available.
- ◆ Departments submit budgets and work plans to the County Administrator for review in December and January. The County Administrator's recommended budget is prepared by early March. During this time, work sessions are held with the County Board to inform them on details of the budget.
- ◆ No later than March 1, the School Board submits its proposed budget to the County Administrator.
- ◆ Prior to March 15, the County Administrator submits to the County Board a proposed operating budget for the County and School Board for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the revenues for financing them.

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2013**

- ◆ A public hearing is conducted to obtain taxpayer comments. Constituent meetings are also held around the County to provide information to citizens and to receive community input on the County Administrator's proposed budget.
- ◆ Prior to May 1, the County Board adopts the budget by resolution and funds are appropriated generally at the function level for the General Fund, at the fund level for the Comprehensive Services Fund, and at the major expenditure category for the School Operating Fund of the School Board component unit, through passage of an appropriation resolution. The resolution establishes the levels of control at which expenditures may not legally exceed appropriation. The expenditure categories for the School Operating Fund are: instruction, administration, pupil transportation, operations and maintenance, technology, food service and debt service.
- ◆ The County prepares appropriations resolutions for the biennium. The resolution for the first year of the biennium contains appropriated first-year revenue and expenditures and approved second-year revenue and expenditures. For the second year of the biennium, any necessary amendments are made to the approved budget and the County Board then adopts and appropriates the second-year revenues and spending plan.
- ◆ Formal budgetary integration is employed as a management control device during the year for all funds. Budgets are legally adopted annually for the County's General Fund, the Comprehensive 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

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2013**

up to \$499,999. Any amendment that crosses major appropriation categories in excess of \$499,999 must first be approved by the School Board and then by the County Board. The County Administrator has the authority to appropriate any unanticipated revenues that are received from insurance recoveries, reimbursements and other revenue of the School Board for amounts up to \$50,000.

**B. Fund balances**

**1. Primary Government**

The County Board has adopted policies that provide a framework for the County's overall fiscal planning and management. The County's unassigned General Fund balance has been built over the years to provide the County with sufficient working capital to finance unforeseen emergencies without borrowing. The County is dedicated to maintaining a diversified and stable revenue system to shelter the government from fluctuations in any single revenue source and to ensure its ability to provide ongoing services. The County's policy is to fund current expenditures with current revenues. If it becomes necessary to fund current expenditures with fund balance, 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 by a resolution that identifies the specific circumstances under which resources can be expended. Only the County Board can modify the specified use of commitments.

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

**Unassigned fund balance** - Unassigned fund balance is the residual classification of fund balance. Only the General Fund can report a positive unassigned fund balance. The County Board has established a minimum fund balance policy which is the ratio of unassigned General Fund balance to General Fund expenditures. The County's minimum unassigned fund balance target is 8.0% for fiscal year 2013.

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2013**

The County had the following classifications of fund balances at June 30, 2013:

	General Fund	County Capital Projects Fund	School Capital Projects Fund	Other Governmental Funds	Totals
<b>Nonspendable:</b>					
T. F. Jeffress Memorial Fund	\$ -	\$ -	\$ -	\$ 5,000	\$ 5,000
<b>Restricted for:</b>					
General government	690,034	19,922	-	-	709,956
Personal property tax relief	2,300,000	-	-	-	2,300,000
Public, education and government access	2,192,000	-	-	-	2,192,000
Administration of justice	143,956	-	-	-	143,956
Public safety	30,863	5,110,451	-	867,013	6,008,327
Law enforcement	1,150,575	-	-	-	1,150,575
Public works	442,633	41,738,354	-	-	42,180,987
Stormwater management facility	1,027,351	-	-	-	1,027,351
Health and welfare	29,372	9,576,911	-	252,980	9,859,263
Mental health support services	1,069,450	-	-	-	1,069,450
Social services	321,852	-	-	-	321,852
Parks, recreation and cultural	76,453	11,377,645	-	196,138	11,650,236
Education - School Board	-	-	39,309,254	-	39,309,254
Economic development	2,307,796	599,069	-	386,914	3,293,779
Tax increment financing and special assessment	1,771,735	-	-	-	1,771,735
Debt service	-	3,237,513	186,663	-	3,424,176
Total restricted	13,554,070	71,659,865	39,495,917	1,703,045	126,412,897
<b>Committed to:</b>					
Community contracts	12,122	-	-	-	12,122
District improvement funds	235,644	-	-	-	235,644
Economic development	57,727	-	-	-	57,727
Public works	450,000	-	-	-	450,000
Total committed	755,493	-	-	-	755,493
<b>Assigned to:</b>					
General government	1,493,413	-	-	-	1,493,413
Employee benefits	6,112,393	-	-	-	6,112,393
Telecommunications	962,970	-	-	-	962,970
Workers compensation	2,000,000	-	-	-	2,000,000
Administration of justice	71,566	-	-	-	71,566
Public safety	1,767,164	-	-	4,319,405	6,086,569
Local match for grants	1,192,157	-	-	-	1,192,157
Police vehicle encumbrance	1,269,598	-	-	-	1,269,598
Public works	460,806	-	-	-	460,806
Health and welfare	555,308	-	-	2,013,313	2,568,621
Parks, recreation and cultural	343,571	-	-	-	343,571
Economic development	4,581,960	-	-	-	4,581,960
Airport	384,330	-	-	-	384,330
Construction	58,760,262	-	-	-	58,760,262
Critical capital and one-time needs	1,837,867	-	-	-	1,837,867
Debt service	7,500,377	-	-	-	7,500,377
Fiscal year 2014 adopted budget	22,172,587	-	-	-	22,172,587
Future capital projects	5,086,397	-	-	-	5,086,397
Future revenue shortfall - County	56,651,520	-	-	-	56,651,520
Future revenue shortfall - Schools	5,883,722	-	-	-	5,883,722
Registrar and economic development	1,600,000	-	-	-	1,600,000
Education - School Board	5,662,620	-	215,671	-	5,878,291
Total assigned	186,350,588	-	215,671	6,332,718	192,898,977
<b>Unassigned</b>					
	53,495,000	-	-	-	53,495,000
Total fund balances	\$ 254,155,151	\$ 71,659,865	\$ 39,711,588	\$ 8,040,763	\$ 373,567,367

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2013**

**2. Component Unit - School Board**

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

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

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

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

**Committed fund balance** - Committed fund balance requires expressed formal action of the School Board and then by the County Board by a resolution that identifies the specific circumstances under which resources can be expended. Only the School Board can modify the specified use of commitments with County approval. At June 30, 2013, 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, 2013, the School Board had no unassigned fund balance.

The School Board had the following classifications of fund balances at June 30, 2013:

<b><u>School Operating Fund</u></b>	
<b>Nonspendable:</b>	
Inventories	\$ 1,024,527
<b>Restricted for:</b>	
Instruction	27,718
Administration, attendance and health	78,632
Transportation	300
Food service	5,503,309
Total restricted	<u>5,609,959</u>
<b>Assigned to:</b>	
Instruction	3,778,017
Administration, attendance and health	494,558
Operations and maintenance	22,867,276
Technology	8,249,933
Food service	12,406,547
Future capital projects	108,900
Other	<u>1,000,000</u>
Total assigned	<u>48,905,231</u>
Total fund balances	<u><u>\$ 55,539,717</u></u>

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2013**

**3. Significant Transactions of the County and Component Units**

**A. School Board**

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

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

**B. Economic Development Authority**

On October 18, 2004, the EDA sold its Taxable Redevelopment Facility Note, Series 2004 (the Note), on behalf of the County in an amount not to exceed \$10,000,000 to acquire the former Cloverleaf Mall property ("Mall Property") for redevelopment by the County. On August 1, 2008, the principal amount of the Note was increased by \$7,371,199 for the purchase of the ground lease interest in the Mall Property. As of June 30, 2013, \$16,596,199 was outstanding on the Note. The County recorded interest expense related to the Note in the amount of \$123,709 during fiscal year 2013 and \$11,024 in unpaid interest.

On January 27, 2005, the EDA issued Variable Rate Revenue Bonds, Series 2005A, and Variable Rate Revenue Bonds, Taxable Series 2005B, in the amounts of \$6,490,000 and \$11,630,000, respectively. As of June 30, 2013, \$11,430,000 remained outstanding on the 2005 Revenue Bonds. These bonds were issued to finance the acquisition of real property for the development of the Meadowville Technology Park and to finance certain infrastructure improvements within the Park. Debt service related to these revenue bonds is payable solely from support payments made by the County, pursuant to an Amended and Restated Development Agreement, dated January 1, 2005, between the EDA and the County. The County made support payments of \$875,000 for principal and \$35,652 for interest during fiscal year 2013. In connection with issuing the revenue bonds, the EDA entered into a standby bond purchase agreement with a liquidity facility to purchase, from time to time, an aggregate principal amount of bonds and related interest. Due to the terms of the standby bond purchase agreement, which matures on July 1, 2016, principal payments due after fiscal year 2014 are classified as non-current liabilities due in more than one year.

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2013**

On October 14, 2010, the EDA issued \$8,345,000 in Taxable Recovery Zone Economic Development Bonds, Series 2010B, to finance a portion of the costs of the acquisition of real property for an interchange with Interstate I-295 and the construction of such interchange connecting Meadowville Technology Park with Interstate I-295. The Series 2010B Bonds were issued as Taxable Recovery Zone Economic Development Bonds under Section 1400U-2 of the Internal Revenue Code of 1986, which was added by the provisions of the American Recovery and Reinvestment Act of 2009 ("ARRA"). Pursuant to ARRA, the EDA will receive a cash subsidy payment from the U. S. Treasury equal to 45% of the interest payable on the Series 2010B Bonds on each interest payment date. The cash payment does not constitute a guarantee by the U. S. Treasury or a pledge of the faith and credit of the U. S., but is required to be paid by the U. S. Treasury under ARRA. Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, the subsidy is subject to an 8.7% reduction. The sequestration reduction rate will be applied until September 30, 2013, at which time the sequestration rate is subject to change. The County made support payments of \$420,000 for principal and \$160,661 for interest during the fiscal year. As of June 30, 2013, \$7,085,000 remained outstanding on the Series 2010B Bonds.

The primary government's budgeting process provides funding to the EDA component unit for debt service payments. These transactions are reported as transfers on the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund. GAAP requires that component units where the primary government pays substantially all of the debt service on behalf of the component unit be reported as a blended component unit. Therefore, the primary government eliminates budgetary transfers for these debt service payments for financial reporting purposes in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds. Payments received by the EDA for debt service are eliminated in the Combining Statement of Revenues, Expenditures and Changes Net Position - Non-major Enterprise Funds.

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

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

As of June 30, 2013, the carrying value of the County's deposits and investments, other than that of the County Supplemental Retirement Plan Pension Trust Fund, the Line of Duty and the County and School Board OPEB Funds, with their respective credit ratings, was as follows:

<u>Asset Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Demand deposits	\$ 298,171,525	N/A
LGIP	49,972,280	AAAm
SNAP	85,544,190	AAAm
Federal Home Loan Bank	114,942,801	AA+
Federal Home Loan Mortgage Corporation	31,815,669	AA+
Federal National Mortgage Association	989,016	AA+
Federal Farm Credit Bank	48,940,575	AA+
Total deposits and investments	<u>\$ 630,376,056</u>	

##### **Credit Risk:**

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

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

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2013**

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.

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

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

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

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

**Custodial Credit Risk:**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the depositor will not be able to recover the value of its investments or collateral securities that are in the possession of outside party. As of June 30, 2013, \$32,651,136 of the \$298,171,525 in demand deposits was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 30,460,489
Uninsured and partially collateralized with securities held by the pledging financial institution but not in the government's name	<u>2,190,647</u>
<b>Total</b>	<b><u>\$ 32,651,136</u></b>

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2013**

**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, 2013, the portion of the County's portfolio, excluding demand deposits, LGIP and SNAP, that represents 5% or more of the total portfolio is as follows:

<u>Issuer</u>	<u>% of Portfolio</u>
Federal Home Loan Bank	58.4%
Federal Farm Credit Bank	24.9%
Federal Home Loan Mortgage Corporation	16.2%

**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, 2013, the County had the following investments and maturities:

<u>Asset Type</u>	<u>Fair Value</u>	<u>Investment Maturity</u>		
		<u>0 - 1 Year</u>	<u>1 - 2 Years</u>	<u>2 - 5 Years</u>
LGIP	\$ 49,972,280	\$ 49,972,280	\$ -	\$ -
SNAP	85,544,190	85,544,190	-	-
Federal Home Loan Bank	114,942,801	25,005,210	89,937,591 (a)	-
Federal Home Loan Mortgage Corporation	31,815,669	901,917	21,636,752 (b)	9,277,000 (c)
Federal National Mortgage Association	989,016	989,016	-	-
Federal Farm Credit Bank	48,940,575	5,999,262	37,941,313 (d)	5,000,000 (e)
Total	<u>\$ 332,204,531</u>	<u>\$ 168,411,875</u>	<u>\$ 149,515,656</u>	<u>\$ 14,277,000</u>

(a) These bonds have call dates ranging from July 8, 2013 to June 12, 2014.

(b) These bonds have call dates ranging from November 26, 2013 to December 26, 2013.

(c) These bonds have call dates ranging from September 27, 2013 to October 22, 2013.

(d) These bonds have call dates ranging from July 15, 2013 to June 18, 2014.

(e) These bonds have a call date of October 1, 2013.

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2013**

**Chesterfield County Supplemental Retirement Plan:**

As of June 30, 2013, the carrying value of the County Supplemental Retirement Plan Pension Trust Fund's (Plan) deposits and investments, with their respective credit ratings, was as follows:

<u>Asset Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Demand deposits	\$ 946,474	N/A
Common stocks	12,002,241	N/A
Corporate bonds	2,813,180	N/A
Fund of funds	3,880,126	N/A
Exchange traded funds	3,891,144	N/A
Collateralized mortgage obligations	302,733	N/A
U. S. Treasuries	473,794	AA+
Federal Home Loan Mortgage Corporation	721,267	AA+
Federal National Mortgage Association	994,237	AA+
Government National Mortgage Association	114,071	Not Rated
Total deposits and investments	<u>\$ 26,139,267</u>	

The Plan's investments include a fund of funds, which is an investment fund that uses an investment strategy of holding a portfolio of other investment funds rather than investing directly in shares, bonds or other securities, resulting in greater portfolio diversification. At June 30, 2013, the underlying investments in the Plan's fund of funds consisted primarily of equities and fixed income securities.

**Credit Risk:**

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

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

**Custodial Credit Risk:**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of outside party. Of the Plan's \$946,474 of demand deposits, \$839,181 is invested in money market funds that are uninsured and uncollateralized.

**Concentration of Credit Risk:**

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

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

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2013**

As of June 30, 2013, in addition to equities and corporate bonds and fund of funds, there were no investments which represented 5% or more of the Plan's portfolio, excluding demand deposits.

**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, 2013, the Plan had investments of \$302,733 (1.2% of total portfolio excluding demand deposits) in collateralized mortgage obligations. These securities are based on cash flows from interest and principal payments on underlying mortgages and therefore are sensitive to interest rate changes.

As of June 30, 2013, the Plan had the following investments and maturities:

<u>Asset Type</u>	<u>Fair Value</u>	<u>Investment Maturity</u>		
		<u>0 - 5 Years</u>	<u>5 - 10 Years</u>	<u>10 - 30 Years</u>
U. S. Treasuries	\$ 473,794	\$ -	\$ -	\$ 473,794
Federal Home Loan Mortgage Corporation	721,267	-	27,016	694,251
Federal National Mortgage Association	994,237	128,202	-	866,035
Government National Mortgage Association	114,071	768	-	113,303
Total	<u>\$ 2,303,369</u>	<u>\$ 128,970</u>	<u>\$ 27,016</u>	<u>\$ 2,147,383</u>

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

As of June 30, 2013, the carrying value of the County Retiree Healthcare OPEB Fund's deposits and investments held by the Trust and their respective credit rating was as follows:

<u>Asset Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Investment in pooled funds	\$18,235,052	N/A

As of June 30, 2013, the carrying value of the School Board Retiree Healthcare OPEB Fund's deposits and investments held by the Trust and their respective credit rating was as follows:

<u>Asset Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Investment in pooled funds	\$ 6,877,165	N/A

As of June 30, 2013, the carrying value of the County Line of Duty OPEB Fund's deposits and investments held by the Trust and their respective credit rating was as follows:

<u>Asset Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Investment in pooled funds	\$3,899,867	N/A

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

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

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2013**

income and capital appreciation, in excess of 5 percent after inflation, in a manner consistent with prudent risk-taking. Investment decisions of the funds' assets are made by the Board of Trustees. The Board of Trustees establishes investment objectives, risk tolerance and asset allocation policies in light of the investment policy, market and economic conditions, and prevailing prudent investment practices. The Board of Trustees also monitors the investments to ensure adherence to the adopted policies and guidelines. In addition, the Trustees review, monitor, and evaluate the performance of the investments and its investment advisors in light of available investment opportunities, market conditions, and publicly available indices for the generally accepted evaluation and measurement of such performance. The Trust provides a diversified portfolio consisting of investments in various asset classes such as bonds, domestic equities, international equities and cash. Specific investment information for the Trust can be obtained by writing to VML/VACo Finance Program, 919 East Main Street, Suite 1100, Richmond, Virginia 23219.

As of June 30, 2013, excluding the pooled funds, there were no other investments. Accordingly, there is no credit risk, concentration of credit risk or interest rate risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Trust will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The entire balance of the pooled funds in the County and School Board Retiree Healthcare OPEB Funds and the County Line of Duty OPEB Fund are uninsured and uncollateralized.

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

As of June 30, 2013, the carrying value of the School Board operating and agency fund's deposits with their respective credit rating were as follows:

<u>Asset Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Demand deposits	\$38,032,785	N/A

School Board deposits are invested in accordance with the County's investment policy. As of June 30, 2013, excluding the demand deposits, there were no investments. Accordingly, there is no credit risk, concentration of credit risk or interest rate risk.

**School Board Supplemental Retirement Program:**

As of June 30, 2013, 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	\$ 660,952	N/A
Mutual funds - equity	4,666,891	Not Rated
Mutual funds - fixed income	3,045,641	Not Rated
Exchange traded funds	12,082,964	Not Rated
Total deposits and investments	<u>\$ 20,456,448</u>	

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2013**

**Credit Risk:**

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

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

Commercial Paper	35% maximum
Corporate Bonds	35% maximum

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

**Custodial Credit Risk:**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Program will not be able to recover the value of its investments or collateral securities that are in the possession of outside party. The entire amount of the Program's \$660,952 of demand deposits is invested in a money market fund that is uninsured and uncollateralized.

**Concentration of Credit Risk:**

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

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

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

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

As of June 30, 2013, excluding mutual funds and exchange traded funds, the Program had no investments.

**Interest Rate Risk:**

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

As of June 30, 2013, excluding mutual funds and exchange traded funds, the Program had no investments.

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2013**

**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, 2013, are levied for fiscal year 2013 and recorded as unavailable revenue. Installments due on December 5, 2013, are levied for fiscal year 2014 and are recorded as unearned revenue.

Personal property taxes, which do not create a lien on property, are due on June 5th and levied for fiscal year 2013 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, 2013. The Commonwealth requires localities to record the revenue from PPTRA as received from other governments, not as property taxes.

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2013**

**B. Receivables**

Receivables at June 30, 2013, were as follows:

<b>Governmental Activities</b>	<b>General</b>	<b>County Capital</b>	<b>School Capital</b>	<b>Other</b>	<b>Internal</b>	
	<b>Fund</b>	<b>Projects</b>	<b>Projects</b>	<b>Governmental</b>	<b>Service</b>	<b>Total</b>
		<b>Fund</b>	<b>Fund</b>	<b>Funds</b>	<b>Funds</b>	
Taxes	\$ 169,822,861	\$ -	\$ -	\$ -	\$ -	\$ 169,822,861
Accounts	13,658,386	14,825	23,647	7,320,920	47,660	21,065,438
Interest	74,384	7,139	-	-	-	81,523
Special assessments	726,447	-	-	-	-	726,447
Commonwealth of Virginia	47,358,330	2,233,851	-	1,058,893	15,553	50,666,627
Federal government	<u>233,768</u>	<u>-</u>	<u>-</u>	<u>1,336,912</u>	<u>72,908</u>	<u>1,643,588</u>
Gross receivables	231,874,176	2,255,815	23,647	9,716,725	136,121	244,006,484
Less: Allowance for uncollectibles	<u>(13,017,284)</u>	<u>-</u>	<u>-</u>	<u>(5,626,699)</u>	<u>-</u>	<u>(18,643,983)</u>
Net receivables	<u>\$ 218,856,892</u>	<u>\$ 2,255,815</u>	<u>\$ 23,647</u>	<u>\$ 4,090,026</u>	<u>\$ 136,121</u>	<u>\$ 225,362,501</u>

**Business-type Activities**

	<b>Water</b>	<b>Wastewater</b>	<b>Non-major</b>	
	<b>Fund</b>	<b>Fund</b>	<b>Business-type</b>	<b>Total</b>
			<b>Activities</b>	
Accounts	\$ 6,993,405	\$ 7,060,268	\$ 98,006	\$ 14,151,679
Interest	30,176	204,843	145	235,164
Special assessments	159,146	298,954	-	458,100
Commonwealth of Virginia	13,946	705,708	386,532	1,106,186
Federal government	<u>63,089</u>	<u>52,518</u>	<u>79,864</u>	<u>195,471</u>
Gross receivables	7,259,762	8,322,291	564,547	16,146,600
Less: Allowance for uncollectibles	<u>(341,376)</u>	<u>(277,778)</u>	<u>(18,122)</u>	<u>(637,276)</u>
Net receivables	<u>\$ 6,918,386</u>	<u>\$ 8,044,513</u>	<u>\$ 546,425</u>	<u>\$ 15,509,324</u>

**Component Unit**

	<b>School</b>
	<b>Board</b>
Accounts	\$ 433,349
Commonwealth of Virginia	1,196,313
Federal government	<u>6,151,825</u>
Gross receivables	<u>\$ 7,781,487</u>

Special assessments of \$146,236 and \$275,473, respectively in the Water and Wastewater funds, in addition to \$161,148 of accrued interest on those special assessments in the Wastewater fund, are not expected to be collected within one year.

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2013**

**6. Payables**

Payables at June 30, 2013, were as follows:

**Governmental Activities**

	General	County Capital Projects	School Capital Projects	Other Governmental	Internal Service	Total
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>	
Vendors	\$ 4,898,384	\$ 5,365,593	\$ 4,774,738	\$ 2,100,040	\$ 1,037,965	\$ 18,176,720
Wages and benefits	10,163,778	16,908	-	253,307	330,561	10,764,554
Retainages	-	416,942	1,319,922	1,812	-	1,738,676
Deposits	213,299	2,061,606	-	-	-	2,274,905
Total	<u>\$ 15,275,461</u>	<u>\$ 7,861,049</u>	<u>\$ 6,094,660</u>	<u>\$ 2,355,159</u>	<u>\$ 1,368,526</u>	32,954,855
					Accrued interest	9,317,948
					Total per Government-wide	<u>\$ 42,272,803</u>

**Business-type Activities**

	Water	Wastewater	Non-major Business-type	Total
	<u>Fund</u>	<u>Fund</u>	<u>Activities</u>	
Vendors	\$ 3,055,650	\$ 2,498,860	\$ 169,000	\$ 5,723,510
Wages and benefits	448,514	389,057	10,264	847,835
Accrued interest	265,680	264,701	1,695	532,076
Retainages	32,927	42,882	278,088	353,897
Due to broker	4,000,000	5,000,000	-	9,000,000
Other	408,559	31,661	915,884	1,356,104
Total	<u>\$ 8,211,330</u>	<u>\$ 8,227,161</u>	<u>\$ 1,374,931</u>	<u>\$ 17,813,422</u>

**Component Unit**

	School <u>Board</u>
Vendors	\$ 3,776,208
Wages and benefits	<u>32,415,469</u>
Total	<u>\$ 36,191,677</u>

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2013**

**7. Reporting Entity - Internal Transactions**

Internal receivable and payable balances at June 30, 2013, were as follows:

Fund	Internal Receivables	Internal Payables
<b>A. Internal Receivables/Payables Other Funds</b>		
<b>Governmental Activities:</b>		
General Fund	\$ 420,000	\$ 405,076
<b>Business-type Activities:</b>		
Non-major Economic Development Authority	405,076	-
Non-major Airport Fund	<u>-</u>	<u>420,000</u>
Total primary government	<u><u>\$ 825,076</u></u>	<u><u>\$ 825,076</u></u>
<b>B. Receivables/Payables Primary Government and Component Units</b>		
<b>Primary Government:</b>		
General Fund	<u>\$ -</u>	<u>\$ 50,735,088</u>
Non-major Economic Development Authority	<u>6,536,820</u>	<u>-</u>
Total primary government	<u>6,536,820</u>	<u>50,735,088</u>
<b>Discretely Presented Component Units:</b>		
School Board	50,735,088	-
Non-major Chippenham Place Community Development Authority	<u>-</u>	<u>6,536,820</u>
Total discretely presented component units	<u>50,735,088</u>	<u>6,536,820</u>
Total	<u><u>\$ 57,271,908</u></u>	<u><u>\$ 57,271,908</u></u>

Balances resulted from a timing difference between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2013**

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 2013 were as follows:

**Transfers In:**

**A. Governmental Funds**

General Fund - County Capital Projects Fund	\$ 3,246,911	
Grants Fund	1,192,815	
Vehicle and Communications Fund	12,600	
Water Fund	591,800	
Wastewater Fund	<u>3,300</u>	\$ 5,047,426
County Capital Projects Fund - General Fund	13,073,879	
Comprehensive Services Fund	13,096	
Water Fund	1,925	
School Capital Projects Fund	<u>88,183</u>	13,177,083
School Capital Projects Fund - County Capital Projects Fund		5,534,323
Grants Fund - General Fund		1,163,195
Comprehensive Services Fund - General Fund		2,157,300

**B. Proprietary Funds**

Water Fund - General Fund		7,408
Wastewater Fund - General Fund		11,112
Economic Development Authority - General Fund		2,594,562
Airport Fund - General Fund		<u>86,983</u>
Total transfers in		<u>\$ 29,779,392</u>

