



The Comprehensive Annual Financial Report

Chesterfield County, Virginia

for the year ended June 30, 2017



COUNTY OF CHESTERFIELD, VIRGINIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2017

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

Chesterfield County, Virginia

MISSION

*Providing a FIRST CHOICE community through
excellence in public service*

VISION

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

VALUES

Results
Innovation
Service
Ethics

GOALS

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



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INTRODUCTORY SECTION





Chesterfield County, Virginia

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BOARD OF SUPERVISORS

DOROTHY JAECKLE, CHAIRMAN

Bermuda District

LESLIE A. T. HALEY, VICE CHAIRMAN

Midlothian District

STEPHEN A. ELSWICK,

Matoaca District

CHRISTOPHER M. WINSLOW

Clover Hill District

JAMES M. "Jim" HOLLAND

Dale District

October 31, 2017

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

Members of the Board:

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of Chesterfield County, Virginia (the County) for the fiscal year ended June 30, 2017. State law requires that local governments have all their accounts and records, including accounts and records of their constitutional officers, that comprise a set of financial statements be audited annually as of June 30 by an independent certified public accountant and that they submit an audited financial report on or before November 30 to the Auditor of Public Accounts of the Commonwealth of Virginia (APA). The County's Accounting Department has prepared this report in accordance with the standards of financial reporting as prescribed by the Governmental Accounting Standards Board and the APA.

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

Cherry Bekaert LLP, a firm of licensed certified public accountants, audited the County's financial statements as of and for the fiscal year ended June 30, 2017. The independent auditors planned and performed the audit to obtain reasonable assurance that the financial statements of the County as of and for the fiscal year ended June 30, 2017, are free from material misstatement. The independent audit involved performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. The report of the independent auditor on the financial statements is presented as the first component of the financial section of this report.

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

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Management and Budget Uniform Guidance. The independent auditors' report on the Uniform Guidance for the County is available in the Compliance Section of this report.

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

Profile of the Government

The County is located in the mid-Atlantic region of the United States in east-central Virginia and is part of the Richmond/Petersburg metropolitan statistical area (MSA). Residents enjoy a location that is within a two-hour drive of the Virginia beaches, the Blue Ridge Parkway, and Washington D.C. With 50% of the nation's population and 65% of the nation's manufacturing operations within a one-day commute, the Boyd Company ranked Chesterfield County as the top location on the East Coast, and one of the best locations in the nation for logistics-related businesses in 2015. The County's major transportation routes include the I-95 and I-295 corridors with Route 288, Route 76 (Powhite Parkway), and Route 150 (Chippenham Parkway) as connecting routes, providing quick access to I-64 and I-85. This strategic location has been a catalyst for residential, commercial and industrial growth. The land area of the County totals 446 square miles. A large portion of the land in the County, especially in the southwestern area, remains rural. The County's population is estimated to be 339,000.

The County's early history includes the second successful English settlement in the New World, the Citie of Henricus, founded in 1611. The development of the first hospital, the chartering of the first college, and the introduction of a commercially successful tobacco strain were some of the important events that occurred at Henricus which influenced the course of American history. The County emerged as an important industrial hub as the first place in the nation where coal was mined commercially in the 1730's. The commercialization of the Midlothian mines resulted in other "firsts" occurring in the County. The Midlothian Turnpike, known as the Manchester or Buckingham Road, was the first paved road in Virginia in 1807. The first railroad in the area was built in 1831 from the mines to the James River so coal could be loaded on ships and sent to New York, Philadelphia, and other northern cities. Coal mining operations continued through the Civil War.

The County was founded in 1749 and since 1988 has operated pursuant to a County Charter approved by the citizens of the County in a referendum election and subsequently enacted by the Virginia General Assembly. The governing body of the County is the Board of Supervisors (Board) that establishes policies for the administration of the County. The Board is composed of five members, one member elected from each of five magisterial districts. Members must reside in the district that he or she serves and are elected for four-year terms. The term of the current Board began January 2016 and will continue through December 2019. The Board appoints a chief executive officer, a County Administrator, who serves at the pleasure of the Board and carries out the policies established by the Board.

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

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

The annual General Fund budget serves as the foundation for the County's financial planning and control. The Board is required to hold a public hearing on the proposed budget and to adopt a final budget by May 1st of each year. The appropriated budget is at the function level for the General Fund and at the fund level for the Comprehensive Services Fund. The County Administrator is authorized to amend appropriations by transferring any unencumbered balance or portion thereof from one classification of expenditure to another within the same department or appropriation category and

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may transfer up to \$50,000 from the unencumbered appropriated balance of one appropriation category to another appropriation category. No more than one transfer may be made for the same item causing the need for a transfer, unless the total amount to be transferred for the item does not exceed \$50,000. The Board must approve most other amendments that increase the total appropriation of any function level.

Local economy

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

The County is positioned to prosper during healthy economic times and to weather downturns with the ability to attract a highly skilled labor force to quality jobs in the region. The County's annual unemployment rate of 3.8% in calendar year 2016 reflected steady improvement year-over-year since 2010. The County's unemployment rate is more favorable than both the Richmond/Petersburg MSA and the Commonwealth's rate of 4.1% and 4.0%, respectively. Preliminary unemployment data for August 2017 reflects additional gradual decreases in unemployment rates, reporting the County's unemployment rate at 3.7% compared to the MSA's rate of 4.0% and the Commonwealth's rate of 3.8% with the U. S. unemployment rate at 4.5%.

Labor Market Characteristics

Calendar Year	Civilian Labor Force	Number Employed	Percentage Unemployed			
			Chesterfield County	Richmond/Petersburg MSA	Commonwealth of Virginia	United States
2007	165,682	161,332	2.6%	3.1%	3.0%	4.6%
2008	169,943	163,728	3.7	4.2	3.9	5.8
2009	167,338	156,218	6.6	7.5	6.7	9.3
2010	168,602	156,307	7.3	8.0	7.1	9.6
2011	171,539	159,940	6.8	7.3	6.6	8.9
2012	172,990	162,433	6.1	6.6	6.1	8.1
2013	174,639	164,768	5.7	6.1	5.7	7.4
2014	177,619	168,488	5.1	5.5	5.2	6.2
2015	177,745	170,080	4.3	4.7	4.5	5.3
2016	180,031	173,141	3.8	4.1	4.0	4.9

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

The County is committed to enhancing economic vitality by attracting new business capital investment, reinvestment by established businesses, and new jobs. The County's Department of Economic Development helps attract significant new business and assists County companies in expanding their existing businesses. One example of business expansion is the Sabra Dipping Company which opened a food (hummus) manufacturing plant in 2010 creating 260 jobs and now employs about 600. New business investments announced during this past year total \$180 million and the creation of 308 new jobs.

Meadowville Park, one of Chesterfield's premier employment centers, has created jobs and investments in the County with the assessed property value increasing from below \$10 million initially to more than \$250 million. Niagara Bottling LLC opened a \$95 million manufacturing and bottling operation during the year to produce its Niagara brand and private label bottled water using a state-of-the-art filtration system. Other facilities operational at this site include Amazon's one million square foot, \$85 million distribution center which employs 3,000 full-time and over 4,000 seasonal employees; Capital One's \$15 million data center; and Medline Industries' \$20 million, 400,000 square foot facility. Nearby, Altria invested \$50 million to build a tobacco leaf storage warehouse complex totaling one million square feet.

Trends in taxable retail sales in the County continue to compare favorably to the Richmond/Petersburg MSA and the Commonwealth. Retail sales show a positive year-over-year change in taxable retail sales the past six years for the County, the MSA, and the Commonwealth. The annual percentage increase in the County's taxable retail sales was 2.6% in 2016 compared to increases of 1.2% for the Richmond/Petersburg MSA and 1.5% for the Commonwealth.

Taxable Retail Sales⁽¹⁾
(\$ in 000's)

Calendar Year	Chesterfield County	% Change	Richmond/ Petersburg MSA	% Change	Commonwealth of Virginia	% Change
2007	\$ 3,593,576	5.1 %	\$ 15,016,980	3.4 %	\$ 92,043,249	2.9 %
2008	3,563,713	(0.8)	14,736,244	(1.9)	90,106,122	(2.1)
2009	3,345,048	(6.1)	13,936,772	(5.4)	85,869,132	(4.7)
2010	3,363,333	0.5	13,710,151	(1.6)	86,420,964	0.6
2011	3,502,240	4.1	14,210,036	3.6	89,070,341	3.1
2012	3,712,873	6.0	14,937,724	5.1	93,335,660	4.8
2013	3,750,484	1.0	15,129,668	1.3	94,597,894	1.4
2014	3,943,519	5.1	15,698,529	3.8	96,243,827	1.7
2015	4,073,926	8.6	16,440,786	4.7	100,219,957	4.1
2016	4,179,659	2.6	16,641,946	1.2	101,678,812	1.5

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

The County continues to expand its revenue base by attracting a diversified pool of taxpayers and employers. In the current fiscal year, the top ten taxpayers accounted for 5.2% of the County's total assessed value tax base. The County's taxpayer and employment bases contain a broad range of industries including manufacturing, healthcare, retail sales and financial services. Detailed information regarding the top ten taxpayer statistics and employer diversity can be found on pages 211 and 217, respectively.

The County's real estate market continued to solidify during calendar year 2016 with growth in both new residential and commercial real estate activity. Existing home values posted moderate gains with the average County home value increasing by 3.1% over 2015, marking the fourth consecutive annual increase to bring the average assessed value of a single-family home to 97% of its pre-recession amount. New single-family building permits increased 19% while commercial construction permit applications increased 16%. The value of all real property in the County, which includes changes in the values of existing properties and gains from new construction, increased by 4.4% during calendar year 2016. The future forecast for the revaluation of existing residential property is consistent with the historical average percent growth of 3.0% to 3.25%. Home sales continue to be steady in 2017 and commercial development remains active. Several of the County's communities are among the region's most sought-after destinations. Developers of the Hallsley community, located in Midlothian, were presented with the National Association of Home Builders' 2017 Best in American Living "Platinum" award, the top national award, for the Best Master Planned Community of the Year (over 100 homes) in January 2017. Midlothian was named in the October 2017 *MONEY* magazine as one of the Top 50 "Best Places to Live".

Results of the National Citizen Survey (NCS) Community Livability Report indicate that 93% of the citizens completing the survey rated the County as an excellent or good place to live. The "livable community" as measured by the NCS means not only is the place habitable, but that it is a desirable place to live. Residents' opinions are captured across eight central facets of community: Safety, Mobility, Natural Environment, Economy, Recreation and Wellness, Education and Enrichment, and Community Engagement. Safety and Economy were identified as priorities for the next two years with favorable ratings given to each of these facets. Almost all felt safe in their neighborhoods and about 80% felt safe overall in commercial areas. The economic ratings tended to be similar or higher when compared to similar communities and almost all economic measures were rated as excellent or good by a majority of residents. The ratings for overall economic health and the County as a place to work improved from the prior survey administered two years earlier, with the County as a place to work rated higher than the national benchmark.

Revitalization of the Midlothian Turnpike corridor at Stonebridge with mixed-use development of residential, retail and green space continued with the completion of three apartment buildings with 400 units. Each courtyard-style building measures more than 145,000 square feet and features luxury studio apartments and one- to two-bedroom units within walking distance of retail stores and restaurants.

The County's focus on sports tourism continued to flourish during fiscal year 2017 as even more diverse events were attracted through partnerships with Richmond Sports Backers, Richmond Region Tourism, and the Chesterfield Chamber of Commerce. During the year, sports tourism generated economic impact of \$38.6 million for the County, an increase from \$37.7 million the previous year, with regional economic impact of \$81.7 million. County sports venues attracting events include River City Sportsplex, the Collegiate School Aquatics Center (Swim RVA), Clover Hill Sports Complex, Ironbridge Park, Stratton Park, Pocahontas State Park, and Uptown Alley. New events held in the County include the

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Professional Women's Bowling Association Tour Championships, the Virginia State Outdoor Archery Championship, the addition of a fourth weekend to the Jefferson Cup soccer tournament, and the Colonial Athletic Association's Men's Golf Championship.

In December 2016, the County acquired River City Sportsplex, a 115-acre complex comprised of twelve synthetic turf fields with nine lighted fields. This new addition to the County's park system is an established anchor of the region's sports tourism industry and generated \$35 million economic impact in fiscal year 2017 from 22 tournaments. County residents also now enjoy more access to the facility, which had 523,000 visitors during the past year. Several additional multi-year event contracts have been signed since December bringing various tournaments to the County through 2020, with one group committing through 2022. Upgrades planned in fiscal year 2018 total \$4.6 million and include additional paved parking spaces, improved restrooms and concessions, construction of a turn lane into the facility, and additional lighting for fields and parking. Long-term plans for the site will be incorporated into the upcoming update of the Parks and Recreation Master Plan.

In March 2017, the Economic Development Authority (EDA) announced that a new 50,000 square foot indoor sports facility will be built in Stonebridge to be leased by the Richmond Volleyball Club (RVC). The RVC has helped residents in the Richmond region maintain an active lifestyle by offering year-round programs for adults and juniors. This new facility will allow RVC to increase their one-day tournaments, which occur almost every weekend from January to May, by approximately 32 teams each day. The Chesterfield County Parks and Recreation Department will utilize 5,000 square feet of the building for community programs and services. The new facility is expected to be operational by January 2018.

Long-term financial planning

The County provides a high quality of life to citizens with a wide range of services and a school system nationally recognized for its quality of education while exercising great fiscal discipline. Development of the annual financial plan is guided by the strategic plan, Blueprint Chesterfield, which provides a means to link both individual and departmental performance to the County's strategic goals using a measurement system to indicate progress toward its goals.

The annual financial plan includes a detailed budget for the upcoming year and projections for the next four years (five-year plan) which capture commitments aligned with priorities identified by community and the Board. The multi-year projections provide a general framework used to work toward accomplishing key priorities. The County sought more input from the community for the FY2018 budget process by launching the Blueprint Chesterfield engagement campaign during the summer of 2016. Staff attended numerous sessions with citizens and offered participation through an online tool, receiving input from more than 6,000 citizens. Through this dialogue about community priorities, the residents validated the County's focus on public safety and education. There was also support for addressing a wide array of transportation needs and a desire to focus resources on maintaining existing infrastructure throughout the County. These priorities were consistent with the NCS Community Livability results and voiced support for safety, infrastructure, education, and economic development. The five goals that emerged to guide funding decisions for the FY2018 budget and the multi-year projections are:

1. Strengthen core service areas
2. Prioritize investment in existing infrastructure and communities
3. Focus on transportation needs
4. Improve customer service
5. Continue to be a responsible and transparent fiscal steward

The County is widely recognized as a safe community. The FY2018 budget provides support to preserve the quality of services for public safety. With high profile, national incidents casting shadows on law enforcement, recruitment and retention of front-line officers has become very challenging. Increases in starting pay for police officers and Sheriff's deputies, combined with enhancements to both agencies' career development plans, aim to improve recruitment and retain existing personnel. The Police Department is employing part-time staff at various duty posts currently manned by full-time, sworn officers who are freed up to fill front-line roles. Police has also instituted a pre-certification academy that enables candidates with prior law enforcement experience to complete an abridged training program to assume duties more quickly. Other law enforcement initiatives address modern service challenges, such as establishing a body camera program to improve officer safety and help bolster community trust, providing funding to achieve 24-hour nursing coverage in the jail and allocating resources to continue the Sheriff's Heroin Addiction Recovery Program (HARP).

The FY2018 budget makes a significant investment in education by increasing the local transfer for education by \$10.3 million. This additional support focuses on supporting teachers and enhancing academic support through a two percent pay increase for School employees, completing the second phase of placing a special education coordinator at each

elementary school, and continuing an ongoing effort to reduce class sizes. There are also new initiatives such as ensuring appropriate funding levels for the school's supplemental retirement system.

The Comprehensive Plan adopted in the fall of 2012 emphasized the need for the revitalization of older residential and commercial areas in the County. With the passage of the 2013 bond referendum the County shifted focus to the care and maintenance of existing infrastructure within the community. Dedicated revitalization initiatives are present in the FY2018 budget in several forms. The Capital Improvement Plan (CIP) has funds to implement improvements at various school referendum sites, beginning with a community facility at the former Beulah Elementary School location. The Community Development Block Grant (CDBG) program establishes incentives for business façade renewal in certain economically challenged areas while private property owners may be eligible for the County's rehabilitation tax exemption program. One of the more significant revitalization initiatives is the pooling of resources to create the Department of Community Enhancement. This new department consolidates all programs (including those mentioned above) related to federal community development and housing grants, property maintenance inspections, license inspections, and revitalization. Community Enhancement is continuing these existing service lines, while strategically seeking to enhance, restore, and maintain neighborhoods and business communities countywide.