**Transfers Out:**

**A. Governmental Funds**

General Fund - County Capital Projects Fund	\$ 13,073,879	
Grants Fund	1,163,195	
Comprehensive Services Fund	2,157,300	
Economic Development Authority	2,594,562	
Airport Fund	<u>86,983</u>	\$ 19,075,919
County Capital Projects Fund - General Fund	3,246,911	
Water Fund	7,408	
Wastewater Fund	11,112	
School Capital Projects Fund	<u>5,534,323</u>	8,799,754
School Capital Projects - County Capital Projects Fund		88,183
Grants Fund - General Fund		1,192,815
Comprehensive Services Fund- County Capital Projects Fund		13,096

**B. Proprietary Funds**

Water Fund - General Fund	591,800	
County Capital Projects Fund	<u>1,925</u>	593,725
Wastewater Fund - General Fund		3,300
Vehicle and Communications Maintenance Fund - General Fund		<u>12,600</u>
Total transfers out		<u>\$ 29,779,392</u>

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2013**

**8. Capital and Intangible Assets**

**A. Governmental Activities**

Capital asset activity for the year ended June 30, 2013, was as follows:

	<u>Balance July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2013</u>
Capital assets, not being depreciated:				
Land	\$ 56,420,360	\$ 3,063,753	\$ 13,935	\$ 59,470,178
Revelopment asset	11,367,188	4,363,882	-	15,731,070
Construction in progress	<u>25,835,073</u>	<u>39,038,350</u>	<u>37,426,145</u>	<u>27,447,278</u>
Total assets, not being depreciated	<u>93,622,621</u>	<u>46,465,985</u>	<u>37,440,080</u>	<u>102,648,526</u>
Capital assets, being depreciated:				
Buildings	1,119,584,169	28,001,079	88,081	1,147,497,167
Improvements other than buildings	64,104,391	8,104,354	-	72,208,745
Machinery and equipment	150,947,161	10,368,561	4,509,533	156,806,189
Infrastructure	<u>35,323,105</u>	<u>687,590</u>	<u>-</u>	<u>36,010,695</u>
Total at historical cost	<u>1,369,958,826</u>	<u>47,161,584</u>	<u>4,597,614</u>	<u>1,412,522,796</u>
Less accumulated depreciation for:				
Buildings	333,128,961	22,549,659	58,471	355,620,149
Improvements other than buildings	37,163,829	2,248,625	-	39,412,454
Machinery and equipment	88,991,121	12,500,153	4,112,051	97,379,223
Infrastructure	<u>8,240,151</u>	<u>509,527</u>	<u>-</u>	<u>8,749,678</u>
Total accumulated depreciation	<u>467,524,062</u>	<u>37,807,964</u>	<u>4,170,522</u>	<u>501,161,504</u>
Total capital assets, being depreciated, net	<u>902,434,764</u>	<u>9,353,620</u>	<u>427,092</u>	<u>911,361,292</u>
<b>Governmental activities capital assets, net</b>	<u><b>\$ 996,057,385</b></u>	<u><b>\$ 55,819,605</b></u>	<u><b>\$ 37,867,172</b></u>	<u><b>\$ 1,014,009,818</b></u>

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

Governmental activities capital assets, net of accumulated depreciation at June 30, 2013, are comprised of the following:

General capital assets, net	\$ 1,007,519,304
Internal service funds capital assets, net	<u>6,490,514</u>
Total	<u><b>\$ 1,014,009,818</b></u>

Depreciation expense was charged to the following functions:

General government	\$ 2,358,194
Administration of justice	1,117,307
Public safety	9,978,335
Public works	1,523,904
Health and welfare	441,107
Education - School Board	17,285,505
Parks, recreation and cultural	2,755,786
Community development	801,846
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	<u>1,545,980</u>
Total depreciation expense	<u><b>\$ 37,807,964</b></u>

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2013**

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

<u>Function</u>	<u>Committed at June 30, 2013</u>
General government	\$ 1,210,628
Administration of justice	1,824,124
Public safety	8,339,177
Public works	1,132,051
Health and welfare	16,240,226
Parks, recreation and cultural	17,586,161
Education - School Board	66,693,176
Community development	112,608
Total construction in progress	<u>\$ 113,138,151</u>

**B. Business-type Activities**

Intangible and capital asset activity for the year ended June 30, 2013, was as follows:

<b>Water Fund</b>	<b>Balance July 1, 2012</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2013</b>
Intangible assets:				
Capacity rights, net of amortization	\$ 69,792,221	\$ 1,432,611	\$ 1,902,064	\$ 69,322,768
Capital assets, not being depreciated:				
Land	3,552,303	561,270	199,100	3,914,473
Construction in progress	4,792,163	5,378,952	7,963,763	2,207,352
Total assets, not being depreciated	8,344,466	5,940,222	8,162,863	6,121,825
Capital assets, being depreciated:				
Buildings	46,518,205	3,748,268	109,377	50,157,096
Improvements other than buildings	8,267,523	586,559	-	8,854,082
Machinery and equipment	398,938,232	12,395,418	1,044,801	410,288,849
Totals at historical cost	453,723,960	16,730,245	1,154,178	469,300,027
Less accumulated depreciation for:				
Buildings	16,399,716	1,200,611	52,733	17,547,594
Improvements other than buildings	3,814,418	335,049	-	4,149,467
Machinery and equipment	122,153,084	9,098,166	790,749	130,460,501
Total accumulated depreciation	142,367,218	10,633,826	843,482	152,157,562
Total capital assets, being depreciated, net	311,356,742	6,096,419	310,696	317,142,465
Water capital and intangible assets, net	<u>\$ 389,493,429</u>	<u>\$ 13,469,252</u>	<u>\$ 10,375,623</u>	<u>\$ 392,587,058</u>

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2013**

	<b>Balance</b> <b>July 1, 2012</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance</b> <b>June 30, 2013</b>
<b>Wastewater Fund</b>				
Intangible assets:				
Capacity rights, net of amortization	\$ 2,853,044	\$ -	\$ 118,877	\$ 2,734,167
Capital assets, not being depreciated:				
Land	1,189,188	334,322	1,200	1,522,310
Construction in progress	46,812,247	7,253,856	49,784,818	4,281,285
Total assets, not being depreciated	48,001,435	7,588,178	49,786,018	5,803,595
Capital assets, being depreciated:				
Buildings	126,239,226	26,294,629	7,295,215	145,238,640
Improvements other than buildings	18,950,184	161,504	304,395	18,807,293
Machinery and equipment	459,261,247	29,438,233	3,399,040	485,300,440
Totals at historical cost	604,450,657	55,894,366	10,998,650	649,346,373
Less accumulated depreciation for:				
Buildings	44,183,961	3,377,897	4,115,084	43,446,774
Improvements other than buildings	6,781,891	518,677	294,359	7,006,209
Machinery and equipment	159,974,392	12,026,015	2,949,638	169,050,769
Total accumulated depreciation	210,940,244	15,922,589	7,359,081	219,503,752
Total capital assets, being depreciated, net	393,510,413	39,971,777	3,639,569	429,842,621
Wastewater capital and intangible assets, net	\$ 444,364,892	\$ 47,559,955	\$ 53,544,464	\$ 438,380,383
	<b>Balance</b> <b>July 1, 2012</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance</b> <b>June 30, 2013</b>
<b>Non-major</b>				
Capital assets, not being depreciated:				
Land and improvements	\$ 14,410,203	-	-	\$ 14,410,203
Construction in progress	139,177	1,198,711	-	1,337,888
Total assets, not being depreciated	14,549,380	1,198,711	-	15,748,091
Capital assets, being depreciated:				
Buildings	7,112,132	-	-	7,112,132
Improvements other than buildings	27,250,648	-	-	27,250,648
Infrastructure	1,171,221	-	-	1,171,221
Machinery and equipment	1,449,785	166,777	28,438	1,588,124
Totals at historical cost	36,983,786	166,777	28,438	37,122,125
Less accumulated depreciation for:				
Buildings	2,505,767	144,392	-	2,650,159
Improvements other than buildings	12,861,023	1,058,043	-	13,919,066
Infrastructure	171,780	46,849	-	218,629
Machinery and equipment	824,200	108,365	(72,680)	1,005,245
Total accumulated depreciation	16,362,770	1,357,649	(72,680)	17,793,099
Total capital assets, being depreciated, net	20,621,016	(1,190,872)	101,118	19,329,026
Non-major business-type activities capital and intangible assets, net	\$ 35,170,396	\$ 7,839	\$ 101,118	\$ 35,077,117

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2013**

	<u>Balance</u> <u>July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2013</u>
<b>Total Business-type Activities</b>				
Intangible assets:				
Capacity rights, net of amortization	\$ 72,645,265	\$ 1,432,611	\$ 2,020,941	\$ 72,056,935
Capital assets, not being depreciated:				
Land	19,151,694	895,592	200,300	19,846,986
Construction in progress	51,743,587	13,831,519	57,748,581	7,826,525
Total assets, not being depreciated	70,895,281	14,727,111	57,948,881	27,673,511
Capital assets, being depreciated:				
Buildings	179,869,563	30,042,897	7,404,592	202,507,868
Improvements other than buildings	54,468,355	748,063	304,395	54,912,023
Infrastructure	1,171,221	-	-	1,171,221
Machinery and equipment	859,649,264	42,000,428	4,472,279	897,177,413
Totals at historical cost	1,095,158,403	72,791,388	12,181,266	1,155,768,525
Less accumulated depreciation for:				
Buildings	63,089,444	4,722,900	4,167,817	63,644,527
Improvements other than buildings	23,457,332	1,911,769	294,359	25,074,742
Infrastructure	171,780	46,849	-	218,629
Machinery and equipment	282,951,676	21,232,546	3,667,707	300,516,515
Total accumulated depreciation	369,670,232	27,914,064	8,129,883	389,454,413
Total capital assets, being depreciated, net	725,488,171	44,877,324	4,051,383	766,314,112
Total business-type activities capital and intangible assets, net	\$ 869,028,717	\$ 61,037,046	\$ 64,021,205	\$ 866,044,558

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

Water	\$ 1,902,064
Wastewater	118,877
Total amortization expense	<u>\$ 2,020,941</u>
Water	\$ 10,633,826
Wastewater	15,922,589
Non-major funds	1,357,649
Total depreciation expense	<u>\$ 27,914,064</u>

**C. Component Unit - School Board**

Capital asset activity for the year ended June 30, 2013, for the School Board component unit was as follows:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2013</u>
Capital assets, being depreciated:				
Machinery and equipment				
Historical cost	\$ 60,639,030	\$ 7,607,926	\$ 1,529,896	\$ 66,717,060
Less accumulated depreciation	50,566,086	4,497,189	1,505,762	53,557,513
School Board capital assets, net	<u>\$ 10,072,944</u>	<u>\$ 3,110,737</u>	<u>\$ 24,134</u>	<u>\$ 13,159,547</u>

Current year depreciation on capital assets of the School Board was \$4,497,189.

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2013**

**9. Long-term Obligations**

**A. General Obligation Bonds**

The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities of the primary government and including those used by the School Board component unit. The 2004 voter-approved bond referendum authorized \$341,745,000 in bonds to be issued in five major project categories. \$25,100,000 of this authorization remained at June 30, 2013. 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, 2013, 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>
<b>General Obligation Bonds</b>				
1995A School, due 2016	\$ 15,160,000	5.90 - 5.975 %	\$755,000	\$ 2,265,000
1995C School, due 2016	26,175,000	5.10	1,305,000	3,915,000
2002B School, due 2023	23,950,000	4.60 - 5.10	1,195,000	11,950,000
2003B School Refunding, due 2014	4,580,000	6.30	420,000	420,000
2004 School, due 2014	56,825,000	5.00	2,840,000	2,840,000
2004 General Refunding, due 2020	60,110,000	4.00 - 5.00	1,800,000 - 8,180,000	28,575,000
2005 General Improvement & Refunding, due 2018	36,775,000	4.00 - 5.00	2,270,000 - 5,505,000	19,510,000
2006 General Improvement, due 2026	64,305,000	4.00 - 5.00	3,215,000	28,935,000
2007 General Improvement & Refunding, due 2027	96,215,000	4.00 - 5.00	3,630,000 - 9,130,000	74,265,000
2008 General Improvement, due 2028	73,920,000	3.50 - 5.00	3,750,000	56,250,000
2009 General Improvement & Refunding, due 2030	92,000,000	3.00 - 5.00	1,830,000 - 4,135,000	61,160,000
2011 School, due 2032	15,630,000	3.05 - 5.05	780,000 - 785,000	14,850,000
2012 General Improvement & Refunding, due 2032	67,495,000	2.50 - 5.00	895,000 - 7,735,000	66,175,000
2012B School, due 2033	18,595,000	2.55 - 5.05	925,000 - 930,000	18,595,000
2013A School, due 2034	18,305,000	3.05 - 5.05	915,000 - 920,000	<u>18,305,000</u>
Total general obligation bonds				408,010,000
Add: Premium				24,197,494
Less: Deferred amount on refunding				<u>4,994,175</u>
Net general obligation bonds				<u>\$ 427,213,319</u>

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2013**

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

<u>Year Ending</u> <u>June 30</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 35,310,000	\$ 18,196,200	\$ 53,506,200
2015	34,820,000	16,814,791	51,634,791
2016	33,460,000	15,256,163	48,716,163
2017	33,015,000	13,721,095	46,736,095
2018	32,865,000	12,170,760	45,035,760
2019-2023	130,485,000	39,789,058	170,274,058
2024-2028	85,820,000	14,026,000	99,846,000
2029-2033	21,320,000	1,928,453	23,248,453
2034-2038	915,000	16,241	931,241
Total	<u>\$ 408,010,000</u>	<u>\$ 131,918,761</u>	<u>\$ 539,928,761</u>

**B. Revenue Bonds and Support Agreement**

The County issued bonds to finance construction projects for the Water and Wastewater enterprise funds. Revenue bonds outstanding at June 30, 2013, are as follows:

	<u>Original Issue Amount</u>	<u>Interest Rates</u>	<u>Annual Principal Requirements</u>	<u>Amount Outstanding</u>
<b>Primary Government</b>				
<b>Major Enterprise funds</b>				
2007 Water and Sewer, due 2028	\$ 47,315,000	4.00 - 4.25%	\$1,920,000 - 3,400,000	\$ 38,830,000
2009 Water and Sewer, due 2030	47,900,000	2.50 - 4.125	1,885,000 - 3,335,000	42,605,000
Total revenue bonds				81,435,000
Add Premium				959,135
Net revenue bonds				<u>\$ 82,394,135</u>

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

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Total revenue bonds	\$ 38,830,000	\$ 42,605,000	\$ 81,435,000
Net revenue bonds	38,967,854	43,426,281	82,394,135

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

<u>Year Ending</u> <u>June 30</u>	<u>Primary Government Major Enterprise Funds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 3,805,000	\$ 3,115,605	\$ 6,920,605
2015	3,935,000	2,979,930	6,914,930
2016	4,080,000	2,844,330	6,924,330
2017	4,215,000	2,703,680	6,918,680
2018	4,360,000	2,542,430	6,902,430
2019-2023	24,560,000	9,955,347	34,515,347
2024-2028	29,940,000	4,509,946	34,449,946
2029-2033	6,540,000	272,456	6,812,456
Total	<u>\$ 81,435,000</u>	<u>\$ 28,923,724</u>	<u>\$ 110,358,724</u>

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2013**

In accordance with the Support Agreement, the Economic Development Authority issued bonds to finance construction projects for the infrastructure improvements at the Meadowville Technology Park. The General Fund is responsible for the following Revenue Bonds outstanding at June 30, 2013, as follows:

	<u>Original Issue Amount</u>	<u>Interest Rates</u>	<u>Annual Principal Requirements</u>	<u>Amount Outstanding</u>
<b>Primary Government</b>				
2005 Economic Development, due 2015	\$ 18,120,000	variable	\$875,000 - \$1,020,000	\$ 11,430,000
2010 Taxable Recovery Zone, Economic Development due 2030	8,345,000	0.700 - 5.265%	\$415,000 - \$420,000	7,085,000
Total revenue bonds				<u>\$ 18,515,000</u>

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

<u>Year Ending</u>	<u>Primary Government</u>		
	<u>Non-major Enterprise fund</u>		
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 1,310,000	\$ 313,846	\$ 1,623,846
2015	1,315,000	303,649	1,618,649
2016	1,330,000	291,779	1,621,779
2017	1,340,000	278,416	1,618,416
2018	1,355,000	263,464	1,618,464
2019-2023	6,935,000	1,052,428	7,987,428
2024-2028	4,100,000	545,911	4,645,911
2029-2033	830,000	65,549	895,549
Total	<u>\$ 18,515,000</u>	<u>\$ 3,115,042</u>	<u>\$ 21,630,042</u>

\* Interest estimated using rate in effect as of June 30, 2013.

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

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

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

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

Under an agreement dated January 1, 2001, the County leases the Juvenile Detention Home, the old Juvenile and Domestic Relations Courts Building, the Information Systems Technology Building and

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2013**

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 financial/human resources information system. These certificates were partially refunded with Certificates of Participation, Refunding Series 2012.

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

Under an agreement dated March 1, 2004, the County leases real property incorporating a new Community Development Building, a replacement Chester House Rehabilitative Facility, and an additional 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/human resources information management system. These certificates were partially refunded with Certificates of Participation, Refunding Series 2012.

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

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

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

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

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2013**

Amounts outstanding as of June 30, 2013, on the Public Facility Lease, the Certificates of Participation and the Taxable Redevelopment Note are as follows:

	<u>Original Issue Amount</u>	<u>Interest Rates</u>	<u>Annual Principal Requirements</u>	<u>Amount Outstanding</u>
<b>Governmental Activities</b>				
2003A Certificates of Participation, due 2015	\$ 3,070,000	3.45% - 3.55%	\$170,000	\$ 340,000
2003B Certificates of Participation, due 2024	3,030,000	3.45 - 4.40	150,000 - 155,000	610,000
2004A Certificates of Participation, due 2015	14,980,000	3.50	790,000	1,580,000
2004B Certificates of Participation, due 2016	5,982,795	3.50	299,568	898,703
2004 Taxable Redevelopment Facility Note *	16,596,199	Variable**	0 - 16,596,199	16,596,199
2005A Certificates of Participation, due 2016	4,300,000	3.75	430,000	1,290,000
2005B Certificates of Participation, due 2025	8,500,000	3.75 - 4.25	445,000	2,225,000
2005C Certificates of Participation, due 2016	1,245,000	3.75	120,000 - 125,000	370,000
2006A Certificates of Participation, due 2016	3,565,000	4.25	355,000	1,065,000
2006B Certificates of Participation, due 2025	8,395,000	4.25 - 4.50	440,000	4,840,000
2007 Certificates of Participation, due 2028	22,220,000	4.25 - 5.00	950,000 - 1,165,000	16,380,000
2010 Public Facility Revenue Refunding Bonds, due 2020	7,185,000	2.00 - 4.00	800,000 - 875,000	5,785,000
2012 Certificates of Participation Refunding, due 2025	19,011,905	2.50 - 5.00	327,211 - 2,377,090	18,896,419
Total governmental activities				70,876,321
Add: Premium				3,399,138
Less: Deferred amount on refunding				1,516,332
Net governmental activities				72,759,127
<b>Business-type Activities</b>				
2004B Certificates of Participation, due 2016	\$ 1,007,205	3.50%	\$50,432	151,297
2005B Certificates of Participation, due 2025	450,000	3.75 - 4.25	25,000	125,000
2012 Certificates of Participation - Refunding, due 2025	743,095	2.50 - 5.00	12,789 - 92,910	738,581
Total business-type activities				1,014,878
Add: Premium				113,511
Less: Deferred amount on refunding				53,434
Net business-type activities				1,074,955
Total certificates of participation				\$ 73,834,082

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2013**

\* On October 18, 2004, the EDA sold its Taxable Redevelopment Facility Note, Series 2004 on behalf of the County in an amount of \$9,225,000 to acquire the former 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, 2013, the one month LIBOR rate was 0.19465%.

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

<b>Year Ending</b>	<b>Governmental Activities</b>			<b>Business-Type Activities</b>		
	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
<b>June 30</b>						
2014	\$ 5,703,691	\$ 2,344,859	\$ 8,048,550	\$ 96,309	\$ 41,117	\$ 137,426
2015	22,365,266	2,040,406	24,405,672	95,933	37,846	133,779
2016	4,561,888	1,818,650	6,380,538	93,112	34,571	127,683
2017	4,742,402	1,652,525	6,394,927	97,598	31,365	128,963
2018	4,729,723	1,471,744	6,201,467	90,277	27,971	118,248
2019-2023	20,676,325	4,250,343	24,926,668	443,675	74,060	517,735
2024-2028	8,097,026	715,558	8,812,584	97,974	3,565	101,539
Total	<u>\$ 70,876,321</u>	<u>\$ 14,294,085</u>	<u>\$ 85,170,406</u>	<u>\$ 1,014,878</u>	<u>\$ 250,495</u>	<u>\$ 1,265,373</u>

The interest rate for the Taxable Redevelopment Note is estimated using the average of the fiscal year 2013 LIBOR Market Index Rate plus 0.60%.

#### **D. Special Assessment Revenue Note**

On October 1, 2011, the EDA entered into a Financial Agreement with the Chippenham Place CDA. In accordance with the Financing Agreement, the EDA issued a Tax-Exempt Revenue Note in an amount up to \$8 million and loaned the proceeds of the Note to the Chippenham Place CDA to finance the infrastructure improvements at the former Cloverleaf Mall site. Chippenham Place CDA promised to pay the outstanding principal balance and interest on the EDA's Note solely from the revenues and other property pledged to the payment of this Note. The Note is a limited obligation of the EDA secured by pledged revenues consisting of incremental tax and special assessment revenues collected by the County. The County intends to make annual appropriations sufficient to cover the required annual debt service. The Note will be repaid with the incremental tax revenues and, to the extent incremental tax revenues are not sufficient, special assessment revenues. The Note has a maturity date of December 31, 2014, and shall bear interest on the outstanding principal amount at an annual rate equal to 75% of the Libor Market Index Rate plus 150 basis points (1.5%) not to exceed the maximum interest rate of 12%. Interest on the Note is paid on October 1 and April 1 of each year. As of June 30, 2013, the EDA reported total accrued interest of \$26,820 related to the Note, which will be paid by the Chippenham Place CDA. The balance of the Note as of June 30, 2013, is \$6,510,000 which is included as a non-current liability on the Statement of Net Position – Proprietary Funds.

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2013**

**E. Capital Leases**

The County has acquired equipment under capital lease arrangements with an interest rate of 3.83% and annual principal payments ranging from \$90,613 to \$173,011 per fiscal year. Capital leases are to be liquidated by the General Fund. Future minimum lease payments at June 30, 2013, for these capital leases are as follows:

<b>Year Ending</b> <b>June 30</b>	<b>Primary Government</b> <b>Governmental Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2014	\$ 139,718	\$ 26,011	\$ 165,729
2015	149,407	20,568	169,975
2016	160,462	14,750	175,212
2017	173,011	8,486	181,497
2018	90,613	1,735	92,348
Total	<u>\$ 713,211</u>	<u>\$ 71,550</u>	<u>\$ 784,761</u>

**F. 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 \$11,709,504 for the governmental activities of the primary government, \$1,899,089 for the business-type activities of the primary government and \$14,131,773 for the School Board component unit. A liability of \$4,415,451 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, 2013, and b) liabilities for claims incurred but not reported as of June 30, 2013. 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.

The County recorded a liability for compensated absences in the Statement of Net Position of the government-wide statements for the primary government and the School Board component unit and in the fund financial statements of the proprietary funds. The governmental activities of the primary government recorded \$17,973,590 and \$3,989,046 for accrued vacation and sick leave benefits, respectively and the business-type activities of the primary government recorded \$1,127,672 and \$436,578 for accrued vacation and sick leave benefits, respectively. The School Board component unit recorded \$11,651,785 and \$8,786,033 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 U.S. Environmental Protection Agency (EPA) issued a rule establishing municipal solid waste landfills (MSWLF) closure requirements for all MSWLF's that accepted solid waste after October 9, 1991 and postclosure requirements for all MSWLF's that accepted solid waste after October 9, 1993. The County operated one landfill, which was closed on October 8, 1993, and completed the final cover during fiscal year 1995. The County has met the Commonwealth's ten-year requirement to perform maintenance and monitoring postclosure functions at the site and has applied for certification from the Commonwealth to release it from further maintenance and monitoring requirements. The County anticipates it will incur an additional postclosure care liability of \$1,111,138 at June 30, 2013. 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

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2013**

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 U.S. 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, 2013. 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.

**G. 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 \$2,667,252 and a prepaid asset of \$10,851 for the VRS Pension Plan and the County Supplemental Retirement Plan, respectively, and the business-type activities of the primary government recorded \$246,465 for the VRS Pension Plan. The School Board component unit recorded a liability of \$634,285 and a prepaid asset of \$8,975,149 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.

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

For the fiscal year ended June 30, 2013, the County reported an actuarially determined liability for other postemployment health-care and line of duty benefits for retired, active and disabled employees on the financial statements. The County and School Board fully funded annual other postemployment benefits costs for retiree healthcare and line of duty benefits. Payments for these liabilities are recorded as charges to the fund that incurred the liability.

**I. Defeased Debt**

In prior years, the County defeased certain general obligation bonds and certificates of participation by placing funds in irrevocable escrow accounts to provide for future debt service payments on the defeased debt. Accordingly, the escrow account assets and the liability for the defeased debt are not included in the County's financial statements. At June 30, 2013, the outstanding balance of the defeased debt was \$52,245,000 for general obligation bonds and \$16,220,000 for certificates of participation.