Transportation has emerged as an area of focus with several important actions already taken to improve transportation funding and initiatives. Building and maintaining roads remains the primary focus with more conversations about sidewalks and bicycle friendly facilities such as bicycle lanes and trails. The County revised the vehicle registration fee structure in 2014 to establish a dedicated funding stream for transportation. These fees are used to access another \$5 million of matching funds through the Commonwealth's Revenue Sharing program, providing a total of \$10 million annually for transportation. The County's cash proffer program was reformed to focus solely on the transportation impacts of development. Additionally, the County has had ten projects recommended for funding through the Commonwealth's Smart Scale program, including several sidewalk projects and improvements to the interchange at Route 288 and Hull Street, a gateway to a significant commercial corridor. The FY2018 budget includes about \$300,000 for trail development and maintenance, adds personnel resources to assist with zoning case review for transportation impacts, and invests more in the County's specialized transit service (Access Chesterfield).

Activity levels in a number of customer service areas have made it challenging to deliver the quality and timely services needed to be known as the "FIRST CHOICE community through excellence in public service". As such, the FY2018 budget invests new resources in various service areas. Two additional building inspection positions will assist to respond to the sharp growth in residential construction. Five new positions will be available across Mental Health Support Services to alleviate the waitlist for case management and to ensure speech pathology care is available. The high level of Social Services Medicaid eligibility caseloads assigned to each staff member for processing has impacted employee turnover. Allocating additional funding to target more competitive starting salaries should help stabilize turnover and improve retention while allowing for an opportunity to evaluate the number of new positions needed to adequately address workload related to eligibility caseload. Funding to modernize the way the County interacts with citizens and businesses are included in the budget, including a new system for Community Development to help streamline and digitize the permitting and review process. Also included are resources to update the technology that supports frequently visited applications on the County website such as the real estate database.

The County must be responsible with resources from the community, invest them wisely and be accountable for all spending decisions. One measure of this is receiving the highest bond rating available from three credit rating agencies for general obligation bonds and water and wastewater revenue bonds. The County has taken several steps during the past year to improve financial transparency. A website now provides ongoing updates on key capital projects and a monthly update is published on local economic conditions. The joint Board of Supervisors and School Board audit and finance committee now includes a broader range of audit and financial topics. Additionally, the budget process has been modified to foster more citizen engagement and relay more frequent updates to the community on budgetary matters.

The multi-year projections serve as a roadmap to allocate funding to priorities for future years against preliminary revenue projections. Turnover savings, efficiencies gained, changes in programs and contract savings are identified each year during the budget process, along with the identification of new revenues, to focus resources on key priorities.

Real and personal property tax revenues are the County's principal funding source, representing 58% of the budget for General Fund generated revenues in FY2018. Total real property revenues for FY2018 are budgeted at \$339.1 million, an increase of \$11.9 million (3.6%) from the FY2017 adopted budget. At January 2017, assessed home values increased for the fourth consecutive year with a 3.1% increase over January 2016. As a result, the average assessed value of a single-family home in the County is now up to 97% of its pre-recession value. Personal property taxes are another major source of local revenue for the County and are budgeted in FY2018 at \$67.9 million, reflecting an increase of 6.2%. The projected increase in personal property tax collections reflects growth that has already occurred as opposed to expected future increases.

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

The CIP for fiscal years 2018-2022 (FY2018-2022 CIP) reflects the priorities established in the November 2013 bond referendum where the citizens of the County passed a \$304.0 million general obligation bond referendum to support school facility improvements headlined by the renovation or replacement of ten older schools and the addition of one elementary school. Voters also approved a \$49.0 million general obligation bond referendum to provide for the replacement of the County's emergency communication system, which is the primary communications system used by first responders. This CIP continues to focus on major maintenance, implementation of key technology systems, completion of the public safety radio project, an acceleration of the funding for the school revitalization package, full utilization of the Revenue Sharing Program for transportation projects and further investment in ongoing economic development and tourism initiatives. The FY2018-2022 CIP totals \$906.1 million and is comprised of County improvements of \$313.7 million, School Board improvements of \$223.6 million and Utilities Department improvements of \$368.8 million.

The FY2018-2022 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 FY2018-2022 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 FY2018-2022 CIP proposes current revenue funding levels (including cash proffers) of 77.3% for County projects and 39.2% for School Board projects over the five-year planning period.

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

The County's fiscally responsible financial policies, solid financial results and sound management were reaffirmed as the County issued general obligation improvement bonds in June 2017 where both Standard and Poor's, Moody's, and Fitch Ratings rated the bonds as "AAA". The County's strong credit characteristics including a very strong economy that is broad and diverse; very strong management with well-adhered-to financial policies and practices; strong budgetary performance and flexibility; and a strong debt and contingent liability position with a long history of significant pay-as-you-go capital funding were cited as conclusions for ratings. Chesterfield Utilities is one of only a handful of water and wastewater utilities in the nation to have achieved AAA ratings on its revenue bonds from each of the three top rating services which were reaffirmed as refunding bonds were issued in June 2016.

Initiatives

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

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

Libraries hours were fully restored in mid-September 2016 after closing all branches one day a week since July 2011. The Central Library closed at the beginning of November 2016 for renovation and is scheduled to open during late spring

Providing a FIRST CHOICE community through excellence in public service

in 2018. The project is designed to provide more space for reading, meeting, collaborative learning, innovative programming, and a small business center. The Cooperative Extension Office will be relocated to space within Central Library to facilitate utilization of the facility's new features in its programming.

Several County departments are addressing the opioid epidemic of addiction and overdoses as opioid overdoses rose dramatically locally and nationally. The Sheriff launched the Heroin Addiction Recovery Program (HARP) for inmates, which is a unique, voluntary program that looks to treat the underlying causes of addiction instead of just housing drug users. The Police Department acted quickly to collaborate with other County departments such as Mental Health Support Services, Social Services, the Sheriff's Office, and Fire and Emergency Medical Services to mitigate an increase in addiction-related crime. The Larceny/Heroin Investigative Group was formed "to enhance or create working relationships with community members and businesses to identify and arrest opioid addicts". During the first three months, over 200 cases were investigated and more than 50 people were identified or arrested. In October 2017, the County participated in a regional summit to explore solutions to the opioid and heroin epidemic.

The County is managing a \$54 million road project to improve the Route 10 corridor between Interstate 95 and the Meadowville Technology Park. The project involves improvements to the intersection of Route 10 and Meadowville Road and widening Route 10 between Bermuda Triangle Road and Meadowville Road to eight lanes. The project is fully funded with utility relocation underway and construction starting in 2018.

The County is also managing the widening of Woolridge Road for the Lower Magnolia Green Community Development Authority. This \$25 million project is planned for construction in early 2018. The County participates in the Commonwealth's Revenue Sharing program that matches County funds. This program is financing several major transportation projects, such as the widening of Lucks Lane and Winterpock Road.

A reformed cash proffer policy was adopted to overhaul the policy that had guided the evaluation of zoning cases since 1989. The new policy is applied to zoning cases not approved by the Board as of September 28, 2016. The reformed proffer policy provides for a maximum \$9,400 proffer for roads, reducing the former maximum proffer amount by more than 50% and simplifying proffer administration by eliminating categories for Schools, Parks, and Fire Stations and removing the inflation index. Additional policy revisions were adopted in April 2017 to allow flexibility in the acceptance of proffers for revitalization projects when the development proposal meets established criteria updated annually by staff for revitalization. The policy revisions are designed to encourage appropriate and long lasting residential communities that enhance property values and to encourage revitalization projects in older communities using a focused investment and redevelopment area approach.

The Police Department achieved national accreditation through the Commission on Accreditation for Law Enforcement Agencies. Achievement of this voluntary accreditation demonstrates the department's commitment to excellence in law enforcement and demands written directives to meet operational needs, fact-based decision making, preparedness plans, relationships with the community and that many other criteria be met to achieve excellence in law enforcement.

The County received seventeen National Association of Counties (NACo) Achievement Awards in July 2017 for programs that promote innovative, responsive, and effective government and reflect the leadership of the Board. The programs receiving these awards are diverse. They include supporting teen leadership and summer food distribution programs through the libraries; limiting toxic exposure for Firefighters and controlling pollution runoff from cleaning work vehicles; improving the wellness and technology skills, as well as the retirement and financial preparedness, of employees; improving community participation; and streamlining County government through improved services to citizens. Four additional programs receiving NACo awards also received achievement awards from the Virginia Association of Counties (VACO). Two of these programs present early responses to the epidemic of addiction and overdoses involving opioids, the Sheriff's HARP for inmates and the Police Department's Larceny/Heroin Investigative Group. The HARP won VACO's first overall best large county award. Libraries received both awards for their Play Smart with Toddlers: An Early Learning Experience program as did the Learning and Performance Center for their Mentoring Pilot Program.

The County continues to set an example for the innovative use of technology in local government. The County placed third on the Digital Counties Survey nationwide among counties with populations from 250,000 - 499,999. The County was named the overall technology leader in the Digital Counties Survey in 2015 and has been recognized as a leader in its category several times over the past ten years. The County continued to be recognized through the annual Governor's Technology Awards program, receiving an award in September 2017 for the for innovative use of technology in local government for the development and deployment of a Social Services cloud hosted case management system.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting (Certificate of Achievement) to the County for its CAFR for the fiscal year ended June 30, 2016. This was the thirty-sixth consecutive year that the County has achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for one year. We believe our current CAFR continues to meet the GFOA's Certificate of Achievement requirements and are submitting it to the GFOA to determine its eligibility for another certificate.

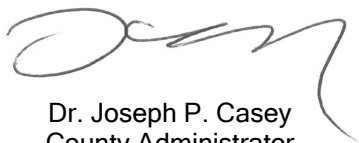
The County Budget and Management Department received the Distinguished Budget Presentation Award from the GFOA for its annual budget for the fiscal year beginning July 1, 2017 and ending June 30, 2018. The FY2018 budget represents the 32nd consecutive year that Chesterfield County has received this award. To achieve this award, a government must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications device. This is the highest form of recognition for excellence in local government budgeting.

The Chesterfield County Public Schools' Department of Management and Budget received the Distinguished Budget Presentation Award from the GFOA for its annual budget for the fiscal year beginning July 1, 2016 and ending June 30, 2017. Achievement of this award indicates that their published budget document meets the program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device. The FY2018 budget document has been submitted to the GFOA to determine its eligibility for this award.

The National Institute of Governmental Purchasing (NIGP) of the United States, Canada, Ireland, and England established an agency accreditation program that recognizes excellence in public purchasing, by establishing a body of standards that should be in place for a quality purchasing operation. In fiscal year 2015, NIGP reaccredited the County's Purchasing Department with the Outstanding Agency Accreditation Achievement Award for demonstrating excellence in public purchasing. Currently, out of over 3,000 NIGP governmental agency members, Chesterfield is one of only sixty-four to have attained this distinction and was the eighth agency overall to attain this distinction.

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

Respectfully submitted,



Dr. Joseph P. Casey
County Administrator



Patsy J. Brown, CPA
Director of Accounting





Government Finance Officers Association

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Financial Report
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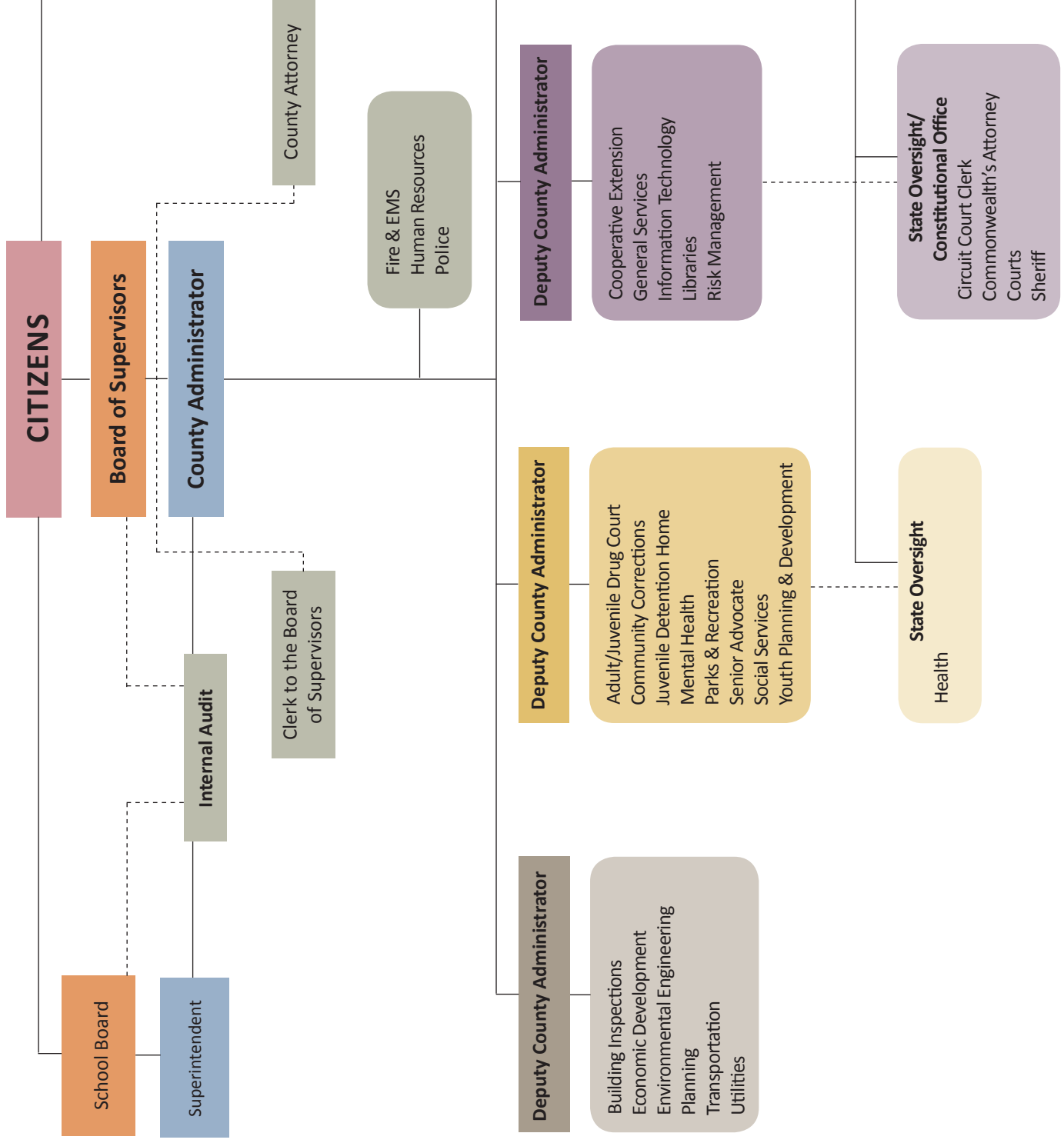
June 30, 2016

A handwritten signature in black ink, reading "Jeffrey R. Evers". The signature is written in a cursive, flowing style.

Executive Director/CEO

CHESTERFIELD COUNTY ORGANIZATIONAL STRUCTURE

Revised Structure
Approved 10-1-16



**County of Chesterfield, Virginia
Directory of Officials
June 30, 2017**

Primary Government Officials

BOARD OF SUPERVISORS

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

CONSTITUTIONAL OFFICERS

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

ADMINISTRATIVE OFFICERS

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

School Board Component Unit Officials

SCHOOL BOARD

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

ADMINISTRATIVE OFFICERS

Dr. James F. Lane Superintendent
Donald R. Fairheart Chief of Staff
Donna Dalton Chief Academic Officer
Christopher Sorensen Assistant Superintendent, Business and Finance
Dr. Lyle Evans Assistant Superintendent,
Human Resources and Administrative Services
Nita Mensia-Joseph Chief Operating Officer
Tim Bullis Director, Community Relations
Wendell Roberts School Board Attorney



FINANCIAL SECTION



Report of Independent Auditor

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Chesterfield, Virginia (the "County"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Chesterfield, Virginia, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof and the Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1 and presented in Notes 13 and 14 to the financial statements, the County adopted the provisions of Governmental Accounting Standards Board Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and Statement No. 77, *Tax Abatement Disclosures*, effective July 1, 2016. Our opinions are not modified with respect to these matters.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 21 through 33 and the pension and other postemployment benefits trend information on pages 138 through 146 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

The Supplementary Information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2017, on our consideration of the County of Chesterfield, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Chesterfield, Virginia's internal control over financial reporting and compliance.