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2013**

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

The following is a summary of long-term obligation transactions for the year ended June 30, 2013:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
<b>Governmental Activities</b>					
General obligation bonds	\$ 427,010,000	\$ 18,305,000	\$ 37,305,000	\$ 408,010,000	\$ 35,310,000
Add: Premium	24,880,556	2,709,209	3,392,271	24,197,494	3,295,002
Less: Deferred amount on refunding	6,083,291	-	1,089,116	4,994,175	964,875
Net bonds payable	<u>445,807,265</u>	<u>21,014,209</u>	<u>39,608,155</u>	<u>427,213,319</u>	<u>37,640,127</u>
Support agreements - EDA	19,810,000	-	1,295,000	18,515,000	1,310,000
Certificates of participation	53,529,426	-	5,034,304	48,495,122	4,903,691
Add: Premium	3,883,636	-	601,810	3,281,826	509,175
Less: Deferred amount on refunding	1,653,619	-	256,476	1,397,143	215,301
Net certificates of participation	<u>55,759,443</u>	<u>-</u>	<u>5,379,638</u>	<u>50,379,805</u>	<u>5,197,565</u>
Public facility lease	6,475,000	-	690,000	5,785,000	800,000
Add: Premium	153,147	-	35,835	117,312	31,480
Less: Deferred amount on refunding	155,599	-	36,410	119,189	31,984
Net public facility lease	<u>6,472,548</u>	<u>-</u>	<u>689,425</u>	<u>5,783,123</u>	<u>799,496</u>
Taxable redevelopment facility note	16,596,199	-	-	16,596,199	-
Capital lease obligations	<u>843,702</u>	<u>-</u>	<u>130,491</u>	<u>713,211</u>	<u>139,718</u>
Total bonds, leases and loans	<u>545,289,157</u>	<u>21,014,209</u>	<u>47,102,709</u>	<u>519,200,657</u>	<u>45,086,906</u>
Other liabilities:					
Compensated absences	20,007,414	15,345,697	13,390,475	21,962,636	13,679,132
Judgments and claims	15,254,667	870,288	-	16,124,955	6,762,876
Landfill	1,065,350	241,388	195,600	1,111,138	97,659
Pollution remediation	2,686,500	-	-	2,686,500	-
Retirement plan obligations*	<u>2,629,727</u>	<u>37,525</u>	<u>-</u>	<u>2,667,252</u>	<u>-</u>
Total other liabilities	<u>41,643,658</u>	<u>16,494,898</u>	<u>13,586,075</u>	<u>44,552,481</u>	<u>20,539,667</u>
Total long-term liabilities	<u>\$ 586,932,815</u>	<u>\$ 37,509,107</u>	<u>\$ 60,688,784</u>	<u>\$ 563,753,138</u>	<u>\$ 65,626,573</u>

*\*The governmental activities reported a negative net pension obligation of \$10,851 for the Supplemental Retirement Plan.*

*This amount and the negative net OPEB obligations of \$1,327,473 for retiree healthcare and \$2,272,075 for line of duty are recorded as prepaid assets in the government-wide statements.*

Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for these funds are included as part of the above totals for governmental activities. At year-end, \$530,476 for compensated absences, \$4,479,892 for judgments and claims and \$78,785 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, 2013**

	<u>Balance</u> <u>July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
<b>Business-type Activities</b>					
<b><u>Water Fund</u></b>					
Revenue bonds payable	\$ 40,675,000	\$ -	\$ 1,845,000	\$ 38,830,000	\$ 1,920,000
Add: Premium	155,156	-	17,302	137,854	16,471
Net bonds payable	40,830,156	-	1,862,302	38,967,854	1,936,471
Other liabilities:					
Compensated absences	688,157	544,659	489,788	743,028	422,701
Judgments and claims	517,876	1,055,379	-	1,573,255	451,264
Retirement plan obligations	153,132	1,587	-	154,719	-
Total other liabilities	1,359,165	1,601,625	489,788	2,471,002	873,965
Total long-term liabilities	42,189,321	1,601,625	2,352,090	41,438,856	2,810,436
<b><u>Wastewater Fund</u></b>					
Revenue bonds payable	44,445,000	-	1,840,000	42,605,000	1,885,000
Add: Premium	911,829	-	90,548	821,281	86,630
Net bonds payable	45,356,829	-	1,930,548	43,426,281	1,971,630
Other liabilities:					
Compensated absences	730,273	535,323	468,863	796,733	432,047
Judgments and claims - other	297,561	28,273	-	325,834	93,460
Retirement plan obligations	85,835	1,361	-	87,196	-
Total other liabilities	1,113,669	564,957	468,863	1,209,763	525,507
Total long-term liabilities	46,470,498	564,957	2,399,411	44,636,044	2,497,137
	<u>Balance</u> <u>July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Amounts</u> <u>Due within</u> <u>One Year</u>
<b><u>Non-major</u></b>					
Certificates of participation	1,115,574	-	100,696	1,014,878	96,309
Add: Premium	134,347	-	20,836	113,511	17,492
Less: Deferred amount on refunding	63,243	-	9,809	53,434	8,234
Net certificates of participation	1,186,678	-	111,723	1,074,955	105,567
Revenue note payable	6,410,000	100,000	-	6,510,000	-
Total certificates of participation and revenue notes payable	7,596,678	100,000	111,723	7,584,955	105,567
Other liabilities:					
Compensated absences	23,412	7,818	6,741	24,489	15,665
Retirement plan obligations	4,510	40	-	4,550	-
Total other liabilities	27,922	7,858	6,741	29,039	15,665
Total long-term liabilities	\$ 7,624,600	\$ 107,858	\$ 118,464	\$ 7,613,994	\$ 121,232

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2013**

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013	Amounts Due within One Year
<b>Total Business-type Activities</b>					
Revenue bonds payable	\$ 85,120,000	\$ -	\$ 3,685,000	\$ 81,435,000	\$ 3,805,000
Add: Premium	1,066,985	-	107,850	959,135	103,101
Net bonds payable	86,186,985	-	3,792,850	82,394,135	3,908,101
Certificates of participation	1,115,574	-	100,696	1,014,878	96,309
Add: Premium	134,347	-	20,836	113,511	17,492
Less: Deferred amount on refunding	63,243	-	9,809	53,434	8,234
Net certificates of participation	1,186,678	-	111,723	1,074,955	105,567
Revenue note payable	6,410,000	100,000	-	6,510,000	-
Total bonds, certificates of participation and revenue notes payable	93,783,663	100,000	3,904,573	89,979,090	4,013,668
Other liabilities:					
Compensated absences	1,441,842	1,087,800	965,392	1,564,250	870,413
Judgments and claims - other	815,437	1,083,652	-	1,899,089	544,724
Retirement plan obligations	243,477	2,988	-	246,465	-
Total other liabilities	2,500,756	2,174,440	965,392	3,709,804	1,415,137
Total long-term liabilities	\$ 102,694,419	\$ 2,374,440	\$ 4,869,965	\$ 93,688,894	\$ 5,428,805

Summaries of long-term obligation transactions for the School Board component unit for the year ended June 30, 2013, are as follows:

**School Board**

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013	Amounts Due Within One Year
Compensated absences	\$ 20,380,655	\$ 5,857,965	\$ 5,800,802	\$ 20,437,818	\$ 9,224,104
Judgments and claims	9,935,580	4,196,193	-	14,131,773	4,053,482
Retirement plan obligations*	625,466	8,819	-	634,285	-
Total long-term liabilities	\$ 30,941,701	\$ 10,062,977	\$ 5,800,802	\$ 35,203,876	\$ 13,277,586

\*The School Board Supplemental Retirement Program has a negative net pension obligation of \$8,975,149.

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

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

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

General obligations bonds	\$ 321,788,643
Certificates of participation	942,000
Total general obligation debt and lease obligations	<u>\$ 322,730,643</u>

In addition to the general obligation debt and lease obligations, the primary government has also recorded accrued interest payable of \$6,957,715 in the government-wide financial statements on behalf of the School Board component unit.

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2013**

**10. Commitments and Contingent Liabilities**

**A. Lease Commitments**

Rent expense for all operating leases was \$1,716,061 for the County and \$481,225 for the School Board.

The County leases various types of equipment under operating lease agreements. The County lease agreements are contingent on the County Board appropriating funds for each year's payments. As of June 30, 2013, future operating lease payments for the County totaled \$2,504 all of which is due in 2014.

**B. Other Commitments**

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

**C. Contingent Liabilities**

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

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

**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 2013.

**11. Risk Management - Claims Liability**

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

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2013**

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

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

Workers' compensation claims are funded annually by appropriations in the various funds. For the period January 1, 2008, to December 31, 2011, the self-insured retention per occurrence was \$850,000 for non-public safety employees and \$1,000,000 for public safety employees. The self-insured retention is limited to \$750,000 per occurrence after December 31, 2011 and the County maintains an excess insurance policy for claims greater than \$750,000. Claims are administered by Risk Management staff with an independent claims audit conducted periodically. Safety professionals and representatives of the third party insurance companies provide loss prevention consultation.

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

	<u>County</u>		<u>School Board</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<b>Workers' Compensation:</b>				
Liability, July 1	\$ 9,942,232	\$ 9,314,706	\$ 9,935,580	\$ 9,354,343
Current year claims	4,250,000	3,885,000	4,118,000	3,924,000
Changes in estimates	2,639,077	(4,075)	4,085,312	62,953
Claim payments	<u>(3,222,716)</u>	<u>(3,253,399)</u>	<u>(4,007,119)</u>	<u>(3,405,716)</u>
Liability, June 30	<u>\$ 13,608,593</u>	<u>\$ 9,942,232</u>	<u>\$ 14,131,773</u>	<u>\$ 9,935,580</u>

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

	<u>2013</u>	<u>2012</u>
<b>Risk Management Fund:</b>		
Liability, July 1	\$ 6,127,872	\$ 4,275,520
Current year claims	2,211,447	2,142,820
Changes in estimates	(938,943)	1,604,081
Claim payments	<u>(2,984,925)</u>	<u>(1,894,549)</u>
Liability, June 30	<u>\$ 4,415,451</u>	<u>\$ 6,127,872</u>

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2013**

**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 are automatically covered by VRS upon employment. Benefits vest after five years of service credits. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan. VRS administers two defined benefit plans for local government employees - Plan 1 and Plan 2.

- a. County and School Board employees hired before July 1, 2010, and who were vested as of January 1, 2013 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 Plan 1 members who were not vested on January 1, 2013 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. They may retire with a reduced benefit as early as age 50 with at least five 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%. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013, unless they are hazardous duty employees.

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 3.00%. 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/2012-annual-report.pdf> or obtained by writing to VRS at P.O. Box 2500, Richmond, VA, 23218-2500.

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2013**

**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. In the past, the County and Schools elected to pay the plan members' contributions. Beginning July 1, 2012, the County and Schools were required to begin making the employee pay the 5% member contribution. The County elected to require the full 5% employee funding beginning in fiscal year 2013 and provided salary increases equal to the amount of the increase in the employee-paid member contribution. The School Board elected to phase in the 5% member contribution requirement over 5 years at a rate of 1% per year beginning in fiscal year 2013 and is providing the required salary increases equal to the amount of the increase in the employee-paid member contribution. 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 Code of Virginia and approved by the VRS Board of Trustees.

The County and School Board's contribution rates, including the 5% member contribution for fiscal year 2013, were 20.03% and 16.48%, respectively, of annual covered payroll. As of June 30, 2013, the County and School agent plans were 69.97% and 71.68% funded, respectively. The accrued actuarial liability for benefits for the County agent plan was \$850,005,104 and the actuarial value of assets was \$594,780,818 leaving \$255,224,286 unfunded. The accrued actuarial liability for benefits for the School agent plan was \$106,493,500 and the actuarial value of assets was \$76,337,871 leaving \$30,155,629 unfunded. Covered payroll was \$165,581,724 for the County agent plan and \$25,763,476 for the School agent plan. The ratio of unfunded actuarial accrued liability to annual covered payroll for the County and School agent plans was 154.14% and 117.05%, respectively.

The School Board's required contribution, including the 5% member contributions for fiscal years 2013, 2012 and 2011, to the VRS statewide teacher cost-sharing pool was \$43,173,293, \$28,373,171 and \$22,422,224 respectively, which as a percentage of covered payroll was 16.66% for fiscal year 2013, 11.33% for fiscal year 2012 and 8.93% for fiscal year 2011.

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, 2012 actuarial valuation. The June 30, 2012 actuarial valuation assumptions were the same as the prior year's valuation.

**3. Annual Pension Cost and Net Pension Obligation**

For fiscal year 2013, the County's and School Board's annual required contribution of \$26,218,276 and \$3,063,982, respectively, representing a contribution rate of 15.03% and 11.48%, respectively, was equal to their actual contributions. The required contribution was determined as part of the June 30, 2011, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2011, included (a) 7.0% investment rate of return, (b) projected salary increases that range from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs and (c) a cost-of-living adjustments of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and projected salary increases include an inflation component of 2.50%. 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 29 years from valuation date.

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2013**

**Net Pension Obligation (NPO)**

	<b><u>County</u></b>	<b><u>School Board</u></b>
Annual Required Contribution (ARC)	\$ 26,218,276	\$ 3,063,982
Interest on NPO	201,124	43,783
Adjustment to the ARC	<u>(160,611)</u>	<u>(34,964)</u>
Annual Pension Cost	26,258,789	3,072,801
Contributions made	<u>(26,218,276)</u>	<u>(3,063,982)</u>
Increase in NPO	40,513	8,819
NPO beginning of year	<u>2,873,204</u>	<u>625,466</u>
NPO end of year	<u><u>\$ 2,913,717</u></u>	<u><u>\$ 634,285</u></u>

**4. Three-year Trend Information:**

	<b><u>County</u></b>		
	<b>Annual</b>		<b>Net</b>
<b>Fiscal Year Ended</b>	<b>Pension Cost</b>	<b>Percent Contributed</b>	<b>Pension Obligation</b>
6/30/2013	\$26,258,789	99.85 %	\$ 2,913,717
6/30/2012	19,066,289	99.78	2,873,204
6/30/2011	18,655,886	100.00	2,830,357

	<b><u>School Board</u></b>		
	<b>Annual</b>		<b>Net</b>
<b>Fiscal Year Ended</b>	<b>Pension Cost</b>	<b>Percent Contributed</b>	<b>Pension Obligation</b>
6/30/2013	\$3,072,801	99.71 %	\$ 634,285
6/30/2012	2,301,046	99.60	625,466
6/30/2011	2,315,924	100.00	616,162

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

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

**1. Summary of Significant Accounting Policies**

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

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2013**

**2. Plan Descriptions and Contribution Information**

- a) Plan Description: The Plan provides retirement benefits as well as disability benefits for certain qualified full-time County employees. Benefits begin to vest after five years of service. Employees with ten years of credited service may retire at or after age 55 and receive an unreduced retirement benefit. Employees who retire at or after age 65 with five years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 0.875% of final average compensation in excess of covered compensation, multiplied by years of service credited to the member at retirement. Covered compensation is the average of taxable wage bases over the 35 calendar years ending with the calendar year in which the participant attains age 64. Covered compensation shall not change after a participant reaches normal retirement age. With respect to calendar years on or after 2013, the taxable wage base used shall equal \$110,100 increased by an adjustment factor equal to the smaller of 5% or a ratio, the numerator of which is the consumer price index for urban workers (CPI-U) for the month of September preceding the current January 1 and the denominator of which is the CPI-U for the month of September preceding the previous January 1. The County pays the entire cost of the Plan. The Plan was closed to new employees effective July 1, 2012.

Membership of the Plan consisted of the following at June 30, 2013:

Active members	3,040
Terminated members with vested rights	83
Retired members with benefits in pay status and beneficiaries of deceased members receiving benefits	<u>280</u>
Total	<u>3,403</u>

- b) Funding Policy: The Plan provides for annual employer contributions at actuarially determined rates, which will remain relatively level over time as a percentage of payroll and will accumulate sufficient assets to meet the cost of all basic benefits when due. Contribution rates are developed using the entry age cost method for both normal costs and amortization of the unfunded actuarial accrued liability. The plan is financed through budget appropriations.
- c) Annual Pension Cost and Net Pension Obligation (Asset): For fiscal year 2013, the County's contribution of \$1,966,206 was equal to the recommended contribution which was determined as a part of the July 1, 2012, actuarial valuation.

<b>Net Pension Obligation (NPO) (Asset)</b>	
Annual Required Contribution (ARC)	\$ 1,966,206
Interest on NPO	(724)
Adjustment to the ARC	<u>1,011</u>
Annual Pension Cost	1,966,493
Contributions made	<u>(1,966,206)</u>
Increase in NPO (asset)	287
NPO (asset) beginning of year	<u>(11,138)</u>
NPO (asset) end of year	<u>\$ (10,851)</u>

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2013**

d) **Three-year Trend Information:**

Fiscal Year Ended	Annual Pension Cost	Percent Contributed	Net Pension Obligation (Asset)
6/30/2013	\$1,966,493	99.99 %	\$ (10,851)
6/30/2012	1,342,638	121.03	(11,433)
6/30/2011	1,439,206	100.50	270,929

**3. Related Party Investments**

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

**4. Actuarial Method and Significant Assumptions**

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

Valuation Date.....	July 1, 2013
Actuarial cost method.....	Entry age actuarial cost
Amortization method .....	Level dollar
Amortization period - actuarial gains and losses.....	20 years closed
Amortization period - other .....	40 years closed
Asset valuation method.....	Five-year moving average
Actuarial assumptions:	
Investment rate of return .....	6.5%
Projected salary increases .....	3.5%
Inflation rate.....	3.0%

**5. Funded Status and Funding Progress**

As of June 30, 2013, the plan was 67.59% funded. The actuarial accrued liability for benefits was \$34,117,066 and the actuarial value of assets was \$23,060,297 leaving \$11,056,769 unfunded. Covered payroll was \$163,603,931. The ratio of unfunded actuarial liability to annual covered payroll was 6.76%. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**C. Supplemental Retirement Program - Component Unit - School Board**

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

**1. Summary of Significant Accounting Policies**

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

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2013**

**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 twelfth (1/12) of one percent (1%) of the employee's final annual compensation; multiplied times the number of obligated days; divided by the duration of the payout period. The number of obligated days and amount of the monthly retirement benefit shall be determined and paid based on one of the part-time employment options selected by the employee and on the employee's employment classification. The minimum monthly benefit payable is \$50. Benefits under the Program cease upon completion of the elected payout installment period. In the event of the death or total disability of the employee during the first year of receipt of benefits, the employee will only receive payment for the time actually worked. The School Board's program was closed to employees hired or re-hired after June 30, 2013.

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

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

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

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

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2013**

- c) Annual Pension Cost and Net Pension Obligation (Asset): For fiscal year 2013, the School Board made a contribution of \$7,961,072 to the Program.

<b>Net Pension Obligation (NPO) (Asset)</b>	
Annual Required Contribution (ARC)	\$ 14,337,521
Interest on NPO	(1,265,504)
Adjustment to the ARC	<u>2,787,293</u>
Annual Pension Cost	15,859,310
Contributions made	<u>(7,961,072)</u>
Decrease in NPO (asset)	7,898,238
NPO (asset) beginning of year	<u>(16,873,387)</u>
NPO (asset) end of year	<u>\$ (8,975,149)</u>

- d) Three-year Trend Information:

<b>Fiscal Year Ended</b>	<b>Annual Pension Cost</b>	<b>Percent Contributed</b>	<b>Net Pension Obligation (Asset)</b>
6/30/2013	\$15,859,310	50.20 %	\$ (8,975,149)
6/30/2012	14,810,072	55.80	(16,873,387)
6/30/2011	8,335,670	117.18	(23,420,189)

### 3. Related Party Investments

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

### 4. Actuarial Method and Significant Assumptions

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

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

### 5. Funded Status and Funding Progress

As of June 30, 2013, the plan was 22.99% funded. The actuarial accrued liability for benefits was \$91,811,165 and the actuarial value of assets was \$21,108,004 leaving \$70,703,161 unfunded. Covered payroll was \$277,305,525. The ratio of unfunded actuarial liability to annual covered payroll was 25.50%. 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.

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2013**

**13. Other Postemployment Benefits Plans**

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

**1. Plan Description**

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

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

County contributions for pre-65 health and dental benefits at July 1, 2012, are:

<b>Years of Service</b>	<b>Grandfathered</b>	<b>Non-grandfathered</b>
0 to 9	-	-
10 to 14	50%	\$174 per month
15 to 19	100%*	\$262 per month
20 to 24	100%*	\$262 per month
25+	100%*	\$348 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, 2013, the County has \$18,235,054 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, 2013, and intends to fund at least the ARC amount in future fiscal years. The Board of Supervisors determines actual contributions to the

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2013**

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.

<b>Net Other Postemployment Benefits Obligation (NOPEBO)</b>	
<b>(ASSET)</b>	
Annual required contribution (ARC)	\$ 8,448,757
Interest on NOPEBO	(92,923)
Adjustment to the ARC	<u>1,386,274</u>
Annual OPEB Cost	9,742,108
Contributions made	<u>(9,742,108)</u>
Increase in NOPEBO (asset)	-
NOPEBO (asset) beginning of year	<u>(1,327,473)</u>
NOPEBO (asset) end of year	<u><u>\$ (1,327,473)</u></u>

**Three-year Trend Information**

<b>Fiscal Year</b>	<b>Annual</b>	<b>Percent</b>	<b>Net OPEB</b>
<b>Ended</b>	<b>OPEB</b>	<b>Contributed</b>	<b>Obligation</b>
	<b>Cost</b>		<b>(Asset)</b>
6/30/2013	\$9,742,108	100.00 %	\$ (1,327,473)
6/30/2012	9,255,196	100.00	(1,327,473)
6/30/2011	8,538,209	100.00	(1,327,473)

**4. Funded Status and Funding Progress**

As of June 30, 2013, the plan was 15.64% funded. The actuarial accrued liability for benefits was \$116,627,914 and the actuarial value of assets was \$18,235,054 leaving \$98,392,860 unfunded. The ratio of the unfunded actuarial liability to annual covered payroll of \$173,533,265 was 56.70%. 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.

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2013**

The actuarial assumptions at June 30, 2011, included (a) 7.0% discount rate (b) medical benefit cost trend increases of 8.0% in plan year 2011 reduced by decrements to a rate of 5.0% after 5 years (c) dental cost trend of 5.0% annually (d) payroll growth rate of 2.5% and (e) inflation rate of return of 2.5%. Plan liabilities were determined using the projected unit of credit actuarial cost method. The 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. Postemployment Retiree Healthcare Benefits - Component Unit - School Board**

**1. Plan Description**

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

Employees with a combination of age and fulltime service greater than or equal to 60 years as of July 1, 2007, including at least 10 years of service, will be grandfathered. Non-grandfathered employees will receive health benefits at age 55 or older with at least 15 years of service. Employees retiring before age 55 will be allowed to purchase retiree healthcare at the School Board's group rate with no School Board contribution from the time of retirement until age 55. At age 55, they will begin to receive the School Board contribution based on years of service. School Board contributions for pre-65 health and dental benefits at July 1, 2012, are:

<b>Years of Service</b>	<b>Grandfathered</b>	<b>Non-grandfathered</b>
0 to 9	-	-
10 to 14	100%*	-
15 to 19	100%*	\$174 per month
20 to 24	100%*	\$262 per month
25+	100%*	\$348 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, 2013, the School Board has \$6,877,165 in plan assets accumulated for payment of future benefits. The School Board made contributions and paid premiums to the trust in amounts approximately equal to the annual required contribution(ARC) for the fiscal year ended June 30, 2013,

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2013**

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.

<b>Net Other Postemployment Benefits Obligation (NOPEBO)</b>	
<b>(ASSET)</b>	
Annual required contribution (ARC)	\$ 18,719,966
Interest on NOPEBO	(7,905)
Adjustment to the ARC	<u>7,302</u>
Annual OPEB Cost	18,719,363
Contributions made	<u>(18,719,363)</u>
Increase in NOPEBO (asset)	-
NOPEBO (asset) beginning of year	<u>(112,925)</u>
NOPEBO (asset) end of year	<u>\$ (112,925)</u>

### Three-year Trend Information

<b>Fiscal Year</b>	<b>Annual</b>	<b>Percent</b>	<b>Net OPEB</b>
<b>Ended</b>	<b>OPEB</b>	<b>Contributed</b>	<b>Obligation</b>
	<b>Cost</b>		<b>(Asset)</b>
6/30/2013	\$18,719,363	100.00 %	\$ (112,925)
6/30/2012	19,463,642	99.68	(112,925)
6/30/2011	18,193,000	100.00	(176,161)

### 4. Funded Status and Funding Progress

As of June 30, 2013, the plan was 3.14% funded. The actuarial accrued liability for benefits was \$218,951,407 and the actuarial value of assets was \$6,877,165 leaving \$212,074,242 unfunded. The ratio of the unfunded actuarial liability to annual covered payroll of \$289,001,415 was 73.38%. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information since inception that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

### 5. Actuarial Methods and Assumptions

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

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2013**

The actuarial assumptions at June 30, 2013, included (a) 7.0% discount rate (b) medical benefit cost trend increases of 8.0% in plan year 2013 reduced by decrements to a rate of 5.0% after 5 years (c) dental cost trend of 5.0% annually (d) payroll growth rate of 2.5% and (e) inflation rate of return of 2.5%. Plan liabilities were determined using the projected unit of credit actuarial cost method. The plans' unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis for a period of 26 years.

**C. Postemployment Line of Duty Benefits - Primary Government**

**1. Plan Description**

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

**2. Funding Policy**

As of June 30, 2013, the County has \$3,899,867 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, 2013, and intends to fund at least the ARC amount in future fiscal years. The Board of Supervisors determines actual contributions to the plan on an annual basis.

**3. Annual OPEB cost and Net OPEB Obligation**

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

<b>Net Other Postemployment Benefits Obligation (NOPEBO)</b>	
<b>(ASSET)</b>	
Annual required contribution (ARC)	\$ 832,104
Interest on NOPEBO	(151,486)
Adjustment to the ARC	122,859
Annual OPEB Cost	803,477
Contributions made	(911,464)
Increase in NOPEBO (asset)	(107,987)
NOPEBO (asset) beginning of year	(2,164,088)
NOPEBO (asset) end of year	<u>\$ (2,272,075)</u>

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2013**

**Two-year Trend Information**

<b>Fiscal Year</b>	<b>Annual</b>	<b>Percent</b>	<b>Net OPEB</b>
<b>Ended</b>	<b>OPEB</b>	<b>Contributed</b>	<b>Obligation</b>
	<b>Cost</b>		<b>(Asset)</b>
6/30/2013	\$803,477	113.44 %	\$ (2,272,075)
6/30/2012	928,513	333.07	(2,164,088)

**4. Funded Status and Funding Progress**

As of June 30, 2013, the plan was 39.28% funded. The actuarial accrued liability for benefits was \$9,929,322 and the actuarial value of assets was \$3,899,867 leaving \$6,029,455 unfunded. The ratio of the unfunded actuarial liability to annual covered payroll of \$59,044,641 was 10.21%. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information since inception that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**5. Actuarial Methods and Assumptions**

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

The actuarial assumptions at July 1, 2011, included (a) 7.0% discount rate (b) medical benefit cost trend increases of 9.0% in plan year 2012 reduced by decrements to a rate of 5.0% after 4 years (c) dental cost trend of 5.0% annually and (d) implicit inflation rate of 2.5%. Plan liabilities were determined using the projected unit of credit actuarial cost method with attribution to the event that caused the death or disability. The plans' unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis for a period of 30 years.

**14. Joint Ventures**

**A. Appomattox River Water Authority**

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

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

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2013**

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, 2013, were \$4,528,647. 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 2013.

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

**C. Greater Richmond Convention Center Authority**

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

Each participating jurisdiction is authorized to levy an 8% transient occupancy tax and has agreed in the Hotel Tax Payment Agreement to appropriate and to pay to the Convention Authority an amount equal to the total amount of transient occupancy tax collected. The County recorded an expenditure of \$4,202,868 for transient occupancy tax to the Convention Authority during the year ended June 30, 2013.

Each participating jurisdiction intends that its respective tax payment will be sufficient to fund its allocated share of operating costs as defined in the Interlocal Agreement. The County received \$2,278,204 from the Convention Authority for tax payments made in excess of its allocated share of operating costs during the year ended June 30, 2013.

On May 19, 1998, the Convention Authority entered into a fiscal services agreement with the County. The agreement specifies that the County provide services to the Convention Authority to (1) direct and monitor the investment and disbursement of funds from future revenue bonds held by the trustee; (2) receive and manage revenues transferred on behalf of the Convention Authority to the Treasurer of Chesterfield County; (3) maintain accounting records in accordance with generally accepted accounting principles and coordinate with outside independent auditors; (4) monitor and

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2013**

control the Convention Authority's budget; and (5) secure arbitrage reporting and financial advisory services. In accordance with the terms of the fiscal agent agreement, the Convention Authority made payments of \$106,200 to the County during the year ended June 30, 2013. 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, 2013, there were two fixed GRTC routes in the County and a \$260,172 contribution was made by the County in fiscal year 2013. 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, 2013, were \$10,231,560. Complete financial statements for the Jail Authority can be obtained from the Riverside Regional Jail Authority's office at P. O. Box 1041, North Prince George, VA 23860.

**F. South Central Wastewater Authority**

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

The County paid \$4,786,709 on July 2, 1996, representing its share of acquired debt and an initial operations and maintenance deposit. The County will be responsible for its portion of operation and maintenance expenses on a monthly basis, based on the Service Agreement. The County's purchases

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2013**

of wastewater services for the year ended June 30, 2013 were \$477,431. 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, 2013, were \$3,326,521.

**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 \$320,000 for the year ended June 30, 2013.

**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, with one seat vacant, and paid a contribution of \$100,000 for the year ended June 30, 2013.

**D. Richmond Region Tourism**

Richmond Region Tourism (RRT), formerly the Richmond Metropolitan Convention and Visitors Bureau, serves the City of Richmond and the Counties of Chesterfield, Hanover, Henrico and New Kent by promoting conventions, tourism and development in the Metropolitan Richmond area in order to increase revenues, provide increased employment and improve the economic health of all jurisdictions involved. The RRT has twenty-one members and the County has two representatives serving on RRT's Board of Directors and contributed \$815,302 for the year ended June 30, 2013.

**E. Richmond Regional Planning District Commission**

The Richmond Regional Planning District Commission (RRPDC) is comprised of thirty-three members from the Counties of Charles City, Chesterfield, Goochland, Hanover, Henrico, New Kent, Powhatan, the City of Richmond and the Town of Ashland. The major functions of the RRPDC are to promote regional cooperation; coordinate the activities and policies of member local governments; resolve service delivery problems involving more than one government within the region and provide planning assistance to local governments. In accordance with its Charter, the RRPDC promotes the orderly physical, social and economic development of the region through planning and encouraging local governments to plan for the future. The County has seven representatives serving on the RRPDC and paid total dues of \$191,784 for the year ended June 30, 2013.

**County of Chesterfield, Virginia**  
**Notes to Financial Statements**  
**June 30, 2013**

**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, 2013.

## 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
6/30/2012	\$ 594,780,818	\$ 850,005,104	\$ 255,224,286	69.97 %	\$ 165,581,724	154.14 %
6/30/2011	590,093,309	800,869,465	210,776,156	73.68	159,899,472	131.82
6/30/2010	572,618,903	763,386,006	190,767,103	75.01	165,222,981	115.46

**Supplemental Retirement Plan**  
**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2013	\$ 23,060,297	\$ 34,117,066	\$ 11,056,769	67.59 %	\$ 163,603,931	6.76 %
7/1/2012	21,407,766	33,958,934	12,551,168	63.04	174,725,013	7.18
7/1/2011	20,885,042	29,331,500	8,446,458	71.20	163,921,213	5.15
7/1/2010	19,628,711	27,541,514	7,912,803	71.27	164,267,683	4.82
7/1/2009	18,881,086	27,659,486	8,778,400	68.26	169,844,780	5.17
7/1/2008	18,153,315	28,396,755	10,243,440	63.90	169,840,640	6.03

**Schedule of Employer Contributions**

Fiscal Year Ending	Annual Required Contribution	Percent Contributed
6/30/2013	\$ 1,966,206	100.00 %
6/30/2012	1,475,851	100.00
6/30/2011	1,349,617	120.40
6/30/2010	1,446,369	100.00
6/30/2009	1,586,202	100.00
6/30/2008	1,246,453	100.00

**Other Postemployment Benefits Plan - Retiree Healthcare**

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Unit Credit	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2013	\$ 18,235,054	\$ 116,627,914	\$ 98,392,860	15.64 %	\$ 173,533,265	56.70 %
7/1/2012	15,207,379	113,027,051	97,819,672	13.45	173,533,265	56.37
7/1/2011	13,697,793	98,574,753	84,876,960	13.90	167,420,404	50.70
7/1/2010	10,084,694	95,540,251	85,455,557	10.56	167,420,404	51.04
7/1/2009	7,300,857	101,297,900	93,997,043	7.20	160,685,519	58.50
7/1/2008	4,920,703	95,035,001	90,114,298	5.18	160,685,519	56.08

**Other Postemployment Benefits Plan - Line of Duty**

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Unit Credit	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2013	\$ 3,899,867	\$ 9,929,322	\$ 6,029,455	39.28 %	\$ 59,044,641	10.21 %
7/1/2012	2,979,062	9,221,148	6,242,086	32.31	59,044,641	10.57

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
6/30/2012	\$ 76,337,871	\$ 106,493,500	\$ 30,155,629	71.68 %	\$ 25,763,476	117.05 %
6/30/2011	77,047,799	102,816,121	25,768,322	74.94	26,009,469	99.07
6/30/2010	75,996,073	99,563,341	23,567,269	76.33	27,392,180	86.04

**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
7/1/2013	\$ 21,108,004	\$ 91,811,165	\$ 70,703,161	22.99 %	\$ 277,305,525	25.50 %
7/1/2012	23,555,828	96,040,383	72,484,555	24.53	265,364,139	27.32
7/1/2011	27,757,347	86,244,670	58,467,323	32.19	202,945,820	28.81
7/1/2010	20,458,650	80,178,616	59,719,966	25.52	200,805,579	29.74
7/1/2009	19,420,921	81,225,648	61,804,727	23.91	214,586,061	28.80
7/1/2008	15,817,016	85,348,673	69,531,657	20.73	198,102,265	35.10

**Schedule of Employer Contributions**

Fiscal Year Ending	Annual Required Contribution	Percent Contributed
6/30/2013	\$ 14,337,521	55.53 %
6/30/2012	12,320,198	67.07
6/30/2011	7,752,435	190.51
6/30/2010	8,212,740	122.59
6/30/2009	8,764,314	164.89
6/30/2008	7,945,984	115.52

**Other Postemployment Benefits Plan - Retiree Healthcare**

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Unit Credit	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2013	\$ 6,877,165	\$ 218,951,407	\$ 212,074,242	3.14 %	\$ 289,001,415	73.38 %
7/1/2012	5,423,624	231,569,855	226,146,231	2.34	277,171,421	81.59
7/1/2011	5,494,060	204,508,430	199,014,370	2.69	301,795,172	65.94
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, 2013

	<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</u>	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,779,533	\$ 2,561,236	\$ 14,503	\$ 7,355,272
Accounts receivable, net	1,653,473	40,748	-	1,694,221
Due from other governments	1,535,834	859,971	-	2,395,805
Total assets	<u>\$ 7,968,840</u>	<u>\$ 3,461,955</u>	<u>\$ 14,503</u>	<u>\$ 11,445,298</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 635,334	\$ 1,464,706	\$ -	\$ 2,100,040
Accrued liabilities	235,953	17,354	-	253,307
Retainages payable	1,812	-	-	1,812
Unavailable revenues	1,049,376	-	-	1,049,376
Total liabilities	<u>1,922,475</u>	<u>1,482,060</u>	<u>-</u>	<u>3,404,535</u>
<b>FUND BALANCES</b>				
Nonspendable	-	-	5,000	5,000
Restricted	1,693,542	-	9,503	1,703,045
Assigned	4,352,823	1,979,895	-	6,332,718
Total fund balances	<u>6,046,365</u>	<u>1,979,895</u>	<u>14,503</u>	<u>8,040,763</u>
Total liabilities and fund balances	<u>\$ 7,968,840</u>	<u>\$ 3,461,955</u>	<u>\$ 14,503</u>	<u>\$ 11,445,298</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, 2013**

	<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>	
<b>Revenues</b>				
From local sources:				
Use of money and property	\$ 103	\$ -	\$ 7	\$ 110
Charges for services	6,808,544	91,580	-	6,900,124
Miscellaneous	81,821	1,510	-	83,331
Recovered costs	85,875	237,436	-	323,311
Donations and contributions	84,759	-	-	84,759
From component unit - School Board	-	921,100	-	921,100
From other governments	6,870,810	4,105,082	-	10,975,892
Total revenues	<u>13,931,912</u>	<u>5,356,708</u>	<u>7</u>	<u>19,288,627</u>
<b>Expenses</b>				
General government				
Administration of justice	633,183	-	-	633,183
Public safety	8,605,514	-	-	8,605,514
Public works	441,705	-	-	441,705
Health and welfare	1,936,879	7,744,316	-	9,681,195
Parks, recreation and cultural	157,419	-	-	157,419
Education - School Board	8,219	-	-	8,219
Community development	1,591,759	-	-	1,591,759
Total expenditures	<u>13,374,678</u>	<u>7,744,316</u>	<u>-</u>	<u>21,118,994</u>
Excess (deficiency) of revenues over (under) expenditures	<u>557,234</u>	<u>(2,387,608)</u>	<u>7</u>	<u>(1,830,367)</u>
<b>Other financing sources (uses)</b>				
Transfers in	1,163,195	2,157,300	-	3,320,495
Transfers out	(1,192,815)	(13,096)	-	(1,205,911)
Total other financing sources, net	<u>(29,620)</u>	<u>2,144,204</u>	<u>-</u>	<u>2,114,584</u>
Net change in fund balances	527,614	(243,404)	7	284,217
Fund balances, July 1, 2012	5,518,751	2,223,299	14,496	7,756,546
Fund balances, June 30, 2013	<u>\$ 6,046,365</u>	<u>\$ 1,979,895</u>	<u>\$ 14,503</u>	<u>\$ 8,040,763</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, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>				
From local sources:				
General property taxes:				
Real property taxes	\$ 277,402,600	\$ 277,402,600	\$ 282,586,919	\$ 5,184,319
Real and personal public service corporation taxes	13,150,000	13,150,000	13,243,578	93,578
Personal property taxes	54,424,000	54,424,000	54,041,898	(382,102)
Machinery and tools taxes	4,800,000	4,800,000	4,769,060	(30,940)
Penalties and interest	4,150,000	4,150,000	3,318,163	(831,837)
Special assessments and service districts	1,050,000	1,050,000	2,970,251	1,920,251
Total general property taxes	354,976,600	354,976,600	360,929,869	5,953,269
Other local taxes:				
Bank stock tax	1,793,500	1,793,500	1,542,345	(251,155)
Business license taxes	16,734,500	16,737,502	17,250,726	513,224
Consumer utility taxes	7,822,100	7,822,100	7,692,460	(129,640)
Local sale and use taxes	42,179,200	42,179,200	42,293,047	113,847
Motor vehicle licenses	7,192,900	7,192,900	7,097,823	(95,077)
Recordation tax	3,939,100	3,939,100	4,630,333	691,233
Short-term rental tax	283,400	283,400	287,384	3,984
Telecommunications tax	15,784,900	15,784,900	14,987,988	(796,912)
Transient occupancy tax	4,147,300	4,237,100	4,202,868	(34,232)
Incremental sales tax	-	-	395,262	395,262
Total other local taxes	99,876,900	99,969,702	100,380,236	410,534
Permits, privilege fees and regulatory licenses:				
Animal licenses	80,000	80,000	80,741	741
Building permits	2,930,500	2,931,610	4,142,590	1,210,980
DMV stop fees	450,000	450,000	524,369	74,369
Erosion control fees	54,600	54,600	83,900	29,300
Permits and other licenses	172,000	179,698	409,791	230,093
Plan review fees	114,300	114,300	215,540	101,240
Planning fees	252,700	252,700	275,889	23,189
Total permits, privilege fees and regulatory licenses	4,054,100	4,062,908	5,732,820	1,669,912
Fines and forfeitures	1,517,500	1,886,777	2,278,991	392,214
Use of money and property:				
Use of money	788,000	788,437	380,967	(407,470)
Use of property	645,600	645,600	688,443	42,843
Total use of money and property	1,433,600	1,434,037	1,069,410	(364,627)
Charges for services:				
Annual recycling fees	1,980,000	1,980,000	1,973,446	(6,554)
Building inspection administrative fee	75,000	75,000	37,331	(37,669)
Building rental	158,700	158,700	158,680	(20)
Courthouse maintenance fees	95,000	95,000	103,425	8,425
Employee Health Center	467,500	516,093	752,382	236,289
False alarm charges	120,000	120,000	78,135	(41,865)
Juvenile Detention Home fees	164,000	764,000	792,776	28,776
Landfill fees	1,341,900	1,341,900	1,292,221	(49,679)
Law Library	111,000	111,000	123,752	12,752
Library fines and services	402,200	402,200	301,096	(101,104)
Med-flight services	174,100	174,100	122,830	(51,270)

(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, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
Charges for services: (continued)				
Mental Health Support Services	\$ 19,057,700	\$ 19,057,700	\$ 17,397,623	\$ (1,660,077)
Parks and Recreation fees	357,400	376,853	452,629	75,776
Police miscellaneous fees	145,000	145,000	121,364	(23,636)
Police officers fees	1,000,000	1,000,000	924,509	(75,491)
Recycling proceeds	134,300	134,300	121,557	(12,743)
Sale of publications and maps	9,800	9,800	15,015	5,215
Sheriff fees	886,500	886,500	869,298	(17,202)
Traffic offenses	285,000	285,000	401,828	116,828
Treasurer's administrative fees	1,200,000	1,320,000	1,365,964	45,964
Other	3,446,700	3,473,370	3,489,893	16,523
Total charges for services	31,611,800	32,426,516	30,895,754	(1,530,762)
Miscellaneous:				
Public phone commission	75,000	75,000	69,019	(5,981)
Other miscellaneous	1,668,300	2,208,176	3,251,975	1,043,799
Total miscellaneous	1,743,300	2,283,176	3,320,994	1,037,818
Recovered costs:				
Interfund reimbursements	1,103,400	1,300,366	1,194,328	(106,038)
Reimbursed by other localities	602,100	602,100	625,953	23,853
Reimbursement from Schools	7,215,300	7,921,200	7,757,400	(163,800)
Other	1,903,900	1,903,900	2,300,344	396,444
Total recovered costs	10,824,700	11,727,566	11,878,025	150,459
Donations and contributions	43,400	49,073	156,850	107,777
Total revenues from local sources	506,081,900	508,816,355	516,642,949	7,826,594
From other governments:				
From the Commonwealth:				
Non-categorical aid:				
Clerk's excess fees	350,000	350,000	444,427	94,427
DMV Select program commission	55,000	55,000	56,674	1,674
Mobile home sales tax	61,700	61,700	47,716	(13,984)
Personal property tax relief	41,092,000	41,092,000	41,092,048	48
Rolling stock tax	96,100	96,100	107,867	11,767
State recordation tax	1,342,100	1,342,100	1,205,342	(136,758)
Vehicle rental tax	740,900	740,900	1,043,699	302,799
Total non-categorical aid	43,737,800	43,737,800	43,997,773	259,973
Shared expenditures:				
Clerk of Circuit Court	964,900	964,900	1,028,691	63,791
Commissioner of the Revenue	427,000	427,000	459,250	32,250
Commonwealth's Attorney	1,723,800	1,773,800	1,818,385	44,585
Sheriff	2,330,700	2,330,700	2,379,396	48,696
Treasurer	406,800	406,800	421,153	14,353
Other	75,000	75,000	67,460	(7,540)
Total shared expenditures	5,928,200	5,978,200	6,174,335	196,135
Categorical aid:				
Annexation House Bill 599	7,458,800	7,458,800	7,458,782	(18)
Chesterfield County Jail	494,000	494,000	554,625	60,625
Education-state sales tax	55,361,000	55,779,900	55,340,750	(439,150)
Emergency medical services	302,600	302,600	303,949	1,349

(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, 2013**

	<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	\$ 600,000	\$ 746,000	\$ 901,927	\$ 155,927
Juvenile Detention Home	1,600,000	1,600,000	1,811,634	211,634
Library	191,200	191,200	178,748	(12,452)
Mental Health Support Services	4,938,600	4,938,600	4,666,109	(272,491)
Sheriff programs	2,098,700	2,098,700	2,337,998	239,298
Welfare	5,074,800	5,074,800	4,154,533	(920,267)
Other	1,888,900	2,009,329	2,180,913	171,584
Total categorical aid	80,008,600	80,693,929	79,889,968	(803,961)
Total from the Commonwealth	129,674,600	130,409,929	130,062,076	(347,853)
From the federal government:				
Categorical aid:				
Mental Health Block Grant	953,600	958,938	969,814	10,876
Public safety	26,400	26,400	34,509	8,109
Welfare	6,706,400	6,706,400	6,497,142	(209,258)
Other	21,100	184,024	179,479	(4,545)
Total from the federal government	7,707,500	7,875,762	7,680,944	(194,818)
Total revenues from other governments	137,382,100	138,285,691	137,743,020	(542,671)
Total revenues	643,464,000	647,102,046	654,385,969	7,283,923
<b>Expenditures</b>				
General government:				
Accounting	3,461,400	3,461,400	3,365,589	95,811
Board of Supervisors	323,900	323,900	313,801	10,099
Budget and Management	1,016,700	1,127,700	1,105,833	21,867
Center for Organizational Excellence	1,200,000	1,188,000	1,154,122	33,878
Clerk to the Board	252,675	252,675	219,557	33,118
Commissioner of the Revenue	3,099,500	3,099,500	2,990,917	108,583
County Administration	1,006,300	1,006,300	929,157	77,143
County Attorney	1,527,300	1,625,300	1,596,235	29,065
Document Services	1,224,312	1,167,612	1,062,706	104,906
Employee benefits	6,576,800	4,546,697	3,994,682	552,015
General Services	687,074	687,074	677,384	9,690
Human Resource Management	2,932,421	3,268,254	3,156,917	111,337
Information Systems Technology	12,594,488	12,754,489	12,364,377	390,112
Interest paid on tax refunds	61,000	64,000	62,742	1,258
Intergovernmental Relations	173,700	173,700	167,255	6,445
Internal Audit	834,400	828,500	796,842	31,658
License Inspector	498,914	506,414	495,406	11,008
Management Services Administration	302,700	317,700	306,209	11,491
Non-departmental	37,000	187,168	2,629	184,539
Public Affairs	770,500	802,500	793,706	8,794
Purchasing	1,602,100	1,659,100	1,625,919	33,181
Real Estate Assessments	2,928,500	2,729,500	2,546,130	183,370
Registrar	1,127,422	1,427,422	1,372,719	54,703
Treasurer	3,672,160	3,792,160	3,546,196	245,964
Total general government	47,911,266	46,997,065	44,647,030	2,350,035

(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, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
Administration of justice:				
Circuit Court Clerk	\$ 3,602,900	\$ 3,581,900	\$ 3,519,088	\$ 62,812
Circuit Court Judges	533,740	667,740	660,555	7,185
Commonwealth's Attorney	3,935,459	4,063,958	3,991,554	72,404
General District Court	168,736	328,736	312,879	15,857
Juvenile and Domestic Relations Court	100,300	105,300	100,814	4,486
Law Library	113,049	113,049	99,692	13,357
Magistrate	6,400	7,600	5,416	2,184
Total administration of justice	<u>8,460,584</u>	<u>8,868,283</u>	<u>8,689,998</u>	<u>178,285</u>
Public safety:				
Building Inspections	4,958,894	5,087,394	4,908,170	179,224
Community Corrections	2,903,865	2,883,683	2,745,945	137,738
Emergency Communications Center	6,883,400	6,865,900	6,681,240	184,660
Fire and EMS	49,227,763	52,050,045	51,980,367	69,678
Juvenile Detention Home	4,425,104	4,841,094	4,712,173	128,921
Juvenile Probation	102,400	102,400	94,111	8,289
Police	58,252,741	59,311,975	57,927,783	1,384,192
Regional Jail	9,955,200	10,231,600	10,231,560	40
Sheriff and Jail	20,508,140	21,021,164	20,849,065	172,099
Total public safety	<u>157,217,507</u>	<u>162,395,255</u>	<u>160,130,414</u>	<u>2,264,841</u>
Public works:				
Buildings and Grounds	6,248,564	7,841,464	7,591,443	250,021
Environmental Engineering	3,936,645	4,168,645	4,087,153	81,492
Hydrant rental and right of way	644,600	644,600	616,168	28,432
Street lights and road improvements	763,884	784,173	778,556	5,617
Waste and Resource Recovery	5,548,415	5,664,015	5,530,067	133,948
Total public works	<u>17,142,108</u>	<u>19,102,897</u>	<u>18,603,387</u>	<u>499,510</u>
Health and welfare:				
Health	4,843,990	5,451,890	5,327,718	124,172
Human Services Administration	549,167	551,966	515,748	36,218
Mental Health Support Services	37,536,566	36,775,057	35,570,045	1,205,012
Social Services	17,165,041	16,715,041	15,830,564	884,477
Tax relief for the elderly	5,000,000	5,519,613	5,519,613	-
Youth Planning and Development	309,200	318,200	308,931	9,269
Total health and welfare	<u>65,403,964</u>	<u>65,331,767</u>	<u>63,072,619</u>	<u>2,259,148</u>
Parks, recreation and cultural:				
Community Contracts	635,100	639,100	567,900	71,200
District Improvements Funds	167,500	82,637	4,000	78,637
Library	7,055,178	7,381,151	7,246,093	135,058
Parks and Recreation	10,077,700	10,444,945	10,150,895	294,050
Total parks, recreation and cultural	<u>17,935,478</u>	<u>18,547,833</u>	<u>17,968,888</u>	<u>578,945</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, 2013**

	<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	\$ 1,125,279	\$ 1,098,029	\$ 1,046,936	\$ 51,093
Convention Center	4,147,300	4,237,100	4,211,845	25,255
Cooperative Extension	371,681	401,067	396,620	4,447
Economic Development	2,931,690	4,864,360	4,796,753	67,607
Economic Development Incentives	110,000	653,400	653,400	-
Planning	4,033,300	4,133,300	4,064,245	69,055
Tax increment financing payments	2,461,600	2,463,821	2,463,821	-
Transportation	1,113,470	1,248,470	1,223,976	24,494
Total community development	16,294,320	19,099,547	18,857,596	241,951
Non-departmental	1,205,700	705,700	-	705,700
Debt service:				
Retirement of principal	14,567,100	14,546,368	14,663,862	(117,494)
Interest	8,690,400	6,451,071	6,451,071	-
Other	899,800	626,961	142,871	484,090
Total debt service	24,157,300	21,624,400	21,257,804	366,596
Total expenditures	355,728,227	362,672,747	353,227,736	9,445,011
Excess of revenues over expenditures	287,735,773	284,429,299	301,158,233	16,728,934
<b>Other financing sources (uses)</b>				
Transfers in:				
County Capital Projects Fund	250,000	3,496,911	3,246,911	(250,000)
Grant Funds	1,251,300	1,253,050	1,192,815	(60,235)
Water Fund	592,900	591,800	591,800	-
Wastewater Fund	2,200	3,300	3,300	-
Vehicle and Communications Maintenance Fund	12,600	12,600	12,600	-
Total transfers in	2,109,000	5,357,661	5,047,426	(310,235)
Transfers out:				
County Capital Projects Fund	(13,082,300)	(71,834,142)	(13,073,879)	58,760,263
School Capital Projects Fund	-	(5,947,420)	-	5,947,420
Grants Fund	(857,900)	(2,239,896)	(825,897)	1,413,999
Comprehensive Services Fund	(1,712,100)	(1,712,100)	(1,712,100)	-
Airport Fund	(117,000)	(531,313)	(86,983)	444,330
School Operating Fund	(299,389,300)	(299,834,768)	(294,314,141)	5,520,627
Total transfers out	(315,158,600)	(382,099,639)	(310,013,000)	72,086,639
Total other financing uses, net	(313,049,600)	(376,741,978)	(304,965,574)	71,776,404
Net change in fund balance	(25,313,827)	(92,312,679)	(3,807,341)	88,505,338
Fund balance, July 1, 2012	257,962,492	257,962,492	257,962,492	-
Fund balance, June 30, 2013	\$ 232,648,665	\$ 165,649,813	\$ 254,155,151	\$ 88,505,338

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, 2013

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Charges for services	\$ -	\$ -	\$ 91,580	\$ 91,580
Recovered costs	152,300	247,300	238,946	(8,354)
From the Commonwealth	3,437,500	3,698,200	3,974,988	276,788
From the federal government	-	-	130,094	130,094
Total revenues	3,589,800	3,945,500	4,435,608	490,108
<b>Expenditures</b>				
Health and welfare	7,404,204	7,754,704	7,744,316	10,388
Deficiency of revenues under expenditures	(3,814,404)	(3,809,204)	(3,308,708)	500,496
<b>Other financing sources (uses)</b>				
Transfers in	2,157,300	2,157,300	2,157,300	-
Transfers from component unit - School Board	921,100	921,100	921,100	-
Transfers out	-	(13,096)	(13,096)	-
Total other financing sources, net	3,078,400	3,065,304	3,065,304	-
Net change in fund balance	(736,004)	(743,900)	(243,404)	500,496
Fund balance, July 1, 2012	2,223,299	2,223,299	2,223,299	-
Fund balance, June 30, 2013	\$ 1,487,295	\$ 1,479,399	\$ 1,979,895	\$ 500,496

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

**Revenues**

Total revenues on the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual.	\$ 4,435,608
Transfers from the School Board component unit are revenues for financial reporting purposes.	921,100
Total revenues on the Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-major Governmental Funds.	\$ 5,356,708

**Other financing sources**

Total other financing sources, net, on the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual.	\$ 3,065,304
Transfers from the School Board component unit are revenues for financial reporting purposes.	(921,100)
Total other financing sources, net, on the Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-major Governmental Funds.	\$ 2,144,204

*See accompanying independent auditors' report.*



## Non-major Enterprise Funds

Enterprise Funds are used to account for the reporting entity's ongoing organizations and activities similar to those often found in the private sector.