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

Richmond, Virginia
October 31, 2017



MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

As management of the County of Chesterfield, Virginia (County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2017. 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 \$138.2 million (7.3%). Net position of the governmental-type activities increased \$82.6 million (9.7%) and net position of the business-type activities increased \$55.6 million (5.3%).
- ◆ The County's unrestricted net position increased approximately \$94.7 million (29.2%). Unrestricted net position of the governmental-type activities increased \$51.3 million (58.4%) and unrestricted net position of the business-type activities increased \$43.4 million (18.3%).
- ◆ The County's program and general revenues (including taxes) of \$903.5 million for governmental-type activities exceeded expenses of \$820.2 million by \$83.3 million.
- ◆ In the County's business-type activities, revenues increased 14.2% to \$140.3 million while expenses increased 1.9% to \$85.4 million.
- ◆ The total cost of the primary government's programs increased approximately \$40.7 million (4.7%) to \$905.6 million.
- ◆ The General Fund reported an ending fund balance amount of \$343.2 million, an increase of \$30.2 million (9.6%) in comparison with the prior year. Of the ending fund balance amount, \$60.0 million was unassigned.
- ◆ The County's outstanding debt increased by \$42.6 million (7.5%). The County issued \$109.0 million in new and refunding debt and County defeased \$20.0 million in existing debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- ◆ Exhibits I and II are government-wide financial statements that provide a broad overview of both long-term and short-term information regarding the County's overall financial status.
- ◆ Exhibits III through X are fund financial statements that focus on individual areas of the County government and report the County's operations in more detail than the government-wide financial statements.
 - Governmental fund financial statements provide information on how government services, such as the public safety function, are financed in the short-term and on the resources available at year end for future spending.
 - Proprietary fund financial statements offer both short-term and long-term financial information about activities the government operates similar to private-sector businesses, such as the airport and the water and wastewater systems.
 - Fiduciary fund financial statements provide information about the financial relationships, such as the supplemental retirement and other postemployment benefits (OPEB) plans for certain qualified employees and agency funds, in which the County acts solely as a trustee or agent for resources belonging to others.

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

- ◆ The remaining financial statements, Exhibits XI and XII, provide a broad overview of both long-term and short-term information on the County's discretely presented component units.

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

Government-wide Financial Statements

The government-wide financial statements report information about the County as a whole using accounting principles similar to those used by private-sector businesses. The Statement of Net Position includes all of the government's assets, deferred outflows of resources, liabilities (both current and long-term) and deferred inflows of resources. The Statement of Activities reports all of the current year's revenues and expenses as soon as the underlying event for recognition occurs, regardless of the timing of the related cash flows. The government-wide financial statements report the three categories of the County's net position and how total net position changed during the fiscal year. Net position, the difference between the County's assets, deferred outflow of resources, liabilities and deferred inflow of resources, is a measure of the County's financial position. Over time, increases or decreases in net position can be an indicator of whether financial position is improving or deteriorating. To assess the overall financial condition of the County, CAFR users should consider additional non-financial factors such as changes in the County's property tax base or in the condition of the County's infrastructure.

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

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

Fund Financial Statements

The fund financial statements provide more detailed information about the County's major funds as opposed to the County as a whole. Funds are accounting devices that the County uses to track resources that are segregated for specific activities or objectives. Some funds are required by state code or by bond covenants. Other funds are established to control and manage resources for specific purposes or to show that the County is using revenue sources such as taxes or grants for their intended purposes.

The County reports three types of funds:

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

balances left at year-end that are available for spending. Consequently, the financial statements for governmental funds provide a detailed short-term view that assists the CAFR reader in determining the status of financial resources available for financing the County's programs in the near future. Because this information does not encompass the additional long-term focus of the government-wide financial statements, the County provides additional information following governmental funds statements that explain the differences between the short-term and long-term focus.

- ◆ Proprietary funds - Services that are intended to recover all or a significant portion of their costs through user fees are reported in proprietary funds. Proprietary fund financial statements, like the government-wide financial statements, provide both long-term and short-term financial information and they also provide additional details and information, such as the Statement of Cash Flows. The County's enterprise funds are reported in the business-type activities of the government-wide financial statements because these funds generally provide services to customers external to the County. The internal service funds are reported in the governmental activities of the government-wide financial statements because those funds provide supplies and services internally to the County's other programs and activities.
- ◆ Fiduciary funds - The County is responsible, as trustee, for the assets of various trust and agency funds that can be used only for the fiduciary beneficiaries. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All County trust fund activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Trust and agency fund activities are excluded from the County's government-wide financial statements because the County cannot use fiduciary assets to finance its operations.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net position. The County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$2.0 billion at the close of the most recent fiscal year. This represents a 7.3% increase over the prior year.

At the end of both the current and prior fiscal years, the County reported positive balances in all three categories of net position, both for the primary government as a whole and for its separate governmental and business-type activities. The largest portion of the County's net position (76.2%) at June 30, 2017, 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 (3.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance is referred to as unrestricted net position (20.6%). Unrestricted net position is available to meet the County's ongoing obligations to residents and creditors.

Liabilities and deferred inflows of resources for the School Board component unit exceeded assets and deferred outflows of resources by \$503.9 million at the end of the current fiscal year, a decrease in the deficit of \$3.1 million (0.6%) compared to the prior year. Net investment in capital assets increased \$4.7 million primarily due to capital outlay for machinery and equipment that included the purchase of sixty new school buses. The School Board component unit's deficit unrestricted net position is primarily due to reporting net pension liabilities of \$617.6 million at year end, which is an increase of \$35.6 million (6.1%) compared to net pension liabilities estimated in the prior year. The largest portion of the net pension liabilities is related to the VRS teachers' cost-sharing pool (VRS Teachers' Pool) whose benefit and funding decisions are made by the Commonwealth. As such, local governments and school boards have no ability to take actions on their own behalf to improve the funding position for their proportionate shares of the cost-sharing pool. Note 12 of the notes to the financial statements provides additional information regarding the School Board component unit's pension plans.

MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

TABLE 1
Chesterfield County's Net Position
June 30, 2017 and 2016
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total Primary Government		School Board Component Unit	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Assets								
Current and other assets	\$ 907.0	\$ 789.1	\$ 308.1	\$ 267.3	\$ 1,215.1	\$ 1,056.4	\$ 97.1	\$ 108.8
Capital assets	<u>1,058.9</u>	<u>1,027.1</u>	<u>876.5</u>	<u>870.6</u>	<u>1,935.4</u>	<u>1,897.7</u>	<u>37.7</u>	<u>37.1</u>
Total assets	<u>1,965.9</u>	<u>1,816.2</u>	<u>1,184.6</u>	<u>1,137.9</u>	<u>3,150.5</u>	<u>2,954.1</u>	<u>134.8</u>	<u>145.9</u>
Deferred outflows of resources								
Deferred charge on refunding	8.5	10.4	2.7	3.4	11.2	13.8	-	-
Pensions:								
Contributions after measurement date	22.6	26.2	1.0	1.2	23.6	27.4	43.3	40.9
Investment experience	20.6	1.4	1.0	0.1	21.6	1.5	32.1	1.2
Changes in assumptions	-	0.8	-	-	-	0.8	8.0	9.4
Changes in proportionate share	-	-	-	-	-	-	4.9	6.6
Difference in expected and actual experience	<u>0.2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.2</u>	<u>-</u>	<u>9.4</u>	<u>7.2</u>
Total deferred outflows of resources	<u>51.9</u>	<u>38.8</u>	<u>4.7</u>	<u>4.7</u>	<u>56.6</u>	<u>43.5</u>	<u>97.7</u>	<u>65.3</u>
Liabilities								
Long-term liabilities	789.0	717.5	69.9	75.9	858.9	793.4	653.8	624.9
Other liabilities	<u>117.2</u>	<u>99.9</u>	<u>7.6</u>	<u>9.4</u>	<u>124.8</u>	<u>109.3</u>	<u>49.7</u>	<u>54.3</u>
Total liabilities	<u>906.2</u>	<u>817.4</u>	<u>77.5</u>	<u>85.3</u>	<u>983.7</u>	<u>902.7</u>	<u>703.5</u>	<u>679.2</u>
Deferred inflows of resources								
Deferred revenues	164.6	157.8	-	-	164.6	157.8	-	-
Pensions:								
Investment experience	-	18.5	-	1.5	-	20.0	-	30.9
Difference in expected and actual experience	16.3	13.2	0.7	0.3	17.0	13.5	17.7	-
Changes in proportionate share	-	-	-	-	-	-	4.0	-
Changes in assumptions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11.2</u>	<u>8.1</u>
Total deferred inflows of resources	<u>180.9</u>	<u>189.5</u>	<u>0.7</u>	<u>1.8</u>	<u>181.6</u>	<u>191.3</u>	<u>32.9</u>	<u>39.0</u>
Net position								
Net investment in capital assets	735.4	689.6	821.4	809.4	1,556.8	1,499.0	29.1	24.4
Restricted	56.1	70.6	9.4	9.2	65.5	79.8	7.7	8.9
Unrestricted	<u>139.2</u>	<u>87.9</u>	<u>280.3</u>	<u>236.9</u>	<u>419.5</u>	<u>324.8</u>	<u>(540.7)</u>	<u>(540.3)</u>
Total net position	<u>\$ 930.7</u>	<u>\$ 848.1</u>	<u>\$ 1,111.1</u>	<u>\$ 1,055.5</u>	<u>\$ 2,041.8</u>	<u>\$ 1,903.6</u>	<u>\$ (503.9)</u>	<u>\$ (507.0)</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

(unaudited)

Changes in net position. The County's total revenues increased over the prior year by \$45.4 million (4.5%) to \$1,043.8 million. The total cost of all programs increased \$40.7 million (4.7%) to \$905.6 million.