**Economic Development Authority of the County of Chesterfield (EDA)** - This fund reflects the operations of the EDA, a blended component unit of the County. The EDA was created to, among other activities, issue tax-exempt bonds to bond issuers so that they may acquire, improve, maintain, equip, own, lease or dispose of properties by inducing manufacturing and industrial enterprises to locate or remain in the Commonwealth of Virginia.

**Airport Fund** - This fund reflects the operations of the County's Airport.

County of Chesterfield, Virginia  
Combining Statement of Net Position  
Non-major Enterprise Funds  
June 30, 2013

	Enterprise Funds		
	Economic Development Authority	Airport	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 4,201,277	\$ 424,785	\$ 4,626,062
Receivables	145	79,884	80,029
Due from other funds	405,076	-	405,076
Due from component unit	6,536,820	-	6,536,820
Due from other governments	350,000	116,396	466,396
Total current assets	11,493,318	621,065	12,114,383
Non-current assets:			
Capital assets:			
Land and land improvements	12,746,268	1,663,935	14,410,203
Buildings	-	7,112,132	7,112,132
Improvements other than buildings	87,608	27,163,040	27,250,648
Infrastructure	1,171,221	-	1,171,221
Machinery and equipment	-	1,588,124	1,588,124
Construction in progress	792,049	545,839	1,337,888
Total capital assets	14,797,146	38,073,070	52,870,216
Less accumulated depreciation	(241,406)	(17,551,693)	(17,793,099)
Net capital assets	14,555,740	20,521,377	35,077,117
Total assets	26,049,058	21,142,442	47,191,500
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	95,169	73,831	169,000
Due to other funds	-	420,000	420,000
Accrued liabilities	915,884	11,959	927,843
Compensated absences	-	15,665	15,665
Certificates of participation, net	-	105,567	105,567
Total current liabilities	1,011,053	627,022	1,638,075
Non-current liabilities:			
Deposits and advances	-	6,645	6,645
Retainages payable	278,088	-	278,088
Compensated absences	-	8,824	8,824
Retirement plan obligations	-	4,550	4,550
Revenue note payable	6,510,000	-	6,510,000
Certificates of participation, net	-	969,388	969,388
Total non-current liabilities	6,788,088	989,407	7,777,495
Total liabilities	7,799,141	1,616,429	9,415,570
<b>NET POSITION</b>			
Net investment in capital assets	14,555,740	19,446,422	34,002,162
Restricted - debt covenants	734,431	-	734,431
Unrestricted	2,959,746	79,591	3,039,337
Total net position	\$ 18,249,917	\$ 19,526,013	\$ 37,775,930

See accompanying independent auditors' report.

County of Chesterfield, Virginia  
Combining Statement of Revenues, Expenses and Changes in Net Position  
Non-major Enterprise Funds  
For the Year Ended June 30, 2013

	Enterprise Funds		
	<u>Economic Development Authority</u>	<u>Airport</u>	<u>Total</u>
<b>Operating revenues</b>			
Charges for services	\$ 324,016	\$ 579,594	\$ 903,610
From the Commonwealth	1,100,000	-	1,100,000
Other	10,500	15,342	25,842
Total operating revenues	<u>1,434,516</u>	<u>594,936</u>	<u>2,029,452</u>
<b>Operating expenses</b>			
Salaries and wages	-	243,171	243,171
Contractual services	85,620	117,432	203,052
Materials and supplies	-	49,913	49,913
Heat, light and power	-	83,608	83,608
Depreciation	50,353	1,307,296	1,357,649
Repairs and maintenance	-	40,790	40,790
Other	2,025,668	14,497	2,040,165
Total operating expenses	<u>2,161,641</u>	<u>1,856,707</u>	<u>4,018,348</u>
Operating loss	<u>(727,125)</u>	<u>(1,261,771)</u>	<u>(1,988,896)</u>
<b>Non-operating revenues (expenses)</b>			
Interest and dividend income	8,275	-	8,275
Bond amortization and interest expense	-	(28,408)	(28,408)
Loss on disposal of capital assets	-	(1,329)	(1,329)
Other	(5,321,064)	-	(5,321,064)
Total non-operating revenues (expenses)	<u>(5,312,789)</u>	<u>(29,737)</u>	<u>(5,342,526)</u>
Loss before capital contributions and transfers	(6,039,914)	(1,291,508)	(7,331,422)
Capital contributions	-	499,562	499,562
Transfers in	2,594,562	86,983	2,681,545
Change in net position	(3,445,352)	(704,963)	(4,150,315)
Total net position - July 1, 2012	<u>21,695,269</u>	<u>20,230,976</u>	<u>41,926,245</u>
Total net position - June 30, 2013	<u>\$ 18,249,917</u>	<u>\$ 19,526,013</u>	<u>\$ 37,775,930</u>

See accompanying independent auditors' report.

County of Chesterfield, Virginia  
Combining Statement of Cash Flows  
Non-major Enterprise Funds  
For the Year Ended June 30, 2013

	Enterprise Funds		
	Economic Development Authority	Airport	Total
<b>Cash flows from operating activities</b>			
Receipts from customers	\$ 1,083,456	\$ 562,421	\$ 1,645,877
Payments to suppliers	(1,305,314)	(301,101)	(1,606,415)
Payments to employees	-	(244,424)	(244,424)
Net cash provided by (used in) operating activities	(221,858)	16,896	(204,962)
<b>Cash flows from non-capital financing activities</b>			
Transfers in	382,276	70,000	452,276
<b>Cash flows from capital and related financing activities</b>			
Advance from General Fund	(1,536,749)	200,000	(1,336,749)
Purchase of capital assets	(10,129,445)	(348,232)	(10,477,677)
Capital contributions	-	363,661	363,661
Interest paid on certificates of participation	-	(40,031)	(40,031)
Principal paid on certificates of participation	-	(100,695)	(100,695)
Net cash provided by (used in) capital and related financing activities	(11,666,194)	74,703	(11,591,491)
<b>Cash flows from investing activities</b>			
Interest received	10,102	-	10,102
Net increase (decrease) in cash and cash equivalents	(11,495,674)	161,599	(11,334,075)
Cash and cash equivalents, July 1, 2012	15,696,951	263,186	15,960,137
Cash and cash equivalents, June 30, 2013	\$ 4,201,277	\$ 424,785	\$ 4,626,062
<b>Reconciliation of operating loss to net cash provided by (used in) operating activities:</b>			
Operating loss	\$ (727,125)	\$ (1,261,771)	\$ (1,988,896)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation	50,353	1,307,296	1,357,649
Changes in assets and liabilities:			
Receivables, net	(351,060)	(32,515)	(383,575)
Accounts and other payables	805,974	3,886	809,860
Net cash provided by (used in) operating activities	\$ (221,858)	\$ 16,896	\$ (204,962)
<b>Noncash transactions related to financing, capital and investing activities:</b>			
Contributions of capital assets	\$ -	\$ 152,884	\$ 152,884
Interest receivable	1,827	-	1,827

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 Position  
Internal Service Funds  
June 30, 2013

	Vehicle and Communications <u>Maintenance</u>	Risk <u>Management</u>	Capital Projects <u>Management</u>	<u>Total</u>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 8,612,852	\$ 15,598,453	\$ 128,379	\$ 24,339,684
Receivables	33,168	14,492	-	47,660
Due from other governments	-	88,461	-	88,461
Inventories	663,628	-	-	663,628
Total current assets	<u>9,309,648</u>	<u>15,701,406</u>	<u>128,379</u>	<u>25,139,433</u>
Non-current assets:				
Capital assets:				
Land	-	193,685	-	193,685
Buildings	2,068,183	123,832	14,992	2,207,007
Improvements other than buildings	311,805	-	-	311,805
Machinery and equipment	13,751,266	82,424	15,447	13,849,137
Construction in progress	34,787	-	-	34,787
Total capital assets	16,166,041	399,941	30,439	16,596,421
Less accumulated depreciation	(9,952,665)	(134,514)	(18,728)	(10,105,907)
Net capital assets	<u>6,213,376</u>	<u>265,427</u>	<u>11,711</u>	<u>6,490,514</u>
Total assets	<u>15,523,024</u>	<u>15,966,833</u>	<u>140,090</u>	<u>31,629,947</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	937,619	99,014	1,332	1,037,965
Accrued liabilities	264,013	37,677	28,871	330,561
Compensated absences	228,142	36,082	41,646	305,870
Judgments and claims	18,484	3,404,185	-	3,422,669
Total current liabilities	<u>1,448,258</u>	<u>3,576,958</u>	<u>71,849</u>	<u>5,097,065</u>
Non-current liabilities:				
Unearned revenue	125,734	-	-	125,734
Compensated absences	164,234	23,351	37,021	224,606
Judgments and claims	45,957	1,011,266	-	1,057,223
Retirement plan obligations	61,628	9,035	8,122	78,785
Total non-current liabilities	<u>397,553</u>	<u>1,043,652</u>	<u>45,143</u>	<u>1,486,348</u>
Total liabilities	<u>1,845,811</u>	<u>4,620,610</u>	<u>116,992</u>	<u>6,583,413</u>
<b>NET POSITION</b>				
Net investment in capital assets	6,213,376	265,427	11,711	6,490,514
Unrestricted	7,463,837	11,080,796	11,387	18,556,020
Total net position	<u>\$ 13,677,213</u>	<u>\$ 11,346,223</u>	<u>\$ 23,098</u>	<u>\$ 25,046,534</u>

See accompanying independent auditors' report.

County of Chesterfield, Virginia  
Combining Statement of Revenues, Expenses and Changes in Net Position  
Internal Service Funds  
For the Year Ended June 30, 2013

	Vehicle and Communications Maintenance	Risk Management	Capital Projects Management	Total
<b>Operating revenues</b>				
Charges for services	\$ 20,791,406	\$ 6,959,600	\$ 696,624	\$ 28,447,630
Other	536,649	326,963	-	863,612
Total operating revenues	<u>21,328,055</u>	<u>7,286,563</u>	<u>696,624</u>	<u>29,311,242</u>
<b>Operating expenses</b>				
Salaries and wages	6,073,954	974,103	687,902	7,735,959
Contractual services	635,628	285,006	30,653	951,287
Materials and supplies	11,293,983	33,368	5,708	11,333,059
Heat, light and power	69,677	5,395	-	75,072
Depreciation	1,541,207	2,477	2,296	1,545,980
Repairs and maintenance	1,087,865	79,242	18,987	1,186,094
Insurance	-	2,568,799	-	2,568,799
Claims	-	1,436,972	-	1,436,972
Other	21,237	6,218	2,987	30,442
Total operating expenses	<u>20,723,551</u>	<u>5,391,580</u>	<u>748,533</u>	<u>26,863,664</u>
Operating income (loss)	<u>604,504</u>	<u>1,894,983</u>	<u>(51,909)</u>	<u>2,447,578</u>
<b>Non-operating revenues</b>				
Interest and dividend income	-	8,787	-	8,787
Gain on disposal of capital assets	23,657	-	-	23,657
Total non-operating revenues	<u>23,657</u>	<u>8,787</u>	<u>-</u>	<u>32,444</u>
Income (loss) before capital contributions and transfers	628,161	1,903,770	(51,909)	2,480,022
Capital contributions	411,290	-	-	411,290
Transfers out	(12,600)	-	-	(12,600)
Change in net position	1,026,851	1,903,770	(51,909)	2,878,712
Total net position - July 1, 2012	12,650,362	9,442,453	75,007	22,167,822
Total net position - June 30, 2013	<u>\$ 13,677,213</u>	<u>\$ 11,346,223</u>	<u>\$ 23,098</u>	<u>\$ 25,046,534</u>

See accompanying independent auditors' report.

**County of Chesterfield, Virginia**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2013**

	Vehicle and Communications Maintenance	Risk Management	Capital Projects Management	Total
<b>Cash flows from operating activities</b>				
Receipts from customers	\$ 21,032,260	\$ 6,963,641	\$ 696,624	\$ 28,692,525
Payments to suppliers	(13,163,628)	(2,947,687)	(57,647)	(16,168,962)
Payments to employees	(6,031,034)	(982,730)	(704,792)	(7,718,556)
Claims recovered	-	322,922	-	322,922
Claims paid	-	(3,028,141)	-	(3,028,141)
Net cash provided by (used in) operating activities	<u>1,837,598</u>	<u>328,005</u>	<u>(65,815)</u>	<u>2,099,788</u>
<b>Cash flows from non-capital financing activities</b>				
Transfers out	<u>(12,600)</u>	<u>-</u>	<u>-</u>	<u>(12,600)</u>
<b>Cash flows from capital and related financing activities</b>				
Purchase of capital assets	(899,412)	-	-	(899,412)
Proceeds from sale of capital assets	<u>84,100</u>	<u>-</u>	<u>-</u>	<u>84,100</u>
Net cash used in capital and related financing activities	<u>(815,312)</u>	<u>-</u>	<u>-</u>	<u>(815,312)</u>
<b>Cash flows from investing activities</b>				
Interest received	<u>-</u>	<u>8,787</u>	<u>-</u>	<u>8,787</u>
Net increase (decrease) in cash and cash equivalents	1,009,686	336,792	(65,815)	1,280,663
Cash and cash equivalents, July 1, 2012	<u>7,603,166</u>	<u>15,261,661</u>	<u>194,194</u>	<u>23,059,021</u>
Cash and cash equivalents, June 30, 2013	<u>\$ 8,612,852</u>	<u>\$ 15,598,453</u>	<u>\$ 128,379</u>	<u>\$ 24,339,684</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>				
Operating income (loss)	\$ 604,504	\$ 1,894,983	\$ (51,909)	\$ 2,447,578
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	1,541,207	2,477	2,296	1,545,980
Changes in assets and liabilities:				
Receivables, net	100,244	121,252	-	221,496
Inventories	(42,597)	-	-	(42,597)
Accounts and other payables	30,279	(1,690,707)	(16,202)	(1,676,630)
Unearned revenue	(396,039)	-	-	(396,039)
Net cash provided by (used in) operating activities	<u>\$ 1,837,598</u>	<u>\$ 328,005</u>	<u>\$ (65,815)</u>	<u>\$ 2,099,788</u>
<b>Noncash transactions related to financing, capital and investing activities are as follows:</b>				
Contributions of capital assets	\$ 411,290	\$ -	\$ -	\$ 411,290

See accompanying independent auditors' report.

# **Fiduciary Funds**

## **Agency Funds**

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

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

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

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

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

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

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

County of Chesterfield, Virginia  
Combining Balance Sheet  
Agency Funds  
June 30, 2013

	Greater Richmond Convention Center Authority	Special Welfare	MHSS SSA	Police Safekeeping	Inmate Trust	Jail Canteen	Appomattox Regional Governor's School	Total
<b>ASSETS</b>								
Cash and cash equivalents	\$ 7,251,463	\$ 58,763	\$ 48,653	\$ 192,312	\$ 30,636	\$ 306,050	\$ 2,088,239	\$ 9,976,116
Accounts receivable	100,023	-	-	-	-	7,537	1,715	109,275
Due from other governments	1,272,419	-	108	-	-	-	-	1,272,527
Restricted assets:								
Cash and cash equivalents	5,933,650	-	-	-	-	-	-	5,933,650
Investments	4,995,100	-	-	-	-	-	-	4,995,100
Cash, cash equivalents and investments with trustee	13,010,932	-	-	-	-	-	-	13,010,932
Due from other governments	1,889,838	-	-	-	-	-	-	1,889,838
Interest receivable	396	-	-	-	-	-	-	396
Total restricted assets	25,829,916	-	-	-	-	-	-	25,829,916
Total assets	\$ 34,453,821	\$ 58,763	\$ 48,761	\$ 192,312	\$ 30,636	\$ 313,587	\$ 2,089,954	\$ 37,187,834
<b>LIABILITIES</b>								
Amounts held for others	\$ 34,453,821	\$ 58,763	\$ 48,761	\$ 192,312	\$ 30,636	\$ 313,587	\$ 2,089,954	\$ 37,187,834

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, 2013

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
<b>GREATER RICHMOND CONVENTION CENTER AUTHORITY</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 6,449,943	\$ 9,088,262	\$ 8,286,742	\$ 7,251,463
Accounts receivable	350,740	88,023	338,740	100,023
Due from other governments	1,573,963	1,272,419	1,573,963	1,272,419
Restricted assets:				
Cash and cash equivalents	6,388,968	7,722,033	8,177,351	5,933,650
Investments	4,002,100	5,000,000	4,007,000	4,995,100
Cash, cash equivalents and Investments with trustee	13,125,873	33,447,782	33,562,723	13,010,932
Due from other governments	1,964,458	1,889,838	1,964,458	1,889,838
Interest receivable	40	396	40	396
Total restricted assets	<u>25,481,439</u>	<u>48,060,049</u>	<u>47,711,572</u>	<u>25,829,916</u>
 Total assets	 <u>\$ 33,856,085</u>	 <u>\$ 58,508,753</u>	 <u>\$ 57,911,017</u>	 <u>\$ 34,453,821</u>
 <b>Liabilities</b>				
Amounts held for others	<u>\$ 33,856,085</u>	<u>\$ 58,508,753</u>	<u>\$ 57,911,017</u>	<u>\$ 34,453,821</u>
<b>SPECIAL WELFARE</b>				
<b>Assets</b>				
Cash and cash equivalents	<u>\$ 54,455</u>	<u>\$ 75,769</u>	<u>\$ 71,461</u>	<u>\$ 58,763</u>
 <b>Liabilities</b>				
Amounts held for others	<u>\$ 54,455</u>	<u>\$ 75,769</u>	<u>\$ 71,461</u>	<u>\$ 58,763</u>
<b>MENTAL HEALTH SUPPORT SERVICES SOCIAL SECURITY ADMINISTRATION</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 32,559	\$ 654,942	\$ 638,848	\$ 48,653
Due from other governments	-	108	-	108
	<u>\$ 32,559</u>	<u>\$ 655,050</u>	<u>\$ 638,848</u>	<u>\$ 48,761</u>
 <b>Liabilities</b>				
Amounts held for others	<u>\$ 32,559</u>	<u>\$ 655,050</u>	<u>\$ 638,848</u>	<u>\$ 48,761</u>
<b>POLICE SAFEKEEPING</b>				
<b>Assets</b>				
Cash and cash equivalents	<u>\$ 146,331</u>	<u>\$ 208,676</u>	<u>\$ 162,695</u>	<u>\$ 192,312</u>
 <b>Liabilities</b>				
Amounts held for others	<u>\$ 146,331</u>	<u>\$ 208,676</u>	<u>\$ 162,695</u>	<u>\$ 192,312</u>

(Continued)

County of Chesterfield, Virginia  
Combining Statement of Changes in Assets and Liabilities  
Agency Funds  
For the Year Ended June 30, 2013

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
<b>INMATE TRUST FUND</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 38,124	\$ 40,397	\$ 47,885	\$ 30,636
<b>Liabilities</b>				
Amounts held for inmates	\$ 38,124	\$ 40,397	\$ 47,885	\$ 30,636
<b>JAIL CANTEEN FUND</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 228,277	\$ 111,559	\$ 33,786	\$ 306,050
Accounts receivable	17,142	7,537	17,142	7,537
Total assets	\$ 245,419	\$ 119,096	\$ 50,928	\$ 313,587
<b>Liabilities</b>				
Amounts held for others	\$ 245,419	\$ 119,096	\$ 50,928	\$ 313,587
<b>APPOMATTOX REGIONAL GOVERNOR'S SCHOOL</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 2,190,889	\$ 3,622,390	\$ 3,725,040	\$ 2,088,239
Accounts receivable	4,658	1,715	4,658	1,715
Due from other governments	20,333	-	20,333	-
Total assets	\$ 2,215,880	\$ 3,624,105	\$ 3,750,031	\$ 2,089,954
<b>Liabilities</b>				
Amounts held for others	\$ 2,215,880	\$ 3,624,105	\$ 3,750,031	\$ 2,089,954
<b>TOTAL AGENCY FUNDS</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 9,140,578	\$ 13,801,995	\$ 12,966,457	\$ 9,976,116
Accounts receivable	372,540	97,275	360,540	109,275
Due from other governments	1,594,296	1,272,527	1,594,296	1,272,527
Restricted assets:				
Cash and cash equivalents	6,388,968	7,722,033	8,177,351	5,933,650
Investments	4,002,100	5,000,000	4,007,000	4,995,100
Cash, cash equivalents and investments with trustees	13,125,873	33,447,782	33,562,723	13,010,932
Due from other governments	1,964,458	1,889,838	1,964,458	1,889,838
Interest receivable	40	396	40	396
Total restricted assets	25,481,439	48,060,049	47,711,572	25,829,916
Total assets	\$ 36,588,853	\$ 63,231,846	\$ 62,632,865	\$ 37,187,834
<b>Liabilities</b>				
Amounts held for others	\$ 36,588,853	\$ 63,231,846	\$ 62,632,865	\$ 37,187,834

See accompanying independent auditors' report

## **Non-major Component Units**

**Watkins Centre Community Development Authority** - The Watkins Centre CDA was created for the purpose of financing a portion of the transportation infrastructure improvements within the Watkins Centre District, a site located in the northwest quadrant at the intersection of State Route 288 and State Route 60 within the County.

**Chippenham Place Community Development Authority** - The Chippenham Place CDA was created to fund public infrastructure improvements at the former Cloverleaf Mall site owned by the County.

**Health Center Commission** - The Health Center Commission is responsible for operating a long-term care and assisted living facility in the County.

County of Chesterfield, Virginia  
Combining Statement of Net Position  
Non-major Discretely Presented Component Units  
June 30, 2013

	Watkins Centre  Community Development <u>Authority</u>	Chippenham Place  Community Development <u>Authority</u>	Health Center  <u>Commission</u>	Total  Non-major Component <u>Units</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 260,663	\$ 3,355	\$ 6,817,852	\$ 7,081,870
Investments	1,800,000	-	5,523,075	7,323,075
Receivables, net of allowance for uncollectibles of \$59,436	28,949	-	2,113,698	2,142,647
Inventories	-	-	41,968	41,968
Prepays	5,900	-	2,017,566	2,023,466
Bond issuance costs, net of amortization	258,206	303,429	1,107,175	1,668,810
Capital assets, not being depreciated	-	-	192,290	192,290
Other capital assets, net of depreciation	-	-	48,855,834	48,855,834
Total assets	<u>2,353,718</u>	<u>306,784</u>	<u>66,669,458</u>	<u>69,329,960</u>
<b>LIABILITIES</b>				
Accounts payable and other liabilities	295,422	10,987	1,884,210	2,190,619
Due to primary government	-	6,536,820	-	6,536,820
Unearned revenues	-	-	1,426,956	1,426,956
Deposits and advances	-	-	13,410,332	13,410,332
Non-current liabilities:				
Due within one year	1,733,408	-	815,143	2,548,551
Due in more than one year	14,685,099	-	48,487,590	63,172,689
Total liabilities	<u>16,713,929</u>	<u>6,547,807</u>	<u>66,024,231</u>	<u>89,285,967</u>
<b>NET POSITION</b>				
Net investment in capital assets	-	-	7,867,764	7,867,764
Unrestricted (deficit)	<u>(14,360,211)</u>	<u>(6,241,023)</u>	<u>(7,222,537)</u>	<u>(27,823,771)</u>
Total net position (deficit)	<u>\$ (14,360,211)</u>	<u>\$ (6,241,023)</u>	<u>\$ 645,227</u>	<u>\$ (19,956,007)</u>

See accompanying independent auditors' report.

County of Chesterfield, Virginia  
Combining Statement of Activities  
Non-major Discretely Presented Component Units  
For the Year Ended June 30, 2013

Functions/Programs	Program Revenues		Net (Expenses) Revenues and Changes in Position				
	Expenses	Charges for Services	Watkins Centre Community Development Authority	Chippenham Place Community Development Authority	Health Center Commission	Total Non-major Component Units	
Watkins Centre Community Development Authority	\$ 1,089,927	\$ -	\$ (1,089,927)	\$ -	\$ -	\$ (1,089,927)	
Chippenham Place Community Development Authority	340,072	-	-	(340,072)	-	(340,072)	
Health Center Commission	25,346,907	21,645,511	-	-	(3,701,396)	(3,701,396)	
Total non-major component units	\$ 26,776,906	\$ 21,645,511	(1,089,927)	(340,072)	(3,701,396)	(5,131,395)	
General revenues:							
Payment from County of Chesterfield			2,463,821	-	-	2,463,821	
Investment earnings			85,776	-	162,308	248,084	
Total general revenues			2,549,597	-	162,308	2,711,905	
Change in net position			1,459,670	(340,072)	(3,539,088)	(2,419,490)	
Total net position (deficit) - July 1, 2012			(15,819,881)	(5,900,951)	4,184,315	(17,536,517)	
Total net position (deficit) - June 30, 2013			\$ (14,360,211)	\$ (6,241,023)	\$ 645,227	\$ (19,956,007)	

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, 2013**

	<u>Total</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements other than Buildings</u>	<u>Machinery and Equipment</u>	<u>Infrastructure</u>
<b>General government:</b>						
Accounting	\$ 41,301	\$ -	\$ -	\$ -	\$ 41,301	\$ -
Board of Supervisors	7,933	-	-	-	7,933	-
Budget and Management	14,709	-	-	-	14,709	-
Center for Organizational Excellence	17,460	-	-	-	17,460	-
Commissioner of the Revenue	17,163	-	-	-	17,163	-
County Administrator	411,365	-	-	-	411,365	-
General Services	9,202,020	584,668	8,107,741	-	509,611	-
Human Resource Management	68,325	-	-	-	68,325	-
Information Systems Technology	30,150,310	129,800	5,412,958	162,719	24,444,833	-
Internal Audit	313,695	150,000	151,006	-	12,689	-
Real Estate Assessments	561,654	85,500	442,144	-	34,010	-
Registrar	12,400	-	-	-	12,400	-
Treasurer	1,733,487	-	-	-	1,733,487	-
Total general government	<u>42,551,822</u>	<u>949,968</u>	<u>14,113,849</u>	<u>162,719</u>	<u>27,325,286</u>	<u>-</u>
<b>Administration of justice:</b>						
Circuit Court Clerk	104,830	-	-	-	104,830	-
Circuit Court Judges	5,974	-	-	-	5,974	-
Commonwealth's Attorney	135,010	-	114,474	-	20,536	-
Community Corrections	1,188,723	-	1,157,648	-	31,075	-
General District Court	32,872,411	22,441	31,763,510	118,080	968,380	-
Juvenile and Domestic Relations Court	17,412,144	53,173	17,250,223	-	108,748	-
Total administration of justice	<u>51,719,092</u>	<u>75,614</u>	<u>50,285,855</u>	<u>118,080</u>	<u>1,239,543</u>	<u>-</u>
<b>Public safety:</b>						
Animal Control	2,315,887	181,324	1,849,791	33,304	251,468	-
Building Inspections	2,263,223	105,932	110,100	-	2,047,191	-
Communications Center	29,240,088	71,740	63,857	-	29,104,491	-
Fire and EMS	79,845,025	1,776,355	35,983,304	735,780	41,349,586	-
Jail	31,377,564	19,950	31,097,193	-	260,421	-
Juvenile Detention Home	17,043,226	14,000	16,942,509	-	86,717	-
Juvenile Probation	41,884	-	-	-	41,884	-
Police	53,833,337	1,607,606	31,793,037	136,625	20,296,069	-
Sheriff	4,698,817	-	-	-	4,698,817	-
Youth Group Home	870,121	-	799,600	-	70,521	-
Total public safety	<u>221,529,172</u>	<u>3,776,907</u>	<u>118,639,391</u>	<u>905,709</u>	<u>98,207,165</u>	<u>-</u>
<b>Public works:</b>						
Buildings and Grounds	21,793,115	7,727,004	9,138,474	2,589,788	2,337,849	-
Environmental Engineering	37,780,200	3,500	355,951	-	1,410,054	36,010,695
Waste and Resource Recovery	10,027,718	800,254	688,185	7,471,404	1,067,875	-
Total public works	<u>69,601,033</u>	<u>8,530,758</u>	<u>10,182,610</u>	<u>10,061,192</u>	<u>4,815,778</u>	<u>36,010,695</u>
<b>Health and welfare:</b>						
Health	28,199	-	-	-	28,199	-
Mental Health Support Services	9,539,098	28,000	8,168,318	-	1,342,780	-
Social Services	7,354,229	297,200	7,001,955	-	55,074	-
Total health and welfare	<u>16,921,526</u>	<u>325,200</u>	<u>15,170,273</u>	<u>-</u>	<u>1,426,053</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, 2013**

	<u>Total</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements other than Buildings</u>	<u>Machinery and Equipment</u>	<u>Infrastructure</u>
<b>Parks, recreation and cultural:</b>						
Library	\$ 36,368,850	\$ 3,034,357	\$ 30,318,620	\$ 20,603	\$ 2,995,270	\$ -
Parks and Recreation	<u>70,920,350</u>	<u>14,028,593</u>	<u>9,173,247</u>	<u>43,377,166</u>	<u>4,341,344</u>	<u>-</u>
Total parks, recreation and cultural	<u>107,289,200</u>	<u>17,062,950</u>	<u>39,491,867</u>	<u>43,397,769</u>	<u>7,336,614</u>	<u>-</u>
<b>Education:</b>						
School Board	<u>924,500,517</u>	<u>28,555,096</u>	<u>878,693,950</u>	<u>17,251,471</u>	<u>-</u>	<u>-</u>
<b>Community development:</b>						
Community Development	21,298,572	-	18,712,365	-	2,586,207	-
Economic Development	<u>20,406</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,406</u>	<u>-</u>
Total community development	<u>21,318,978</u>	<u>-</u>	<u>18,712,365</u>	<u>-</u>	<u>2,606,613</u>	<u>-</u>
Total governmental funds capital assets allocated by function	1,455,431,340	<u>\$ 59,276,493</u>	<u>\$ 1,145,290,160</u>	<u>\$ 71,896,940</u>	<u>\$ 142,957,052</u>	<u>\$ 36,010,695</u>
<b>Redevelopment asset</b>	15,731,070					
<b>Construction in progress</b>	<u>27,412,491</u>					
Total governmental funds capital assets	<u>\$ 1,498,574,901</u>					

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

*See accompanying independent auditors' report.*

**County of Chesterfield, Virginia**  
**Schedule of Changes in Capital Assets Used in the Operation of Governmental Funds**  
**by Function and Activity**  
**For the Year Ended June 30, 2013**

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
<b>General government:</b>				
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	12,014	-	17,460
Commissioner of the Revenue	17,163	-	-	17,163
County Administrator	411,365	-	-	411,365
General Services	9,163,324	38,696	-	9,202,020
Human Resource Management	54,585	25,615	11,875	68,325
Information Systems Technology	29,206,053	1,634,399	690,142	30,150,310
Internal Audit	301,006	12,689	-	313,695
Real Estate Assessments	561,654	-	-	561,654
Registrar	12,400	-	-	12,400
Treasurer	1,733,487	-	-	1,733,487
Total general government	<u>41,530,426</u>	<u>1,723,413</u>	<u>702,017</u>	<u>42,551,822</u>
<b>Administration of justice:</b>				
Circuit Court Clerk	104,830	-	-	104,830
Circuit Court Judges	13,715	-	7,741	5,974
Commonwealth's Attorney	20,536	114,474	-	135,010
Community Corrections	23,932	1,164,791	-	1,188,723
General District Court	32,754,331	118,080	-	32,872,411
Juvenile and Domestic Relations Court	17,400,928	11,216	-	17,412,144
Total administration of justice	<u>50,318,272</u>	<u>1,408,561</u>	<u>7,741</u>	<u>51,719,092</u>
<b>Public safety:</b>				
Animal Control	2,346,564	-	30,677	2,315,887
Building Inspections	2,276,100	-	12,877	2,263,223
Communications Center	28,520,760	1,646,466	927,138	29,240,088
Fire and EMS	77,513,933	3,344,154	1,013,062	79,845,025
Jail	31,377,564	-	-	31,377,564
Juvenile Detention Home	17,034,797	8,429	-	17,043,226
Juvenile Probation	41,884	-	-	41,884
Police	52,714,108	1,719,960	600,731	53,833,337
Sheriff	4,540,753	158,064	-	4,698,817
Youth Group Home	870,121	-	-	870,121
Total public safety	<u>217,236,584</u>	<u>6,877,073</u>	<u>2,584,485</u>	<u>221,529,172</u>
<b>Public works:</b>				
Buildings and Grounds	19,421,361	2,387,448	15,694	21,793,115
Environmental Engineering	37,129,994	687,590	37,384	37,780,200
Waste and Resource Recovery	10,182,912	17,076	172,270	10,027,718
Total public works	<u>66,734,267</u>	<u>3,092,114</u>	<u>225,348</u>	<u>69,601,033</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, 2013**

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
<b>Health and welfare:</b>				
Health	\$ 28,199	\$ -	\$ -	\$ 28,199
Mental Health Support Services	9,545,672	65,873	72,447	9,539,098
Social Services	7,354,229	-	-	7,354,229
Total health and welfare	<u>16,928,100</u>	<u>65,873</u>	<u>72,447</u>	<u>16,921,526</u>
<b>Parks, recreation and cultural:</b>				
Library	32,911,416	3,490,396	32,962	36,368,850
Parks and Recreation	63,983,526	7,153,271	216,447	70,920,350
Total parks, recreation and cultural	<u>96,894,942</u>	<u>10,643,667</u>	<u>249,409</u>	<u>107,289,200</u>
<b>Education:</b>				
School Board	<u>899,606,494</u>	<u>24,956,958</u>	<u>62,935</u>	<u>924,500,517</u>
<b>Community development:</b>				
Community Development	21,317,451	-	18,879	21,298,572
Economic Development	20,406	-	-	20,406
Total community development	<u>21,337,857</u>	<u>-</u>	<u>18,879</u>	<u>21,318,978</u>
<b>Redevelopment asset</b>	11,367,188	4,363,882	-	15,731,070
<b>Construction in progress</b>	<u>25,805,543</u>	<u>39,495,448</u>	<u>37,888,500</u>	<u>27,412,491</u>
Total governmental funds' capital assets	<u>\$ 1,447,759,673</u>	<u>\$ 92,626,989</u>	<u>\$ 41,811,761</u>	<u>\$ 1,498,574,901</u>

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

*See accompanying independent auditors' report.*

**County of Chesterfield, Virginia**  
**Schedule of Capital Assets Used in the Operation of Governmental Funds**  
**by Source**  
**June 30, 2013**

**Governmental funds' capital assets:**

Land	\$ 59,276,493
Buildings	1,145,290,160
Improvements other than buildings	71,896,940
Machinery and equipment	142,957,052
Infrastructure	36,010,695
Redevelopment asset	15,731,070
Construction in progress	27,412,491
Total governmental funds' capital assets	<u>\$ 1,498,574,901</u>

**Investment in governmental funds' capital assets by source:**

General obligation bonds	\$ 1,014,668,815
General government revenues	336,124,967
Federal and State grants	25,325,510
Capital lease purchases	56,195,659
Special Revenue Fund revenues	6,743,479
Contributions from public	59,516,471
Total investment in governmental funds' capital assets	<u>\$ 1,498,574,901</u>

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

*See accompanying independent auditors' report.*

# **School Board Discretely Presented Component Unit**

## **Governmental Fund**

### **Special Revenue Fund**

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

## **Fiduciary Funds**

### **Pension Trust Fund**

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

### **Agency Fund**

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

County of Chesterfield, Virginia  
Discretely Presented Component Unit - School Board  
Balance Sheet - Governmental Fund  
June 30, 2013

Special Revenue Fund

School  
Operating

**ASSETS**

Cash and cash equivalents	\$ 32,605,299
Accounts receivable	433,349
Due from other governments	7,348,138
Due from primary government	50,735,088
Inventories	1,024,527
Total assets	<u>\$ 92,146,401</u>

**LIABILITIES**

Accounts payable	\$ 3,776,208
Accrued liabilities	32,415,469
Unearned revenues	415,007
Total liabilities	<u>36,606,684</u>

**FUND BALANCE**

Nonspendable	1,024,527
Restricted	5,609,959
Assigned	48,905,231
Total fund balance	<u>55,539,717</u>
Total liabilities and fund balance	<u>\$ 92,146,401</u>

Total fund balance for School Operating Fund \$ 55,539,717

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

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

13,159,547

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

Compensated absences	\$ (20,437,818)	
Judgments and claims	(14,131,773)	
Retirement plan obligations, net	8,340,864	
Other postemployment benefits obligation - asset	<u>112,925</u>	<u>(26,115,802)</u>
Total net position of the School Board's governmental activities		<u>\$ 42,583,462</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, 2013

Special Revenue Fund

	<u>School Operating</u>	
<b>Revenues</b>		
From local sources:		
Use of money and property	\$ 776,734	
Charges for services	14,520,238	
Donations	490,875	
Miscellaneous	2,047,487	
Payment from primary government	250,484,947	
From other governments	<u>257,041,215</u>	
Total revenues	<u>525,361,496</u>	
<b>Expenditures</b>		
Current:		
Education	532,417,851	
Payment to primary government	<u>7,988,893</u>	
Total expenditures	<u>540,406,744</u>	
Deficiency of revenues over expenditures	(15,045,248)	
Fund balance, July 1, 2012	<u>70,584,965</u>	
Fund balance, June 30, 2013	<u>\$ 55,539,717</u>	
Net change in fund balance		\$ (15,045,248)
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 (\$4,641,380) were less than depreciation (\$4,497,189) in the current period.		
		144,191
The net effect of miscellaneous transactions involving capital assets (prepayments, trade-ins, donations, and disposals) increased net assets.		
		2,794,818
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	\$ (57,163)	
Judgments and claims	(4,196,193)	
Retirement plan obligations	<u>(7,907,057)</u>	<u>(12,160,413)</u>
Change in net position of governmental activities		<u>\$ (24,266,652)</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>				
From local sources:				
Use of money and property	\$ 1,778,022	\$ 1,792,944	\$ 1,779,959	\$ (12,985)
Charges for services	15,726,778	14,203,460	14,940,027	736,567
Donations	432,400	485,706	490,875	5,169
Miscellaneous	3,698,700	2,210,103	2,047,487	(162,616)
Recovered costs	2,850,700	2,909,713	2,912,241	2,528
From the Commonwealth	223,613,650	227,290,817	223,108,240	(4,182,577)
From the federal government	29,985,900	36,524,998	33,932,975	(2,592,023)
Total revenues	<u>278,086,150</u>	<u>285,417,741</u>	<u>279,211,804</u>	<u>(6,205,937)</u>
<b>Expenditures</b>				
Current:				
Education:				
Instruction	380,842,763	402,894,730	395,945,805	6,948,925
Administration, attendance and health	20,335,368	20,495,506	19,624,749	870,757
Pupil transportation	31,398,011	32,985,295	31,691,586	1,293,709
Operations and maintenance	59,100,028	58,350,172	54,577,709	3,772,463
Technology	11,860,542	15,468,674	13,787,957	1,680,717
Food service	22,393,320	22,343,320	21,125,300	1,218,020
Debt service	45,091,100	44,650,186	44,613,946	36,240
Total expenditures	<u>571,021,132</u>	<u>597,187,883</u>	<u>581,367,052</u>	<u>15,820,831</u>
Deficiency of revenues under expenditures	<u>(292,934,982)</u>	<u>(311,770,142)</u>	<u>(302,155,248)</u>	<u>9,614,894</u>
<b>Other financing sources (uses)</b>				
Transfers in:				
General Fund	290,389,300	299,834,768	294,314,141	(5,520,627)
School Capital Projects Fund	700,000	700,000	700,000	-
Total transfers in	<u>291,089,300</u>	<u>300,534,768</u>	<u>295,014,141</u>	<u>(5,520,627)</u>
Transfers out:				
School Capital Projects Fund	(1,800,000)	(40,410,001)	(7,067,793)	33,342,208
Comprehensive Services Fund	(921,100)	(921,100)	(921,100)	-
Total transfers out	<u>(2,721,100)</u>	<u>(41,331,101)</u>	<u>(7,988,893)</u>	<u>33,342,208</u>
Bonds issued	-	84,752	84,752	-
Total other financing sources, net	<u>288,368,200</u>	<u>259,288,419</u>	<u>287,110,000</u>	<u>27,821,581</u>
Net change in fund balance	<u>(4,566,782)</u>	<u>(52,481,723)</u>	<u>(15,045,248)</u>	<u>37,436,475</u>
Fund balance, July 1, 2012	70,584,965	70,584,965	70,584,965	-
Fund balance, June 30, 2013	<u>\$ 66,018,183</u>	<u>\$ 18,103,242</u>	<u>\$ 55,539,717</u>	<u>\$ 37,436,475</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, 2013**

**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.	\$ 279,211,804
For budgetary purposes, interfund reimbursements and recovered costs are accounted for as revenues and expenditures but are eliminated for financial reporting purposes.	(4,335,255)
Budgetary transfers from the primary government, excluding transfers for payment of debt "on behalf" of the School Board, are revenues for financial reporting purposes.	<u>250,484,947</u>
Total revenues on the Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Fund.	<u><u>\$ 525,361,496</u></u>

**Expenditures**

Total expenditures on the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual.	\$ 581,367,052
For budgetary purposes, interfund reimbursements and recovered costs are accounted for as revenues and expenditures but are eliminated for financial reporting purposes.	(4,335,255)
Budgetary transfers to the primary government are expenditures for financial reporting purposes.	7,988,893
Payments of debt "on behalf" of the School Board are eliminated for financial reporting purposes.	<u>(44,613,946)</u>
Total expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund.	<u><u>\$ 540,406,744</u></u>

**Other financing sources (uses)**

Total other financing sources on the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual.	\$ 287,110,000
Budgetary transfers from the primary government are revenues for financial reporting purposes.	(295,014,141)
Proceeds from debt issued by the primary government "on behalf" of the School Board are eliminated for financial reporting purposes.	(84,752)
Budgetary transfers to the primary government are expenditures for financial reporting purposes.	<u>7,988,893</u>
Total other financing sources on the Statement of Revenue, Expenditures and Changes in Fund Balance - Governmental Fund.	<u><u>\$ -</u></u>

*See accompanying independent auditors' report*

County of Chesterfield, Virginia  
Discretely Presented Component Unit - School Board  
Statement of Net Position  
Fiduciary Funds  
June 30, 2013

	<u>Pension Trust</u>	<u>Agency Funds</u>
	<u>Supplemental Retirement Program Fund</u>	<u>School Activities Fund</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 5,427,486
Cash, cash equivalents and investments with trustees	20,456,448	-
Interest receivable	10,230	-
Due from broker	641,326	-
Total assets	<u>21,108,004</u>	<u>\$ 5,427,486</u>
<b>LIABILITIES</b>		
Amounts held for others	<u>-</u>	<u>\$ 5,427,486</u>
<b>NET POSITION</b>		
Held in trust for pension benefits	<u>\$ 21,108,004</u>	

*See accompanying independent auditors' report.*

**County of Chesterfield, Virginia  
Discretely Presented Component Unit - School Board  
Statement of Changes in Net Position  
Fiduciary Funds  
For the Year Ended June 30, 2013**

	<u>Pension Trust</u>
	<u>Supplemental Retirement Program</u>
<b>Additions</b>	
Contributions	\$ 7,961,072
Investment earnings:	
Interest and dividends	485,281
Net increase in the fair value of investments	<u>2,051,673</u>
Net investment earnings	<u>2,536,954</u>
Total additions	<u>10,498,026</u>
<b>Deductions</b>	
Benefit payments	12,910,272
Administrative expenses	<u>35,577</u>
Total deductions	<u>12,945,849</u>
Change in net position	(2,447,823)
Net position - July 1, 2012	<u>23,555,827</u>
Net position - June 30, 2013	<u>\$ 21,108,004</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, 2013**

**Schedule D-1**

Federal Granting Agency/Recipient State Agency/Grant Program	Federal catalog number	Federal expenditures
<b>DEPARTMENT OF AGRICULTURE:</b>		
Pass through payments:		
Department of Education:		
School Breakfast Program	10.553	\$ 1,581,880
Fresh Fruit and Vegetable Program	10.582	186,524
Department of Health:		
Child and Adult Care Food Program	10.558	17,640
Department of Agriculture:		
National School Lunch Program	10.555	\$ 1,028,261
Department of Education:		
National School Lunch Program	10.555	6,004,798
Department of Juvenile Justice:		
National School Lunch Program	10.555	85,017
Total for federal catalog number 10.555		7,118,076
Department of Social Services:		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	1,425,206
Total Department of Agriculture		10,329,326
<b>DEPARTMENT OF DEFENSE:</b>		
Direct payments:		
JROTC	12.XXX	311,179
Competitive Grants: Promoting K-12 Student Achievement at Military-Connected Schools	12.556	78,435
Total Department of Defense		389,614
<b>DEPARTMENT OF EDUCATION:</b>		
Direct payments:		
Office of Elementary and Secondary Education:		
Impact Aid	84.041	79,506
Office of Innovation and Improvement:		
Fund for the Improvement of Education	84.215	473,981
Pass through payments:		
City of Richmond, Virginia School Board:		
Adult Education - Basic Grants to States	84.002	266,042
Education for Homeless Children and Youth	84.196	24,855
Department of Education:		
Title I Grants to Local Educational Agencies	84.010	6,774,203
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	37,292
Special Education - Grants to States	84.027	11,933,543
Career and Technical Education - Basic Grants to States	84.048	583,499
Special Education - Preschool Grants	84.173	210,103
Special Education - Grants for Infants and Families	84.181	291,076
Twenty-First Century Community Learning Centers	84.287	324,583
Education Technology State Grants	84.318	1,618
Teacher Quality Partnership Grants	84.336	85,629
English Language Acquisition State Grants	84.365	407,463
Improving Teacher Quality State Grants	84.367	1,489,907
Total Department of Education		22,983,300
<b>DEPARTMENT OF ENERGY:</b>		
Direct payments:		
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	448,895
Total Department of Energy		448,895

**(Continued)**

**County of Chesterfield, Virginia**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2013**

**Schedule D-1**

Federal Granting Agency/Recipient State Agency/Grant Program	Federal catalog number	Federal expenditures
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>		
Direct payments:		
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	\$ 46,666
Head Start	93.600	1,353,008
Pass through payments:		
Department of Behavioral Health and Developmental Services:		
Block Grants for Community Mental Health Services	93.958	91,821
Block Grants for Prevention and Treatment of Substance Abuse	93.959	895,384
Department of Social Services:		
Promoting Safe and Stable Families	93.556	139,090
Temporary Assistance for Needy Families	93.558	1,434,043
Refugee and Entrant Assistance - State Administered Programs	93.566	8,044
Low-Income Home Energy Assistance	93.568	56,071
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	170,061
Chafee Education and Training Vouchers Program (ETV)	93.599	1,967
Child Welfare Services - State Grants		
Stephanie Tubbs Jones Child Welfare Services Program	93.645	4,746
Foster Care - Title IV-E	93.658	782,054
Adoption Assistance	93.659	766,323
Social Services Block Grant	93.667	938,793
Chafee Foster Care Independence Program	93.674	13,419
Children's Health Insurance Program	93.767	32,735
Medical Assistance Program	93.778	865,428
Total Department of Health and Human Services		<u>7,599,653</u>
<b>DEPARTMENT OF HOMELAND SECURITY:</b>		
Direct payments:		
Assistance to Firefighters Grant	97.044	549,785
Pass through payments:		
City of Richmond:		
Metropolitan Medical Response System	97.071	186,182
Department of Emergency Management:		
2009 Emergency Operations Grant	97.001	14,067
Non-Profit Security Program	97.008	423,361
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	3,186
Citizens - Community Resilience Innovation Challenge	97.053	15,379
Emergency Management Performance Grants	97.042	26,409
State Homeland Security Program (SHSP)	97.073	144,197
Total Department of Homeland Security		<u>1,362,566</u>
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</b>		
Direct payments:		
Community Development Block Grants/Entitlement Grants	14.218	1,185,285
Home Investment Partnerships Program	14.239	357,340
Pass through payments:		
Housing Development Authority:		
Section 8 Housing Choice Vouchers	14.871	217,924
Total Department of Housing and Urban Development		<u>1,760,549</u>

**(Continued)**

**County of Chesterfield, Virginia**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2013**

**Schedule D-1**

Federal Granting Agency/Recipient State Agency/Grant Program	Federal catalog number	Federal expenditures
<b>DEPARTMENT OF THE INTERIOR:</b>		
Direct payments:		
Fish and Wildlife Service:		
National Wildlife Refuge Fund	15.659	\$ 4,961
National Park Service:		
Civil War Battelfield Land Acquisition Grant	15.928	367,263
Save America's Treasures	15.929	34,145
Total Department of the Interior		406,369
<b>DEPARTMENT OF JUSTICE:</b>		
Direct payments:		
State Criminal Alien Assistance Program	16.606	162,924
Public Safety Partnership and Community Policing Grants	16.710	121,887
Edward Byrne Memorial Justice Assistance Grant Program	16.738	93,183
Edward Byrne Memorial Competitive Grant Program	16.751	127,567
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG)		
Program/Grants to Units of Local Government	16.804	138,083
Equitable Sharing Program	16.922	67,895
Pass through payments:		
Department of Criminal Justice Services:		
Juvenile Accountability Block Grants	16.523	26,012
Crime Victim Assistance	16.575	234,082
Byrne Formula Grant Program	16.579	88,597
Violence Against Women Formula Grants	16.588	135,246
Total Department of Justice		1,195,476
<b>DEPARTMENT OF LABOR:</b>		
Pass through payments:		
County of Henrico, Virginia:		
WIA Youth Activities	17.259	410,939
Total Department of Labor		410,939
<b>DEPARTMENT OF TRANSPORTATION:</b>		
Direct payments:		
Department of Aviation:		
Airport Improvement Program	20.106	369,058
Pass through payments:		
Federal Highway Administration:		
ARRA - Highway Planning and Construction	20.205	400,347
Department of Motor Vehicles:		
State and Community Highway Safety	20.600	35,311
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	106,144
Total Department of Transportation		910,860
<b>DEPARTMENT OF VETERANS AFFAIRS:</b>		
Direct payments:		
Veterans Benefits Administration	64.120	7
Total Department of Veterans Affairs		7
<b>NATIONAL SCIENCE FOUNDATION:</b>		
Pass through payments:		
Harvard University:		
Education and Human Resources	47.076	154,321
Virginia Commonwealth University:		
ARRA - Trans-NSF Research Support	47.082	124,902
Total National Science Foundation		279,223
Total expenditures of federal awards		\$ 48,076,777

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

**County of Chesterfield, Virginia**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2013**

**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>
<b><u>Primary Government</u></b>	
<b>Governmental Activities</b>	
General Fund	\$ 7,731,060
County Capital Projects Fund	767,610
Non-major - Comprehensive Services Fund	130,094
Non-major - Grants Fund	<u>5,139,381</u>
Total Governmental Activities	13,768,145
<b>Business-type Activities</b>	
Non-major - Airport Fund	<u>369,058</u>
Total Primary Government	14,137,203
<b><u>Component Unit</u></b>	
<b>Governmental Activities</b>	
School Operating Fund	<u>33,939,574</u>
Total	<u>\$ 48,076,777</u>

**4. Sub-recipient Payments**

The total amount of \$570,201 received by pass-through entities from the County during the fiscal year included \$352,580 from the Community Development Block Grants (CFDA Number 14.218) and \$217,621 from the Home Investment Partnerships Program (CFDA Number 14.239).