TABLE 2
Changes in Chesterfield County's Net Position
For the Years Ended June 30, 2017 and 2016
(in millions of dollars)

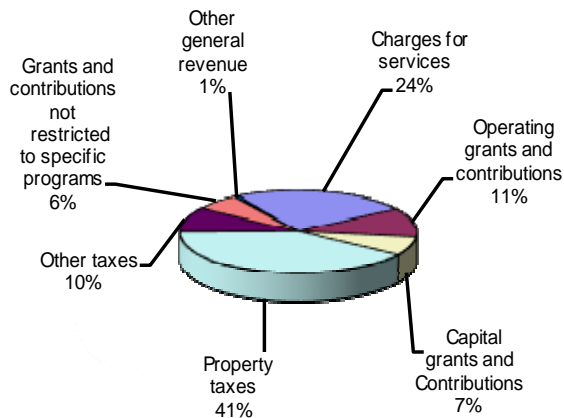
	Governmental Activities		Business-type Activities		Total Primary Government		School Board Component Unit	
	<u>2017</u>	<u>2016*</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues:								
Program revenues:								
Charges for services	\$ 155.0	\$ 145.5	\$ 96.2	\$ 88.3	\$ 251.2	\$ 233.8	\$ 15.0	\$ 15.1
Operating grants and contributions	119.1	130.5	-	-	119.1	130.5	119.4	112.7
Capital grants and contributions	33.3	26.9	39.8	33.2	73.1	60.1	-	-
General revenues:								
Property taxes	424.5	404.5	-	-	424.5	404.5	-	-
Other taxes	104.3	101.3	-	-	104.3	101.3	-	-
Payment from County	-	-	-	-	-	-	283.8	269.6
Grants and contributions not restricted to specific programs	65.5	65.1	-	-	65.5	65.1	173.0	166.2
Other	1.8	1.7	4.3	1.4	6.1	3.1	2.1	2.6
Total revenues	903.5	875.5	140.3	122.9	1,043.8	998.4	593.3	566.2
Expenses:								
General government	126.7	125.4	-	-	126.7	125.4	-	-
Administration of justice	10.9	11.1	-	-	10.9	11.1	-	-
Public safety	183.4	173.3	-	-	183.4	173.3	-	-
Public works	45.1	40.5	-	-	45.1	40.5	-	-
Health and welfare	84.4	80.4	-	-	84.4	80.4	-	-
Parks, recreation and cultural	26.3	24.3	-	-	26.3	24.3	-	-
Education - School Board	308.0	292.0	-	-	308.0	292.0	590.2	552.9
Community development	21.1	19.9	-	-	21.1	19.9	-	-
Interest on long-term debt	14.3	14.2	-	-	14.3	14.2	-	-
Water	-	-	40.9	41.0	40.9	41.0	-	-
Wastewater	-	-	39.0	39.9	39.0	39.9	-	-
Non-major business activities	-	-	5.5	2.9	5.5	2.9	-	-
Total expenses	820.2	781.1	85.4	83.8	905.6	864.9	590.2	552.9
Increase in net position before transfers	83.3	94.4	54.9	39.1	138.2	133.5	3.1	13.3
Transfers	(0.7)	(0.7)	0.7	0.7	-	-	-	-
Increase in net position after transfers	82.6	93.7	55.6	39.8	138.2	133.5	3.1	13.3
Net position - beginning of year	848.1	754.4	1,055.5	1,015.7	1,903.6	1,770.1	(507.0)	(520.3)
Net position - end of year	\$ 930.7	\$ 848.1	\$ 1,111.1	\$ 1,055.5	\$ 2,041.8	\$ 1,903.6	\$ (503.9)	\$ (507.0)

*Fiscal year 2016 restated for comparability with FY2017.

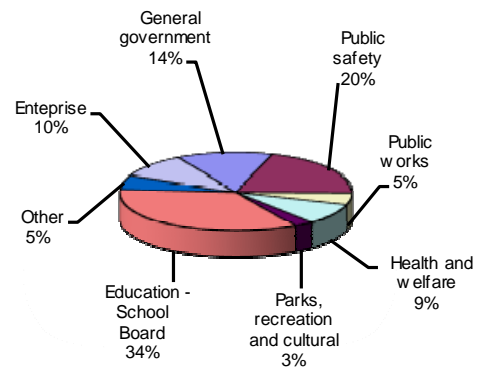
Approximately 41% of the County's revenues came from property taxes and approximately 10% came from other taxes. Another 24% of the total revenues came from grants and contributions. The remaining revenues are charges for services, payment from School Board, investment earnings and miscellaneous revenues.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

MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

**Figure A-1
Chesterfield County
Sources of Revenue for Fiscal Year 2017**



**Figure A-2
Chesterfield County
Expenses by Function for Fiscal Year 2017**



The School Board's total revenues increased compared to the prior year by \$27.1 million (4.8%) to \$593.3 million. Total expenses for all School programs and services increased over the prior year by \$37.3 million (6.7%) to \$590.2 million. Program revenues of School Board activities covered 23% of its expenses.

Governmental Activities

Governmental activities increased the County's net position by \$82.6 million and accounted for 59.8% of the total growth in the total net position of the County. Revenues for governmental activities increased \$28.0 million (3.2%) and total expenses increased \$39.1 million (5.0%) when compared to the prior year. Key elements of these changes are as follows:

- ◆ Charges for services increased \$9.5 million (6.5%). The County implemented a stormwater fee during 2017 which generated approximately \$2.1 million in new revenue. State code restricts the use of revenues collected from assessment of stormwater fees to stormwater management programs. The \$25 residential fee is billed in two annual installments of \$12.50 each and the first installment was payable in June 2017. Stormwater fees for commercial properties are billed based on the actual amount of impervious area on the site. The County also collected an additional \$0.9 million related to the first year's billing of special assessments for the Magnolia Green Community Development Authority (Magnolia Green CDA). The Magnolia Green CDA uses revenue generated by the special assessments to retire debt it issued to finance transportation infrastructure improvements within the district. The County also received additional Medicaid reimbursements for services provided by Mental Health Support Services to its clients.
- ◆ Operating grants and contributions decreased \$11.4 million (6.7%) primarily due to a one-time revenue recorded in the prior year when the County entered into an agreement with the Commonwealth of Virginia (Commonwealth) for the repayment of \$18.5 million the County invested approximately 30 years ago in the original construction of the Route 288 Powhite Parkway loop and ramp. The Commonwealth agreed to the repay of this amount over a six-year period starting in fiscal year 2016. This decrease was offset by the \$1.4 million increase in sales tax receipts on overall statewide retail sales received from the Commonwealth. As these sales tax revenues are designated specifically for education, this revenue flows through the County's General Fund and is transferred to the School Board component unit. The level of retail sales statewide and the proportion of the state's school children residing in the County are the predominant factors that influence this revenue source. In addition, the County received an \$2.1 million increase in revenues for Children's Services due to the increase in the population served and the cost of providing services and a \$2.5 million increase in payments from the School Board component unit for School Board maintenance projects.

MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

- ◆ Property tax revenues increased \$20.0 million (4.9%) primarily due to an overall 4.6% increase in the assessed valuation of taxable property over the prior year. The assessed valuation for real property increased 4.4% over the prior year. Residential real property assessed values increased by 5.1% and commercial and industrial real property assessed valuations increased by 1.8%. Commercial and industrial property comprised 21.3% of the assessed value of taxable real property. The real estate tax rate was \$0.96 per \$100 of assessed value for both the current and prior fiscal years. Calendar year 2017 (CY2017) assessments were developed using sales data through December 2016. State Code mandates that "annual assessments shall be made at 100% of fair market value." Personal property assessed valuations increased by 4.3% over the prior year.
- ◆ Other taxes increased \$3.0 million (3.0%) primarily due to receiving \$2.6 million more in the local portion of sales and use tax which is driven by an increase in retail sales in the County.