**County of Chesterfield, Virginia**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2013**

**5. Expenditures for Clusters of Federal Programs**

<u>Name of Cluster</u>	<u>CFDA Number</u>		<u>Cluster Total</u>
Child Nutrition	10.553	1,581,880	8,699,956
	10.555	<u>7,118,076</u>	
JAG Program	16.738	93,183	231,266
	16.804	<u>138,083</u>	
Special Education	84.027	11,933,543	12,143,646
	84.173	<u>210,103</u>	
Highway Safety	20.600	35,311	141,455
	20.601	<u>106,144</u>	

## STATISTICAL SECTION

# STATISTICAL SECTION

## (Unaudited)

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

	<u>Pages</u>
<b>Financial Trends .....</b>	<b>161-165</b>
<i>These schedules contain trend information to help the reader understand how Chesterfield's financial performance and well-being have changed over time.</i>	
<b>Revenue Capacity .....</b>	<b>166-170</b>
<i>These schedules contain information to help the reader assess Chesterfield's most significant local revenue source, property tax.</i>	
<b>Debt Capacity .....</b>	<b>171-173</b>
<i>These schedules present information to help the reader assess the affordability of Chesterfield's current levels of outstanding debt and the ability to issue additional debt in the future.</i>	
<b>Demographic and Economic Information .....</b>	<b>174-175</b>
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which Chesterfield operates.</i>	
<b>Operating Information .....</b>	<b>176-178</b>
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the financial report relates to the services Chesterfield provides and the activities it performs.</i>	

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

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Governmental activities <sup>(1)</sup></b>										
Net investment in capital assets	\$ 360,274,011	\$ 394,677,734	\$ 415,009,147	\$ 458,603,478	\$ 487,741,373	\$ 530,702,086	\$ 552,032,799	\$ 574,885,562	\$ 599,754,295	\$ 627,400,224
Restricted	21,886,605	21,171,516	28,938,619	23,244,451	50,295,285	42,099,392	52,160,770	58,812,683	61,519,784	51,154,743
Unrestricted	86,997,476	93,680,842	139,045,238	147,996,016	143,352,794	149,288,745	160,465,007	187,964,641	188,996,281	187,356,548
Total governmental activities net position <sup>(3)(4)</sup>	\$ 469,158,092	\$ 509,530,092	\$ 582,993,004	\$ 629,843,945	\$ 681,389,452	\$ 722,090,223	\$ 764,658,576	\$ 821,662,886	\$ 850,270,360	\$ 865,911,515
<b>Business-type activities</b>										
Net investment in capital assets <sup>(2)</sup>	\$ 522,052,613	\$ 559,917,886	\$ 597,187,773	\$ 643,325,018	\$ 682,591,012	\$ 714,330,054	\$ 741,730,464	\$ 765,410,845	\$ 770,297,665	\$ 785,112,123
Restricted	18,071,837	14,745,218	14,308,324	19,148,367	17,242,966	25,002,197	25,417,498	15,637,228	15,815,265	16,559,193
Unrestricted <sup>(2)</sup>	93,636,540	96,023,650	105,207,647	111,033,540	117,696,445	114,292,930	117,421,774	130,992,671	140,426,616	160,100,907
Total business-type activities net position <sup>(3)(4)</sup>	\$ 633,760,990	\$ 670,686,754	\$ 716,703,744	\$ 773,506,925	\$ 817,530,423	\$ 853,625,181	\$ 884,569,736	\$ 912,040,744	\$ 926,539,546	\$ 961,772,223
<b>Primary government</b>										
Net investment in capital assets	\$ 882,326,624	\$ 954,595,620	\$ 942,597,835	\$ 1,101,928,496	\$ 1,170,332,385	\$ 1,245,032,140	\$ 1,293,763,263	\$ 1,340,296,407	\$ 1,370,051,960	\$ 1,412,512,347
Restricted	39,958,442	35,916,734	43,246,943	42,392,818	67,538,251	67,101,589	77,578,268	74,449,911	77,335,049	67,713,936
Unrestricted	180,634,016	189,704,492	313,851,970	259,029,556	261,049,239	263,581,675	277,886,781	318,957,312	329,422,897	347,457,455
Total primary government net position <sup>(3)(4)</sup>	\$ 1,102,919,082	\$ 1,180,216,846	\$ 1,299,696,748	\$ 1,403,350,870	\$ 1,498,919,875	\$ 1,575,715,404	\$ 1,649,228,312	\$ 1,733,703,630	\$ 1,776,809,906	\$ 1,827,683,738

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

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

(3) Due to implementation of GASB 61 in 2013, the Economic Development Authority is reflected as a blended component unit in the business-type activity of the primary government. Historical data was not restated.

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

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Expenses</b>										
<b>Governmental activities:</b>										
General government	\$ 38,236,017	\$ 45,695,112	\$ 46,460,964	\$ 53,941,385	\$ 62,125,394	\$ 64,753,892	\$ 59,652,475	\$ 58,141,077	\$ 63,848,744	\$ 61,583,107
Administration of justice	8,402,004	9,333,004	9,984,083	9,578,091	9,433,583	10,165,647	9,689,658	9,838,076	10,074,871	9,672,405
Public safety	111,347,750	121,761,928	131,672,438	145,470,820	152,400,203	158,317,621	154,703,866	159,738,182	164,335,666	176,821,834
Public works	20,240,164	24,776,442	21,642,615	39,031,478	37,044,887	32,749,415	31,583,528	28,851,217	38,710,140	41,785,217
Health and welfare	52,030,499	56,999,992	60,543,646	67,477,015	72,490,313	73,645,385	70,707,991	72,416,110	72,359,200	73,067,353
Parks, recreation and cultural	20,359,198	20,155,901	21,328,956	22,528,120	25,048,041	26,279,170	23,871,068	21,531,768	24,969,646	22,970,560
Education - School Board	301,516,892	275,058,438	287,052,952	336,542,438	337,236,438	337,123,894	308,669,193	310,962,247	262,561,566	277,126,087
Community development	12,876,300	13,978,515	14,179,400	14,444,469	16,697,501	19,839,416	17,316,286	18,143,396	26,219,996	18,844,043
Interest on long-term debt	17,177,171	19,752,479	19,433,153	21,477,059	23,272,102	20,554,873	24,463,742	21,600,283	19,825,526	19,285,140
Total governmental activities expenses	582,185,995	587,511,811	612,298,207	710,490,875	735,748,462	743,429,313	700,657,807	701,222,356	682,905,355	701,155,746
<b>Business-type activities:</b>										
Water	21,986,759	24,413,374	27,674,062	30,001,661	33,897,447	34,499,851	36,788,760	36,717,857	37,959,144	40,454,185
Wastewater	23,731,419	28,322,391	26,480,048	26,829,256	28,359,324	28,938,778	28,892,927	30,679,018	36,165,218	41,534,715
Non-major funds	1,166,102	1,544,038	1,419,586	1,363,653	1,830,406	2,033,079	1,894,870	1,892,830	2,083,379	9,369,149
Total business-type activities expenses	46,884,280	54,279,803	55,573,696	58,194,570	64,087,177	65,471,708	67,576,557	69,289,705	76,207,741	91,358,049
Total primary government expenses	\$ 629,070,275	\$ 641,791,614	\$ 667,871,903	\$ 768,685,445	\$ 799,835,639	\$ 808,901,021	\$ 768,234,364	\$ 770,512,061	\$ 759,113,096	\$ 792,513,795
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
Charges for services:										
General government	\$ 11,750,722	\$ 14,740,613	\$ 17,617,418	\$ 18,494,228	\$ 22,610,238	\$ 24,291,925	\$ 24,296,030	\$ 25,073,965	\$ 25,626,551	\$ 26,076,591
Public safety	11,190,249	12,515,330	12,700,056	12,854,109	15,189,151	15,444,515	13,374,815	14,615,801	14,839,567	16,973,314
Health and welfare	13,935,877	15,000,118	16,606,647	18,831,152	19,579,694	20,718,939	21,580,964	22,551,628	21,210,460	22,239,975
Other activities	11,963,781	13,397,249	11,808,179	13,475,548	14,099,296	11,831,679	11,385,840	13,727,131	14,101,549	14,594,343
Operating grants and contributions	79,620,341	89,610,129	95,949,288	101,631,282	103,539,529	96,146,925	90,963,621	94,216,649	96,081,067	96,078,901
Capital grants and contributions	13,157,445	14,010,139	13,628,258	23,599,820	22,402,657	8,057,210	7,117,695	19,507,591	19,066,565	23,441,463
Total governmental activities program revenues	141,618,415	159,273,578	168,309,846	188,886,139	197,420,565	176,491,193	168,718,965	189,692,765	190,925,759	199,404,587
<b>Business-type activities:</b>										
Charges for services:										
Water	22,933,096	24,061,227	28,162,945	31,263,930	33,171,182	33,557,269	35,294,123	34,918,515	35,354,772	38,354,424
Wastewater	22,385,369	24,917,744	25,683,159	28,040,156	28,844,584	31,135,811	32,991,772	34,197,043	35,363,104	37,315,136
Non-major funds	571,349	734,227	793,318	713,269	815,883	626,602	614,093	651,579	612,878	2,029,452
Capital grants and contributions	29,975,046	40,249,985	43,624,718	49,668,211	40,063,647	33,860,040	31,029,526	26,705,648	19,399,060	24,777,852
Total business-type activities program revenues	75,864,860	89,963,183	98,264,140	109,685,566	102,895,296	99,179,722	99,929,514	96,472,785	90,729,814	102,476,864
Total primary government program revenues	\$ 217,483,275	\$ 249,236,761	\$ 266,573,986	\$ 298,571,705	\$ 300,315,861	\$ 275,670,915	\$ 268,648,479	\$ 286,165,550	\$ 281,655,573	\$ 301,881,451

(Continued)

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (440,567,580)	\$ (428,238,233)	\$ (443,988,361)	\$ (521,604,736)	\$ (538,327,897)	\$ (566,938,120)	\$ (531,938,842)	\$ (511,529,591)	\$ (491,979,596)	\$ (501,751,159)
Business-type activities	28,980,580	35,683,380	42,690,444	51,490,996	38,808,119	33,708,014	32,352,957	27,183,080	14,522,073	11,118,815
Total primary government net expense	<u>\$ (411,587,000)</u>	<u>\$ (392,554,853)</u>	<u>\$ (401,297,917)</u>	<u>\$ (470,113,740)</u>	<u>\$ (499,519,778)</u>	<u>\$ (533,230,106)</u>	<u>\$ (499,585,885)</u>	<u>\$ (484,346,511)</u>	<u>\$ (477,457,523)</u>	<u>\$ (490,632,344)</u>
<b>General Revenues and Other Changes in Net Assets</b>										
<b>Governmental activities:</b>										
Taxes: <sup>(1)</sup>										
Property taxes, levied for general purposes	-	-	52,565	158,435	318,644	953,614	940,457	1,025,519	1,083,691	1,633,193
Property taxes, levied for special purposes	14,804,378	15,510,660	15,847,696	17,092,203	19,539,935	19,760,114	7,510,925	7,676,851	7,513,492	7,692,460
Utility taxes	32,770,997	34,673,367	37,678,256	39,708,387	40,736,677	38,465,858	37,775,437	39,951,936	40,411,325	42,293,047
Sales taxes	6,049,304	6,187,924	6,458,496	6,626,608	6,204,690	7,386,980	6,698,408	6,813,084	6,872,589	7,097,823
Motor vehicle licenses	16,717,257	16,392,877	17,510,915	16,612,402	17,499,296	16,949,861	15,163,683	16,139,259	17,332,709	17,250,726
Business license taxes	15,689,956	17,974,278	20,994,261	18,678,250	15,014,721	13,019,147	9,259,788	9,240,961	10,508,806	10,662,930
Other	93,378,084	56,724,170	42,426,235	64,127,744	52,059,151	74,630,044	55,662,221	61,378,052	10,243,723	7,988,893
Payment from School Board	46,423,907	51,785,443	54,124,100	53,281,156	52,754,645	51,746,112	66,053,783	66,236,099	65,404,091	65,943,441
Unrestricted grants and contributions <sup>(2)</sup>	2,174,800	4,638,160	9,046,080	13,396,400	14,571,536	5,823,371	1,517,603	1,096,015	730,507	633,538
Investment earnings	66,580	66,645	322,305	506,935	298,620	1,425,727	713,621	607,932	6,239,952	814,327
Miscellaneous	(1,757,615)	-	-	-	-	-	-	-	-	-
Extraordinary loss - Hurricane Isabel	-	(18,120,000)	-	-	-	-	-	(8,345,000)	-	-
Special item -	1,159,737	2,151,628	1,602,708	2,115,625	2,082,572	1,528,448	3,126,266	700,079	608,273	(2,154,078)
Meadowville Support Agreement	480,210,964	488,610,233	517,451,273	588,455,677	589,873,404	607,638,891	574,507,195	568,533,901	520,587,070	517,392,314
Transfers										
Total governmental activities										
<b>Business-type activities:</b>										
Investment earnings	1,131,711	3,394,012	4,929,254	7,427,810	7,297,951	3,915,192	1,717,864	988,007	585,002	264,515
Transfers	(1,159,737)	(2,151,628)	(1,602,708)	(2,115,625)	(2,082,572)	(1,528,448)	(3,126,266)	(700,079)	(608,273)	2,154,078
Total business-type activities	<u>(28,026)</u>	<u>1,242,384</u>	<u>3,326,546</u>	<u>5,312,185</u>	<u>5,215,379</u>	<u>2,386,744</u>	<u>(1,408,402)</u>	<u>287,928</u>	<u>(23,271)</u>	<u>2,418,593</u>
Total primary government	<u>\$ 480,182,938</u>	<u>\$ 469,852,617</u>	<u>\$ 520,777,819</u>	<u>\$ 573,767,862</u>	<u>\$ 595,088,783</u>	<u>\$ 610,025,635</u>	<u>\$ 573,098,793</u>	<u>\$ 568,821,829</u>	<u>\$ 520,563,799</u>	<u>\$ 519,810,907</u>
<b>Change in Net Position <sup>(3)(4)</sup></b>										
Governmental activities	\$ 39,643,384	\$ 40,372,000	\$ 73,462,912	\$ 46,850,941	\$ 51,545,507	\$ 40,700,771	\$ 42,568,353	\$ 57,004,310	\$ 28,607,474	\$ 15,641,155
Business-type activities	28,952,554	36,925,764	46,016,990	56,803,181	44,023,498	36,094,758	30,944,555	27,471,008	14,498,802	13,537,408
Total primary government	<u>\$ 68,595,938</u>	<u>\$ 77,297,764</u>	<u>\$ 119,479,902</u>	<u>\$ 103,654,122</u>	<u>\$ 95,569,005</u>	<u>\$ 76,795,529</u>	<u>\$ 73,512,908</u>	<u>\$ 84,475,318</u>	<u>\$ 43,106,276</u>	<u>\$ 29,178,563</u>

<sup>(1)</sup> Some years' tax categories have been restated for comparability between years.

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

<sup>(3)</sup> Due to implementation of GASB 61 in 2013, the Economic Development Authority is reflected as a blended component unit in the business-type activity of the primary government. Historical data was not restated.

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

Table III

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

	2004	2005	2006	2007	2008	2009	2010	2011 <sup>(2)</sup>	2012	2013
<b>General Fund</b>										
Reserved	\$ 56,289,287	\$ 60,217,325	\$ 57,567,067	\$ 56,654,285	\$ 60,076,202	\$ 67,004,317	\$ 68,057,843	\$ -	\$ -	\$ -
Unreserved:										
Designated	9,063,976	24,644,489	44,509,640	74,513,087	76,568,430	94,647,808	108,860,017	-	-	-
Undesignated	49,403,726	56,277,457	71,444,558	65,204,348	70,704,544	53,495,000	53,495,000	-	-	-
Total unreserved	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	13,461,857	13,554,070
Committed	-	-	-	-	-	-	-	690,074	736,367	755,493
Assigned	-	-	-	-	-	-	-	182,374,682	190,269,268	186,350,588
Unassigned	-	-	-	-	-	-	-	53,495,000	53,495,000	53,495,000
Total General Fund	\$ 114,756,989	\$ 141,139,271	\$ 173,521,265	\$ 196,371,720	\$ 207,349,176	\$ 215,147,125	\$ 230,412,860	\$ 248,045,929	\$ 257,962,492	\$ 254,155,151
<b>All Other Governmental Funds</b>										
Reserved	\$ 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 <sup>(1)</sup>	-	-	-	-	(10,590,936)	-	-	-	-	-
Special Revenue Funds	(138,825)	(206,838)	-	1,132,514	2,281,047	2,782,267	3,118,649	-	-	-
Nonspendable	-	-	-	-	-	-	-	5,000	5,000	5,000
Restricted	-	-	-	-	-	-	-	120,021,503	137,170,899	112,858,827
Assigned, reported in:										
School Capital Projects Fund	-	-	-	-	-	-	-	215,000	215,000	215,671
Special Revenue Funds	-	-	-	-	-	-	-	6,086,966	5,989,380	6,332,718
Total all other governmental funds	\$ 97,969,422	\$ 79,625,030	\$ 110,878,641	\$ 117,755,133	\$ 146,278,317	\$ 164,237,146	\$ 131,497,879	\$ 126,328,469	\$ 143,380,279	\$ 119,412,216

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

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

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Revenues</b>										
General property taxes	\$ 253,448,743	\$ 279,900,006	\$ 310,422,872	\$ 335,039,531	\$ 367,784,907	\$ 375,887,861	\$ 370,358,546	\$ 370,513,296	\$ 358,569,311	\$ 360,929,869
Other local taxes <sup>(1)</sup>	86,031,892	90,739,106	98,347,138	98,717,849	98,995,319	95,581,960	76,551,062	80,008,276	82,831,721	85,392,248
Permits, fees and licenses	6,806,680	7,928,524	7,522,107	7,279,086	6,411,648	4,542,125	3,984,902	3,586,770	3,864,896	5,208,451
Fines and forfeitures	1,876,556	2,180,571	1,682,991	2,555,991	2,097,014	2,119,362	2,296,228	2,296,228	2,301,977	2,278,991
Use of money and property	1,764,281	4,631,122	9,093,797	15,135,424	14,866,249	6,344,978	2,055,073	1,652,694	1,351,053	1,313,194
Charges for services	23,846,306	25,811,910	28,033,471	30,297,026	32,596,470	34,623,544	34,833,624	38,623,262	36,850,784	38,355,482
Donations and miscellaneous	11,965,401	11,303,788	11,087,191	10,490,692	11,576,794	7,782,805	6,499,504	8,559,883	16,211,413	12,774,759
Recovered costs	8,164,667	8,722,741	8,738,443	10,881,339	12,445,614	15,339,867	13,760,783	13,140,128	11,371,267	12,239,642
From component unit - School Board	93,368,159	56,715,270	42,568,721	64,105,686	51,289,900	74,630,044	55,662,221	61,378,052	10,243,723	7,988,893
From component unit - Economic Development Authority <sup>(2)</sup>	-	-	-	-	-	-	-	-	2,769,593	-
From other governments <sup>(1)</sup>	125,467,792	145,595,474	148,832,439	168,430,765	168,241,737	149,519,290	157,456,277	168,557,560	169,439,273	173,418,402
Total revenues	612,740,477	633,528,512	666,329,170	741,962,200	766,784,629	766,349,488	723,281,354	748,316,149	695,805,011	699,899,931
<b>Expenditures</b>										
General government	30,668,010	34,046,235	35,801,627	38,878,557	46,365,935	45,833,201	43,215,375	42,636,365	46,315,295	44,647,030
Administration of justice	7,621,051	8,457,969	9,863,338	8,265,185	9,039,329	8,966,363	8,756,089	9,152,233	9,195,838	9,278,278
Public safety	108,340,259	118,326,162	127,463,261	139,138,082	145,924,583	150,999,210	151,122,446	156,223,287	156,149,460	168,719,717
Public works	15,417,078	17,793,956	16,792,195	18,601,326	19,996,286	19,849,499	18,365,860	17,330,421	18,329,261	19,045,092
Health and welfare	51,369,561	56,877,271	60,689,166	66,941,306	72,087,641	72,934,960	69,919,248	72,668,435	71,807,826	72,032,431
Parks, recreation and cultural	16,467,805	17,563,791	18,168,394	19,054,909	21,326,681	21,505,518	19,681,201	22,374,211	18,012,985	18,126,307
Education - School Board	279,750,931	252,976,793	261,521,532	311,151,647	314,603,869	316,956,577	286,137,953	286,952,462	237,812,405	250,493,166
Community development	12,908,998	12,975,808	12,833,578	13,775,065	14,966,770	18,177,218	15,893,983	16,956,080	25,316,409	17,854,792
Debt service:										
Principal	34,429,508	33,843,492	36,738,215	39,106,776	41,352,282	43,910,171	44,075,601	45,453,298	43,650,523	44,454,795
Interest	16,950,600	17,941,758	18,823,764	20,248,273	22,184,734	23,992,255	23,841,263	23,687,589	22,493,861	21,155,270
Other	1,797,522	911,410	421,006	964,441	550,556	565,906	85,997	667,429	1,318,521	261,685
Capital outlay	52,883,085	99,491,245	82,099,100	113,531,642	120,756,601	99,877,943	62,797,936	59,272,863	66,143,705	80,530,541
Total expenditures	628,604,408	671,205,890	681,215,176	789,657,209	829,155,267	823,568,821	743,892,952	753,374,673	716,546,089	746,599,104
Excess of expenditures over revenues	(15,863,931)	(37,677,378)	(14,886,006)	(47,695,009)	(62,390,638)	(57,219,333)	(20,611,598)	(5,058,524)	(20,741,078)	(46,699,173)
<b>Other Financing Sources (Uses)</b>										
Transfers in	21,551,169	24,869,121	26,252,697	26,656,114	30,526,922	32,521,513	26,765,458	21,388,162	22,438,998	27,079,327
Transfers out	(20,163,432)	(22,750,163)	(26,476,088)	(24,544,948)	(28,506,784)	(30,981,265)	(23,627,392)	(20,625,300)	(21,433,578)	(29,169,767)
Certificates of participation issued	21,162,581	25,432,065	12,059,526	-	22,885,927	7,371,199	-	-	-	-
Bonds issued	60,178,944	17,643,695	66,685,476	75,256,772	76,985,213	74,043,219	-	16,822,749	40,385,607	21,014,209
Refunding bonds and certificates of participation issued	66,940,137	21,563,926	-	25,680,236	-	22,425,825	-	7,399,075	82,654,235	-
Payments to escrow agent	(65,936,527)	(21,043,376)	-	(25,626,218)	-	(22,404,380)	-	(7,462,503)	(82,086,894)	-
Sale of land for redevelopment	-	-	-	-	-	-	-	-	5,751,083	-
Extraordinary loss - Hurricane Isabel	(1,697,550)	-	-	-	-	-	-	-	-	-
Total other financing sources, net	82,035,322	45,715,268	78,521,611	77,421,956	101,891,278	82,976,111	3,138,066	17,522,183	47,709,451	18,923,769
Net change in fund balances	\$ 66,171,391	\$ 8,037,890	\$ 63,635,605	\$ 29,726,947	\$ 39,500,640	\$ 25,756,778	\$ (17,473,532)	\$ 12,463,659	\$ 26,968,373	\$ (27,775,404)
Debt service as a percentage of noncapital expenditures	8.73%	8.82%	8.97%	8.40%	8.68%	9.12%	9.71%	9.70%	9.74%	9.46%

Notes:

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

(2) Due to implementation of GASB 61 in 2013, the Economic Development Authority is reflected as a blended component unit in the business-type activity of the primary government; historical balances have not been restated.

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Real property taxes	\$ 197,247,004	\$ 218,288,289	\$ 243,289,086	\$ 267,879,286	\$ 295,937,075	\$ 310,906,883	\$ 303,352,142	\$ 295,381,760	\$ 285,653,410	\$ 282,586,919
Property taxes for special purposes	-	-	52,565	158,435	318,644	953,614	1,357,751	2,196,240	2,632,222	2,970,251
Personal property taxes <sup>(1)</sup>	74,944,122	84,205,053	89,700,137	90,857,452	94,275,917	87,280,037	86,882,112	93,145,764	90,652,518	95,133,946
Real and personal public service corporation taxes	11,745,691	11,381,857	10,366,883	9,357,842	10,772,082	11,462,397	12,475,064	12,646,051	12,612,667	13,243,578
Machinery and tools taxes	4,155,915	4,399,948	4,506,163	5,629,855	4,369,496	4,333,848	4,339,276	4,281,381	4,725,416	4,769,060
Local sales and use tax <sup>(2)</sup>	32,770,997	34,673,367	37,678,256	39,708,387	40,736,677	38,465,858	37,918,258	40,138,121	40,604,124	42,688,309
Business license taxes	16,717,257	16,392,877	17,510,915	16,612,402	17,499,296	16,949,861	15,163,683	16,139,258	17,332,709	17,250,726
Consumer utility tax <sup>(4)</sup>	14,804,378	15,510,660	15,847,696	17,092,203	19,539,935	7,499,495	7,510,925	7,676,851	7,513,492	7,692,460
Emergency 911 tax <sup>(3)</sup>	3,813,252	3,708,252	3,616,838	1,748,921	-	-	-	-	-	-
Motor vehicle licenses	6,049,304	6,187,924	6,458,496	6,626,608	6,204,690	7,386,980	6,698,408	6,813,084	6,872,589	7,097,823
Recordation tax	4,143,559	6,292,804	8,384,766	7,626,619	6,096,549	4,306,611	3,905,500	3,479,084	4,048,619	4,630,333
Transient occupancy tax	3,681,635	3,637,137	4,026,848	4,183,839	4,468,629	3,960,301	3,503,222	3,727,095	4,081,220	4,202,868
Cable franchise fees <sup>(4)</sup>	2,962,381	3,134,764	3,426,398	3,773,163	3,227,272	3,332,022	-	-	-	-
Other taxes <sup>(4) (5)</sup>	3,652,803	4,271,805	4,076,856	4,256,532	4,418,519	16,677,576	4,895,315	5,960,726	5,792,299	5,147,892
Total	\$ 376,688,298	\$ 412,084,737	\$ 448,941,903	\$ 475,511,544	\$ 507,864,781	\$ 513,515,483	\$ 488,001,656	\$ 491,585,415	\$ 482,521,285	\$ 487,414,165

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

<sup>(2)</sup> Includes Watkins CDA incremental sales tax

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

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

<sup>(5)</sup> Includes penalties and interest on property taxes.