Overall, expenses of governmental activities increased \$39.1 million (5.0%). In developing the budget for FY2017 expenses, the County remained committed to the five-year plan that serves as a general framework to guide the County in establishing and making continuous progress towards key priorities and initiatives. Based on community input, the five-year plan continues to focus on public safety, capital facilities and infrastructure, education, and quality of life initiatives.

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

- ◆ Public safety expenses increased by \$10.1 million (5.8%). The non-cash adjustment to pension expense required for actuarial adjustments related to the Virginia Retirement System pension plan increased expenses over the prior year by \$6.8 million (3.9%). Sheriff's office expenses increased approximately \$1.6 million primarily due to an overall increase in inmate incarceration with the County's participation at Riverside Regional Jail increasing by 9.1%. Juvenile Detention Home (CJDH) expenses increased approximately \$0.5 million due to the first full year of operating costs incurred resulting from the memorandum of agreement with the state's Department of Juvenile Justice (DJJ) in which the CJDH agreed to operate and staff a unit at its facility for state-committed juveniles. The agreement authorized the creation of six full-time positions with the program started late in fiscal year 2016. Revenues received from DJJ should be sufficient to cover the increased personnel and operating costs related to the agreement.
- ◆ Education expenses increased \$16.0 million (5.5%). General Fund payments to fund the School Board component unit operations were \$14.3 million greater than the prior year. Additional funding was provided to support the school division's goals as indicated in the approved five-year-plan. These goals included providing a 3% salary increase to school division staff; continuing the reduction in class size initiative through the addition of general education and special education teaching positions; targeting instructional and attendance support through the hiring of additional ESOL teachers and attendance social workers; funding additional special education coordinator positions at the elementary school level and collaborative special education teacher and aide positions at the middle school level; and increasing the contribution to the School Supplemental Retirement Program.

Business-type Activities

Business-type activities increased the County's total net position by \$55.6 million, accounting for 40.2% of the overall growth. Revenues for business-type activities increased \$17.4 million (14.2%) and expenses increased \$1.6 million (1.9%) when compared to the prior year. Key elements of these changes are as follows:

- ◆ Charges for services increased \$7.9 million (8.9%) primarily in the Utilities funds. Charges for service in the Water Fund increased \$4.6 million due to an approximate 1.0% increase in total water consumption combined with a 1.6% increase in the number of water customers billed and rate increases of \$0.13 per hundred cubic feet consumed plus an increase in the capacity charge of \$0.92 for a 5/8" meter. Charges for service in the Wastewater Fund increased \$2.5 million due to an approximate 1.7% increase in total wastewater discharged combined with a 1.7% increase in the number of wastewater customers billed and

MANAGEMENT'S DISCUSSION AND ANALYSIS

(unaudited)

rate increases of \$0.08 per hundred cubic feet discharged plus an increase in the capacity charge of \$1.33 for a 5/8" meter.

- ◆ Capital grants and contributions increased \$6.6 million (19.9%) primarily due to an increase of \$2.7 million in water connection fees and \$1.4 million in wastewater connections fees. These increases can be attributed to the growth in the number of new connections, a positive indicator of a recovering economy.
- ◆ Other revenue increased \$2.9 million (207.1%) primarily due a \$3.3 million gain on the sale of land located in the Meadowville Technology Park which is managed by the EDA.

Expenses for business-type activities increased \$1.6 million (1.9%). Expenses in the Utilities funds decreased slightly while expenses in the non-major business activities increased \$2.6 million (89.7%). The increase in non-major business activities is primarily attributable an increase of \$1.6 million in incentives given by the EDA for new business expansions.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental Funds

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

As of June 30, 2017, the County's governmental funds reported a combined fund balance of \$559.4 million, an increase of \$91.7 million (19.6%) from the previous year. Of this combined fund balance amount, \$223.5 million (40.0%) constitutes restricted fund balance; \$1.5 million (0.2%) represents committed fund balance; \$274.4 million (49.1%) represents assigned fund balance; and \$60.0 million (10.7%) 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 2018 (FY2018) budget, and potential revenue shortfalls in future fiscal years' budgets as an informal revenue stabilization or "rainy day" fund. Note 2 of the notes to the financial statements provides details about fund balance details and a discussion of the criteria used by the County to classify categories of fund balance.

The General Fund is the operating fund of the County. At the end of the current fiscal year, the combined assigned and unassigned fund balance of the General Fund was \$323.6 million and total fund balance was \$343.2 million. As a measure of the General Fund's liquidity, it may be useful to compare the combined assigned and unassigned fund balance to total fund expenditures. Combined assigned and unassigned fund balance represents 46.4% of total General Fund expenditures. Unassigned fund balance of \$60.0 million represents 8.6% of total General Fund expenditures. Maintaining a ratio that exceeds the target ratio of 8.0% is an indicator of the County's ability to cope with unexpected or unusual financial scenarios including fluctuations in revenue cycles. Total fund balance of the General Fund represents 49.2% of General Fund expenditures.

Fund balance of the General Fund increased by \$30.2 million (9.6%) during the current fiscal year. Revenue categories not already discussed that factor into this increase are as follows:

- ◆ Recovered costs decreased \$2.3 million (18.1%) primarily due to transitioning the School Health Services Program from the County's Health Department to the school division. The primary goals of the transition were to accommodate a shifting demand from population based care to individual care for students; to increase coordination, efficiency and accountability for the care provided; and to provide necessary operational support. Additionally, the transition should achieve consistency with other school health service delivery models and reduce administrative complexity.
- ◆ Revenue from other governments decreased \$6.3 million (3.7%) which mainly attributable to the prior year's receipt of the \$10.3 million reimbursement from the Commonwealth for the funding provided by the County for the Route 288 Powhite loop and ramp project constructed over 30 years ago. During the current year, the County received \$0.8 million towards this reimbursement. This decrease was partially

MANAGEMENT'S DISCUSSION AND ANALYSIS

(unaudited)

offset by a \$1.4 million increase in sales tax for education revenue and a \$0.6 million increase in funding received from the state for housing state-committed juveniles in the County Juvenile Detention Home facility.

Overall, functional expenditures in the General Fund increased \$22.5 million (3.3%), which includes the 2% merit increase awarded to eligible staff. The most significant increases were in the functions of parks, recreation and cultural (7.8%), community development (4.3%) and education (5.3%). The increase in the parks, recreation and cultural function includes a full year's operating costs associated with the new Courthouse Road Library that opened in the spring of 2016 and the restoration of Thursday library hours at all branches in September 2016. Thursday library hours were cut during the economic downturn. The increase in expenditures in the community development function is primarily attributable to an increase in collections of transient occupancy taxes which were subsequently remitted to the Greater Richmond Convention Center Authority in accordance with the jurisdictional agreement and an increase in tax increment financing collections which were also subsequently remitted to the individual community development authorities in accordance with agreements. The increase in education expenditures was discussed previously in the government-wide activities section.

At fiscal year-end, the County's Capital Projects Fund had fund balance of \$88.1 million that consisted primarily of unspent bond proceeds and cash proffers, both of which are restricted for use on specific County projects and functions. The School Capital Projects Fund had fund balance of \$115.6 million that consisted primarily of unspent bond proceeds restricted for use on School projects.

General Fund Budgetary Highlights

The overall difference between the original budget and the amended budget for revenues and other financing sources reflected an increase of \$3.6 million (0.5%). The final amended budget for expenditures and other financing uses was greater than the original budget by \$91.8 million (12.3%). Some of the key budget adjustments are summarized as follows:

- ◆ The original budget for revenues was increased by \$3.6 million (0.5%). Budget amendments included the appropriation of \$1.0 million in personal property and incremental tax revenues; \$1.0 million in Medicaid and other third-party charges for services revenues; \$0.4 million in asset forfeiture revenues; \$0.3 million in transient occupancy tax revenues; \$0.3 million in Waste and Resource Recovery revenues; and \$0.6 million in insurance recoveries, proceeds from the sale of capital assets and other miscellaneous revenues.
- Expenditures in the original budget were increased by \$4.9 million (1.3%). The most significant increases were needed in public safety departments due to higher than expected personnel, workers compensation and retiree healthcare costs; Mental Health Support Services due to costs associated with higher than expected caseloads; Waste and Resource Recovery expenditures for solid waste management; and the expenditure of asset forfeiture revenues.
- ◆ The budget for other financing uses increased by \$86.9 million (23.7%). Transfers out to the County Capital Projects Fund and the County Grants Fund increased \$77.1 million and \$1.0 million, respectively. These amendments are primarily due to the re-appropriation, in accordance with the appropriation resolution, of General Fund budgeted transfers that were not spent in the prior year due to timing of expenditures. The budget was increased \$4.5 million to reflect the transfer to the Healthcare Fund approved by the Board to supplement premium payments used to pay claims for County and School Board employees. The transfer to the School Board component unit decreased \$4.7 million with \$3.0 of the decrease reallocated to the Healthcare Fund transfer and \$1.7 million to reduce the budget for sales tax revenue transfers that were overestimated in the original budget.