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

Fiscal Year	Assessed Values					
	Real Estate <sup>(2)</sup>		Personal property	Machinery and tools	Public service	Total
	Residential	Commercial/ industrial				
2004	\$ 15,193,604,463	\$ 3,986,717,185	\$ 2,807,314,224	\$ 420,079,114	\$ 1,087,202,383	\$ 23,494,917,369
2005	16,889,432,228	4,503,087,387	3,137,616,107	404,752,040	1,060,282,022	25,995,169,784
2006	19,509,239,881	4,965,460,886	3,834,060,417	457,959,170	977,692,155	29,744,412,509
2007	23,439,147,536	5,458,439,780	3,330,659,179	543,314,870	926,030,901	33,697,592,266
2008	26,476,217,323	6,286,058,061	3,436,200,412	435,488,170	1,114,518,126	37,748,482,092
2009	26,444,495,499	6,538,019,297	3,072,809,133	438,809,420	1,198,254,238	37,692,387,587
2010	25,404,972,139	6,199,204,274	3,047,498,874	435,428,490	1,294,938,309	36,382,042,086
2011	24,371,644,507	6,209,724,943	3,167,813,011	436,491,890	1,323,381,861	35,509,056,212
2012	23,297,692,124	6,377,907,210	3,291,845,888	471,584,010	1,314,798,015	34,753,827,247
2013	23,270,154,936	6,549,579,765	3,483,680,323	477,379,120	1,388,250,675	35,169,044,819

Source: County Assessor's Office

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

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

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

Fiscal Year	Personal Property									Total direct tax rate <sup>(6)</sup>
	Real estate	Airplanes	Motor vehicles clean	Motor vehicles of voluntary personnel <sup>(1)</sup>	Wild or exotic animals	Special equipped motor vehicles physically handicap	Vehicle trailer and semi-trailer <sup>(2)</sup>	All others <sup>(3)</sup>	Machinery and tools	
2004	\$ 1.07	\$ 0.50	\$ 3.24	\$ 0.96	\$ 0.01	N/A	\$ 0.96	\$ 3.60	\$ 1.00	\$ 1.37
2005	1.07	0.50	3.24	0.96	0.01	\$ 0.01	0.96	3.60	1.00	1.37
2006	1.07/1.04 <sup>(4) (5)</sup>	0.50	3.24	0.96	0.01	0.01	0.96	3.60	1.00	1.38
2007	1.04/0.97 <sup>(4) (5)</sup>	0.50	3.24	0.96	0.01	0.01	0.96	3.60	1.00	1.26
2008	0.97/0.95 <sup>(4) (5)</sup>	0.50	3.24	0.96	0.01	0.01	0.96	3.60	1.00	1.20
2009	0.95 <sup>(5)</sup>	0.50	3.24	0.96	0.01	0.01	0.96	3.60	1.00	1.17
2010	0.95 <sup>(5)</sup>	0.50	3.24	0.96	0.01	0.01	0.96	3.60	1.00	1.17
2011	0.95 <sup>(5)</sup>	0.50	3.24	0.96	0.01	0.01	0.96	3.60	1.00	1.19
2012	0.95 <sup>(5)</sup>	0.50	3.24	0.96	0.01	0.01	0.96	3.60	1.00	1.20
2013	0.95 <sup>(5)</sup>	0.50	3.24	0.96	0.01	0.01	0.96	3.60	1.00	1.21

Source: Chesterfield County Accounting Department

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

N/A = not applicable

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

	2013			2004		
	<u>Taxpayer</u>	<u>Assessed value<sup>(1)</sup></u>	<u>Percentage of total assessed valuation</u>	<u>Assessed value<sup>(1)</sup></u>	<u>Percentage of total assessed valuation</u>	<u>Rank</u>
	Dominion Virginia Power	\$ 858,938,056	2.44 %	\$ 655,276,484	2.79%	1
	Verizon Communications	262,962,370	0.75	206,098,784	0.88	3
	E. I. duPont De Nemours and Company	250,178,330	0.71	249,352,218	1.06	2
	Bon Secours St. Francis Medical Center	123,993,700	0.35			
	Macerich Partnership	118,722,900	0.34			
	Philip Morris, USA	112,917,110	0.32	87,084,453	0.37	6
	Brandywine Operating Partnership	92,683,700	0.26	44,470,000	0.19	8
	Cole Real Estate Investors	80,536,500	0.23			
	Zaremba Metropolitan Mid LLC	78,907,700	0.22			
	Columbia Gas of Virginia, Inc.	65,541,640	0.19			
	Wal-Mart Stores, Inc.			42,491,728	0.18	10
	C. J. W. Medical Center			66,798,492	0.28	7
	Chesterfield Towne Center			101,476,065	0.43	5
	Honeywell International			125,359,437	0.53	4
	Liberty Property Development Corporation			42,974,100	0.18	9
		<u>\$ 2,045,382,006</u>	<u>5.81%</u>	<u>\$ 1,621,381,761</u>	<u>6.89%</u>	

Source: Assessor and Commissioner of Revenue, Chesterfield County

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

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

Fiscal year	Taxes levied for the fiscal year (original levy)	Adjustments	Total adjusted levy	Collected within the fiscal year of the levy		Collections in subsequent years	Total collections to date	
				Amount	Percentage of original levy		Amount	Percentage of adjusted levy
2004	\$ 293,173,116	\$ (1,597,109)	\$ 291,576,007	\$ 284,677,174	97.10 %	\$ 6,321,564	\$ 290,998,738	99.80 %
2005	322,950,302	(1,756,159)	321,194,143	313,803,911	97.17	6,624,893	320,428,804	99.76
2006	353,487,419	(2,649,711)	350,837,708	343,153,993	97.08	6,414,216	349,568,209	99.64
2007	379,450,995	(2,412,203)	377,038,792	364,202,059	95.98	11,574,459	375,776,518	99.67
2008	411,660,361	(2,564,545)	409,095,816	393,666,244	95.63	13,307,305	406,973,549	99.48
2009	418,267,041	(2,454,296)	415,812,745	400,440,812	95.74	13,467,740	413,908,552	99.54
2010	413,886,463	(2,533,721)	411,352,742	395,328,026	95.52	13,601,703	408,929,729	99.41
2011	405,337,481	(2,423,666)	402,913,815	386,437,915	95.34	11,860,243	398,298,158	98.85
2012	399,214,675	(1,935,352)	397,279,323	380,070,635	95.20	10,552,059	390,622,694	98.32
2013	401,085,271	-	401,085,271	381,522,800	95.12	-	381,522,800	95.12

Source: Chesterfield County Treasurer's Office

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

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

Fiscal year	Governmental Activities					Business-Type Activities					
	General obligation bonds	State literary loans	Support Agreement	Public facility lease revenue bonds	Certificates of participation <sup>(1)</sup>	Capital leases	Revenue bonds	Certificates of participation	Total primary government <sup>(2)</sup>	Percentage of personal income	Debt per capita
2004	\$ 365,244,425	\$ 3,404,218	\$ -	\$ 12,880,000	\$ 38,825,054	\$ 279,391	\$ 27,784,464	\$ 1,380,705	\$ 449,798,257	4.32 %	\$ 1,584
2005	352,400,228	2,079,718	18,120,000	12,075,000	61,053,062	2,010,789	23,663,924	1,809,955	473,212,676	4.33	1,626
2006	386,689,770	1,334,218	17,320,000	11,270,000	70,756,599	1,863,261	19,695,866	1,738,773	510,668,487	4.36	1,708
2007	428,611,296	726,218	16,510,000	10,465,000	66,583,208	1,690,270	63,401,752	1,647,591	589,635,335	4.71	1,927
2008	469,725,315	118,218	15,690,000	9,660,000	85,254,424	1,509,805	59,614,846	1,556,408	643,129,016	4.87	2,068
2009	505,891,876	55,218	14,860,000	8,855,000	87,229,897	1,321,452	103,468,860	1,465,225	723,147,528	5.69	2,303
2010	466,949,639	-	14,020,000	8,050,000	82,191,233	1,124,886	98,111,156	1,374,043	671,820,957	5.06	2,126
2011	443,933,544	-	21,090,000	7,181,908	77,164,671	965,406	89,839,438	1,282,861	641,457,828	4.53	2,017
2012	445,807,265	-	19,810,000	6,472,548	72,355,642	843,702	86,186,985	1,186,678	632,662,820	N/A	1,983
2013	427,213,319	-	18,515,000	5,783,123	66,976,004	713,211	82,394,135	1,074,955	602,669,747	N/A	1,866

<sup>(1)</sup> Includes a taxable redevelopment facility note.

<sup>(2)</sup> Excludes revenue note payable.

Note:

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

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

N/A = not available

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

<u>Fiscal year</u>	<u>General obligation bonds outstanding</u>	<u>Estimated population<sup>(1)</sup></u>	<u>Per capita</u>	<u>Assessed value of taxable property<sup>(2)</sup></u>	<u>Ratio to assessed value</u>
2004	\$ 361,895,000	284,000	\$ 1,274	\$ 23,494,917,369	1.54 %
2005	348,130,000	291,000	1,196	25,995,169,784	1.34
2006	380,510,000	299,000	1,273	29,744,412,509	1.28
2007	419,520,000	306,000	1,371	33,697,592,266	1.24
2008	458,620,000	311,000	1,475	37,748,482,092	1.21
2009	492,015,000	314,000	1,567	37,692,387,587	1.31
2010	454,770,000	316,000	1,439	36,382,042,086	1.25
2011	432,115,000	318,000	1,359	35,509,056,212	1.22
2012	427,010,000	319,000	1,339	34,753,827,247	1.23
2013	408,010,000	323,000	1,263	35,169,044,819	1.16

Source:

(1) Population - Chesterfield County Planning Department estimates.

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

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

<b>Water and Sewer Revenue Bonds</b>									
<b>Fiscal Year</b>	<b>Gross revenues</b>	<b>Less operating expenses<sup>(1)(2)</sup></b>	<b>Net revenues available for debt service</b>	<b>Debt Service</b>		<b>Coverage</b>			
				<b>Principal</b>	<b>Interest</b>				
2004	\$ 64,211,933	\$ 29,059,734	\$ 35,152,199	\$ 4,373,446	\$ 3,474,393	448%			
2005	71,023,369	35,124,746	35,898,623	4,201,629	3,650,296	457			
2006	76,974,847	36,278,861	40,695,986	4,037,005	3,808,326	519			
2007	80,439,452	37,556,107	42,883,345	3,918,576	3,939,005	546			
2008	81,314,558	40,712,319	40,602,239	3,810,398	5,888,418	419			
2009	81,850,504	41,245,910	40,604,594	5,261,821	6,079,815	358			
2010	78,143,427	40,437,936	37,705,491	5,256,452	7,776,051	289			
2011	78,585,637	40,861,691	37,723,946	8,159,642	10,479,723	202			
2012	80,633,543	43,998,256	36,635,287	3,540,000	3,372,880	530			
2013	86,156,434	45,591,945	40,564,489	3,685,000	3,242,180	586			

(1) Net of depreciation and amortization.

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

*Note:*

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

**County of Chesterfield, Virginia**  
**Demographic Statistics**  
**Last Ten Years**  
**(unaudited)**

<u>Year</u>	<u>Population</u> <sup>(1)</sup>	<u>Personal income (\$000)</u> <sup>(2)</sup>	<u>Per capita income</u> <sup>(2)</sup>	<u>Unemployment rate</u> <sup>(3)</sup>	<u>Median age</u> <sup>(1)</sup>
2004	284,000	\$ 10,417,294	\$ 36,879	3.2 %	37.3
2005	291,000	10,934,444	37,911	2.9	37.5
2006	299,000	11,704,457	39,834	2.8	37.7
2007	306,000	12,525,294	41,888	2.7	37.9
2008	311,000	13,194,842	43,425	4.3	36.0
2009	314,000	12,713,000	41,454	7.1	36.0
2010	316,000	13,283,489	41,883	7.2	35.9
2011	318,000	14,155,553	44,198	6.3	37.6
2012	319,000	N/A	N/A	5.9	37.6
2013	323,000	N/A	N/A	5.8	37.0

**Sources:**

(1) Chesterfield County Planning Department estimates.

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

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

N/A = not available

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

<u>Employer</u>	<u>2013<sup>(1)</sup></u>			<u>2004<sup>(1)</sup></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	2,482	1	1.40 %	2,507	1	1.68 %
United Parcel Service	1,967	2	1.11	1,500	3	1.01
Wal-Mart Stores, Incorporated	1,555	3	0.88	1,177	5	0.79
C. J. W. Medical Center	1,267	4	0.71	1,250	4	0.84
Hill PHOENIX	1,250	5	0.70	750	10	0.50
The Kroger Company	1,225	6	0.69			
Bon Secours St. Francis Medical Center	1,150	7	0.65			
Amazon.com	1,100	8	0.62			
Capital One Financial Corporation	1,069	9	0.60	900	8	0.60
Ukrop's/Martin's Super Markets, Incorporated	1,059	10	0.60	2,192	2	1.47
Food Lion, Incorporated				900	9	0.60
Honeywell, Incorporated				1,120	6	0.75
Alstom Power, Incorporated				1,014	7	0.68
<b>Total</b>	<b>14,124</b>		<b>7.96 %</b>	<b>13,310</b>		<b>8.92 %</b>
<b>Total civilian labor force</b>	<b>177,669</b>			<b>148,849</b>		

Source: Chesterfield County Economic Development Department

(1) Reported as of January 2013 and January 2004

**County of Chesterfield, Virginia**  
**Full-time County Employees by Function**  
**Last Ten Fiscal Years**  
**(unaudited)**

<u>Function</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>Governmental activities</b>										
General government	452	468	468	475	501	519	490	476	479	467
Administration of justice	148	149	155	161	161	160	156	154	157	159
Public safety:										
Fire	424	447	450	454	460	463	462	461	474	471
Police	536	526	545	551	568	567	593	575	573	600
Sheriff	194	219	236	242	245	244	235	222	246	238
Other	194	195	202	203	200	201	198	190	187	184
Total public safety	1,348	1,387	1,433	1,450	1,473	1,475	1,488	1,448	1,480	1,493
Public works	164	169	170	172	169	159	152	147	147	138
Health and welfare	482	490	515	530	566	580	547	554	553	557
Parks, recreation and cultural	170	174	167	174	184	187	179	161	165	162
Community development	79	75	80	84	90	91	84	74	74	75
Total governmental activities	2,843	2,912	2,988	3,046	3,144	3,171	3,096	3,014	3,055	3,051
<b>Business-type activities <sup>(1)</sup></b>										
Water	139	144	145	146	151	153	148	151	152	151
Wastewater	122	123	122	125	129	129	130	128	128	126
Airport	4	5	4	4	4	5	5	4	5	3
Total business-type activities	265	272	271	275	284	287	283	283	285	280
Grand total	3,108	3,184	3,259	3,321	3,428	3,458	3,379	3,297	3,340	3,331
Number of County employees per 1,000 population	10.9	10.9	10.9	10.9	11.0	11.0	10.7	10.4	10.5	10.3

Source: Chesterfield County Accounting Department

(1) Excludes Economic Development Authority.

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>Police</b> <sup>(1)</sup>										
Police Initiated Activities <sup>(2)</sup>	223,870	218,247	225,824	380,982	415,521	485,401	591,749	672,668	726,521	725,962
IBR Group A Incidents/Part 1 Offenses	16,929	16,903	16,980	17,385	17,414	17,224	17,145	17,079	17,173	16,182
IBR Group A Clearance Rate/Uniform Clearance Rate	47%	48%	44%	46%	44%	46%	48%	50%	51%	51%
Average Response Time for Priority 1 (life threatening calls)	3.51 min.	3.55 min.	3.55 min.	3.54 min.	3.62 min.	3.55 min.	3.23 min.	3.48 min.	3.41 min.	3.65 min.
<b>Fire Protection</b>										
Emergency operations dispatches	28,099	28,337	29,241	31,389	32,737	32,946	32,924	34,314	36,856	36,245
Emergency medical ambulance dispatches	21,578	21,432	21,754	23,492	24,835	25,354	25,784	26,143	27,846	28,322
Fire engine medical support calls	8,385	9,719	11,915	14,511	13,871	13,459	12,792	11,351	11,901	11,833
Firefighter staffed ambulance calls	14,106	15,965	16,559	17,853	19,777	20,220	20,804	22,967	22,776	23,648
Building inspections conducted	3,089	4,735	3,889	4,672	4,793	4,575	3,459	3,438	3,083	2,857
Construction plans reviewed	2,623	2,947	2,150	1,656	1,663	2,065	1,408	943	974	890
<b>Library</b> <sup>(4) (7)</sup>										
Total circulation <sup>(5)</sup>	4,188,855	4,234,893	4,229,030	3,855,455	3,932,984	3,474,052	3,292,105	2,825,447	3,936,793	4,043,135
Number of visitors	1,821,188	1,758,505	1,810,614	1,779,176	1,736,740	1,877,105	1,858,961	1,465,236	1,345,052	4,639,926
Number of reference and general assistance questions	869,070	851,931	729,285	732,148	591,203	625,521	603,058	416,031	404,500	3,683,524
Number of public access computer sessions <sup>(3)(6)</sup>	N/A	N/A	N/A	N/A	N/A	548,332	557,588	444,636	376,970	449,030
<b>Elections</b>										
Registered voters	174,674	179,286	184,384	186,181	202,640	209,078	207,273	210,946	216,135	220,162
<b>Utilities</b>										
Water customers serviced	90,921	93,525	96,523	98,521	99,921	100,054	100,668	101,147	102,000	103,132
Wastewater customers serviced	75,844	78,204	80,891	82,681	83,948	84,067	84,566	85,010	85,843	86,893
<b>Parks and Recreation</b>										
Number of park visitors	4,297,497	3,781,035	3,826,968	3,817,965	3,919,823	4,061,315	4,670,192	4,710,680	4,212,834	4,674,494
Cost per visitor	\$ 0.23	\$ 0.35	\$ 0.20	\$ 0.24	\$ 0.22	\$ 0.27	\$ 0.20	\$ 0.18	\$ 0.25	\$ 0.24

Source: County Departments providing the service

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

(2) Prior to 2008 this category was labeled calls and assignments but now is all inclusive of the officer activities. Beginning in FY12 this category was renamed from Police Initiated Activities to Police Activities to include assists. FY10, FY11 and FY12 counts were updated in FY13 to reflect consistent reporting.

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

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

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

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

(7) Beginning in 2013, all library statistics include digital patronage.

N/A = Not available

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>Airport</b>										
Number of airplane hangars	90	110	110	110	110	110	110	110	110	110
<b>Police</b>										
Number of stations	3	3	3	4	4	4	4	4	4	4
<b>Fire Protection</b>										
Number of fire companies	19	21	21	21	21	21	21	21	21	21
<b>Library <sup>(1)</sup></b>										
Number of facilities	10	10	10	10	10	9	9	9	9	9
<b>Utilities</b>										
Water line in system (miles)	1,598	1,656	1,693	1,750	1,780	1,823	1,839	1,857	1,871	1,889
Wastewater line in system (miles)	1,689	1,751	1,790	1,850	1,898	1,926	1,945	1,962	1,970	1,984
<b>Parks and Recreation <sup>(2)</sup></b>										
Number of parks	43	43	43	43	45	44	45	45	46	51
Park acreage	3,995	3,778	3,783	3,903	4,009	4,009	4,387	4,412	4,494	4,532
Number of athletic complexes maintained	16	10	10	10	11	11	11	11	11	11

Source: County Departments providing the service

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

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

## COMPLIANCE SECTION



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  
County of Chesterfield, Virginia:

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* (Specifications), issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Chesterfield, Virginia (the County) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 25, 2013. Our report includes a reference to other auditors who audited the financial statements of the Economic Development Authority of the County of Chesterfield, Virginia, a blended component unit of the County, and the Chippenham Place Community Development Authority and the Health Center Commission of the County of Chesterfield, discretely presented component units of the County, as described in our report on the County's financial statements. 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**

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain provisions of other laws and regulations specified in the Specifications, Chapters Two and Three. 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 herein under *Government Auditing Standards* or the Specifications.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and the Specifications in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

November 25, 2013



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

**Independent Auditors' Report on Compliance For Each Major Federal Program;  
Report on Internal Control Over Compliance; and Report on Schedule of  
Expenditures of Federal Awards as Required by OMB Circular A-133, *Audits of  
States, Local Governments, and Non-Profit Organizations***

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

**Report on Compliance for Each Major Federal Program**

We have audited the County of Chesterfield, Virginia's (the County) compliance with the types of compliance requirements described in the *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, 2013. The County's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.



### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2013-001. Our opinion on each major federal program is not modified with respect to this matter.

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

### **Report on Internal Control Over Compliance**

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2013-001 to be a material weakness.



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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

KPMG LLP

November 25, 2013

## COUNTY OF CHESTERFIELD, VIRGINIA

### Schedule of Findings and Questioned Costs

Year ended June 30, 2013

#### (1) Summary of Auditors' Results

- (a) The type of report issued on the financial statements: **unmodified opinions**
- (b) Significant deficiencies in internal control over financial reporting disclosed by the audit of the financial statements: **none reported**
- (c) Material weaknesses in internal control over financial reporting disclosed by the audit of the financial statements: **none**
- (d) Noncompliance which is material to the financial statements: **none**
- (e) Significant deficiencies in internal control over major programs: **none reported**
- (f) Material weaknesses in internal control over major programs: **yes, item 2013-001**
- (g) The type of report issued on compliance for major programs: **unmodified opinion**
- (h) Any audit findings which are required to be reported under section 510(a) of OMB Circular A-133: **yes, item 2013-001**
- (i) Major programs:
  - **JAG Program Cluster (CFDA Numbers 16.738 and 16.804)**
  - **Energy Efficiency and Conservation Block Grant Program (CFDA Number 81.128)**
  - **Special Education Cluster (CFDA Numbers 84.027 and 84.173)**
  - **Improving Teacher Quality State Grants (CFDA Number 84.367)**
- (j) Dollar threshold used to distinguish between Type A and Type B programs: **\$1,442,303**
- (k) Auditee qualified as low-risk auditee under section 530 of OMB Circular A-133: **yes**

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

None

#### (3) Findings and Questioned Costs Relating to Federal Awards

##### *2013-001 Improving Teacher Quality State Grants Allowable Costs*

**Program** – Improving Teacher Quality State Grants (CFDA Number 84.367) – U.S. Department of Education – Commonwealth of Virginia Department of Education

**Criteria** – OMB Circular A-133, Subpart C.300.b requires that an auditee “maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and provisions of contract or grant agreements that could have a material effect on each of its federal programs”.

## COUNTY OF CHESTERFIELD, VIRGINIA

### Schedule of Findings and Questioned Costs

Year ended June 30, 2013

**Condition** – For a sample of fifty non-payroll costs charged to the grant in the current fiscal year, we identified three instances in which the costs were not allowable per the requirements of the grant.

**Cause** – The County has an internal control in place that requires the Grants Coordinator to review and approve all non-payroll costs that are coded to be charged to the grant prior to the costs actually being charged to the grant to ensure allowability along with other important attributes. All items in the sample tested were approved by the Grants Coordinator, although three sample items were not allowable costs. Our understanding is that the Grants Coordinator reviewed the summary level supporting documentation and not the detailed level supporting documentation for the identified unallowable costs.

**Effect** – Submitting costs that are unallowable per the grant requirements results in noncompliance with grant requirements and could result in reduced funding for the cluster in the future.

**Questioned Costs** – Known questioned costs for the three unallowable sample items was \$1,910, which all related to personnel recruitment media advertisements for open information technology positions at the County. Pursuant to the County's further analysis of this condition, there was an additional \$8,238 in similar unallowable costs for total known questioned costs of \$10,148.

**Recommendation** – The County should improve its policies and procedures to ensure that the level of review that is performed by the Grants Manager when reviewing non-payroll costs coded to be charged to a grant be in sufficient detail in order to determine whether or not the cost is in fact allowable to be charged to the grant per the grant requirements.

#### Views of Management:

- **Contact Person:** Robert L. Aylor, Chesterfield County Public Schools Director of Finance
- **Corrective Action:** Staff received further training on the allowable positions that can be charged to the grant for recruitment advertisements. Adjustments have been made to the grant to remove the expenses.
- **Anticipated Completion Date:** Completed

# OUR STRATEGIC GOALS

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

To provide consistently excellent customer service

To be known for extraordinary quality of life

To be the safest and most secure community of its size

To be the employer of choice

To be the ***FIRST CHOICE*** business community

To be responsible protectors of the environment



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

## ACCOUNTING DEPARTMENT EMPLOYEES

06/30/2013

<i>June Albrecht</i>	<i>Kimberly Collette</i>	<i>Carol Kelley</i>	<i>Pam Young</i>
<i>Donna Arrington</i>	<i>Michael Dance</i>	<i>Lorraine Kosobucki</i>	<i>Diane Shiflett</i>
<i>Steve Arritt</i>	<i>Dana Davis</i>	<i>Diane Lanier</i>	<i>Drecilla Smith</i>
<i>Debbie Baicy</i>	<i>Courtney Farrell</i>	<i>Rebecca Longnaker</i>	<i>Kristie Smith</i>
<i>Ronda Bailey</i>	<i>Art Franks</i>	<i>Dawana Lowry</i>	<i>Kristie Szafranski</i>
<i>Karen Brittain</i>	<i>Elizabeth Fritts</i>	<i>Nicole Nicolosi</i>	<i>Kathy Taylor</i>
<i>Mattie Brown</i>	<i>April Green</i>	<i>Kevin Payne</i>	<i>Lindsey Thornton</i>
<i>Patsy Brown</i>	<i>Mary Gromovsky</i>	<i>Shelly Pignona</i>	<i>Donna Tucker</i>
<i>Virginia Brown</i>	<i>Mandy Haasch</i>	<i>Tammi Piguet</i>	<i>Catie Wilson</i>
<i>Kristina Buchanan</i>	<i>Wanda Jenkins</i>	<i>Bridget Pillow</i>	<i>Consuela Wilson</i>
<i>Stephanie Burton</i>	<i>Kathy Jones</i>	<i>Trenika Satterwhite</i>	<i>Jackie Winston</i>

*Cover:* The Historic 1917 Chesterfield Courthouse is located at 10011 Iron Bridge Road. The building, which stands on the site of the original 1749 Courthouse, housed the county's Circuit Court until a new courthouse complex was built in the late 1960s. It is built of American bond brick, on a "T" plan in the Colonial Revival style, with a colossal Roman Doric portico and domed octagonal belfry. The cupola contains the original bell from the 1749 Courthouse. The two-story courtroom contains the original paneled judge's bench and jury seats.

Photo from Chesterfield County Public Affairs archive.

Please visit us at: [www.chesterfield.gov](http://www.chesterfield.gov)