Actual revenues and other financing sources were \$21.4 million (2.9%) greater than the amended budget. A summary of some key variances includes the following:

- ◆ The collection of general property taxes was \$6.1 million higher than the amended budget primarily due to greater than expected special assessments collections and a conservative estimate in the increase in assessed value of real and personal property.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(unaudited)

- ◆ Charges for services were \$1.9 million greater than expected primarily due the increase in services provided by Mental Health Support Services.
- ◆ Miscellaneous revenues were \$1.8 million greater than expected primarily due to not appropriating public, education government (PEG) revenue as it is received and insurance recoveries. PEG revenues are restricted for a specific use and are appropriated as spent.
- ◆ Revenues from the other governments were \$3.6 million greater than expected primarily due to higher than expected federal revenue reimbursements for health and welfare services provided by Social Services due to conservative budgeting techniques used to manage the unpredictability of potential cuts to state supported compensation board programs.

Actual expenditures and other financing uses were \$110.1 million (13.1%) less than the amended budget amount. A summary of several key differences is as follows:

- ◆ General government expenditures were \$2.5 million lower than the amended budget primarily due to \$0.7 million savings in the employee benefit programs and \$0.8 million in the Information Systems Technology (IST) department with \$0.6 million of that amount encumbered at year-end for a telephone system upgrade.
- ◆ Public safety expenditures were \$6.0 million lower than the amended budget with the Fire and Police departments contributing \$2.3 million and \$2.5 million, respectively, to the positive results. In the Fire department, \$1.2 million of these positive results were encumbered at fiscal year-end for the purchase of fire apparatus. In the Police department, \$1.8 million of positive results were encumbered fiscal year-end for the purchase of police vehicles.
- ◆ Transfers to other funds resultpged in a \$104.4 million positive variance. Transfers to the County Capital Projects Fund and the Stormwater Fund were \$86.1 million and \$5.4 million, respectively, less than the amended budget due to the timing difference between budgeted and actual expenditures for long-term projects. Unspent capital projects and stormwater transfers were assigned at year-end and re-appropriated as a part of the amended budget for fiscal year 2018. The positive \$10.1 million variance in the transfer to School Board operations was assigned at year-end, as directed by the County Board, for use in future years' school budgets and one-time needs.

CAPITAL/INTANGIBLE ASSETS AND DEBT ADMINISTRATION

Overview

Accounting principles generally accepted in the United States of America require the issuing entity to report "on behalf" debt and debt service. The operational relationship between the County and School Board component unit related to capital assets and debt involves several transactions between the two entities that are presented in the financial statements to meet reporting requirements. The School Board component unit can neither levy taxes nor incur debt under Virginia law. The County issues debt "on behalf" of the School Board component unit, which is recorded as a liability of the County's governmental activities. The County's charter states that "title to all real property of the school system shall be vested in the County of Chesterfield." The County provides the School Capital Projects Fund with funding to purchase and/or construct real property (land, buildings, improvements other than buildings, and construction in progress) for use in school operations. Due to the charter, the value associated with the purchase and/or construction of School Board component unit real property is reported as capital assets in the governmental activities of the County. Depreciation and accumulated depreciation related to School Board real property is reported in the County's governmental activities within the appropriate government-wide financial statements. For financial reporting purposes, the School Board component unit directly reports the liability for debt associated with the lease purchase of equipment on its financial statements.

Capital and Intangible Assets

At the end of the fiscal year, the County had an investment of \$1.9 billion in a broad range of capital and intangible assets net of accumulated depreciation, including public safety buildings, park facilities, libraries, and water and wastewater facilities. This amount represents a net increase of \$37.7 million (2.0%) over the

MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

prior year. More detailed information about the County's capital and intangible assets is presented in Note 8 of the notes to the financial statements. The net investment in capital assets of governmental activities includes \$628.1 million for school buildings and real property used by the School Board in its operations.

TABLE 3
Chesterfield County's Capital and Intangible Assets
June 30, 2017 and 2016
(net of depreciation, in millions of dollars)

	Governmental		Business-type		Total		Total
	Activities		Activities		Activities		Percentage
	2017	2016	2017	2016	2017	2016	Change
							2017 - 2016
Non-depreciable assets:							
Land	\$ 81.5	\$ 73.0	\$ 22.4	\$ 21.3	\$ 103.9	\$ 94.3	10.2%
Construction in progress	42.1	31.7	7.1	7.4	49.2	39.1	25.8%
Depreciable assets:							
Capacity rights	-	-	70.9	71.0	70.9	71.0	-0.1%
Buildings	806.7	802.2	135.5	138.5	942.2	940.7	0.2%
Improvements other than buildings	38.8	33.9	24.9	26.9	63.7	60.8	4.8%
Machinery and equipment	61.9	58.9	611.5	603.8	673.4	662.7	1.6%
Infrastructure	27.9	27.4	4.2	1.7	32.1	29.1	10.3%
Total	\$ 1,058.9	\$ 1,027.1	\$ 876.5	\$ 870.6	\$ 1,935.4	\$ 1,897.7	2.0%

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

- ◆ Completed major County projects:
 - Smith Wagner Building Expansion, Phase I - \$10.9 million
 - Property Tax Collection System - \$2.0 million
 - Five-story Administration Building Renovation - \$1.7 million
- ◆ Additions to major County construction in progress projects:
 - Public Safety Training Center, Fire Tower - \$3.0 million
 - 800 MHz Radio System Replacement, Regional Communications System - \$3.7 million
 - Stonebridge Building Project - \$0.5 million
- ◆ Completed major School Board component unit projects:
 - Monacan High School Renovations - \$15.9 million
 - New Midlothian Elementary School Land - \$2.3 million
 - Beulah Elementary School Land - \$1.0 million
- ◆ Additions to major School Board component unit construction in progress project:
 - Beulah Elementary School Replacement - \$2.9 million
 - Enon Elementary School Replacement - \$1.5 million
 - Providence Middle School Renovations - \$9.1 million
 - Swift Creek Middle School HVAC - \$3.4 million
- ◆ Completed major Utilities - Water and Wastewater projects:
 - Clover Hill Water Tank Rehabilitation - \$1.6 million
 - Chesdin West/River Road Water Pump Station Improvements - \$1.6 million
 - Turner Wastewater Pump Station Rehabilitation - \$1.4 million
 - Ashton Creek Wastewater Trunk Lining - \$1.2 million
- ◆ Additions to major Utilities - Water and Wastewater construction in progress project:
 - Winterfield Road Water Line - \$1.7 million
 - Addison Evans Water Treatment Plant Motor Control Center Replacement - \$0.3 million
 - Proctors Creek Wastewater Treatment Plant Process Upgrades - \$0.6 million

MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

The County's capital improvement program budget appropriated in FY18 added \$260.2 million in planned funding for capital projects, which includes \$178.8 million for the primary government and \$81.4 million for the School Board. Some of the principal projects for the primary government include the Chesapeake Bay Total Maximum Daily Load (TMDL) federally mandated project; various transportation projects funded through the Commonwealth's revenue sharing program; the 800 MHz radio system replacement project; the Rogers building HVAC system; the Computer Aided Mass Appraisal (CAMA) system; the Huguenot pump station, tank and water line project; and the advanced metering infrastructure project. School projects are principally for school building improvements with major projects planned for the replacement of the Beulah Elementary School, replacement of the Matoaca Elementary School, a new Midlothian area elementary school, and various major maintenance and security projects. The County intends to issue new debt to partially finance these and other projects as identified in the fiscal years 2018-2022 Capital Improvement Program.

Long-term Debt

At fiscal year-end, the County had \$608.1 million in bonds, lease purchases and other long-term debt outstanding, an increase of \$42.6 million (7.5%) 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 \$334.6 million in debt outstanding related to School Board activities and \$13.2 million in outstanding debt for the EDA's development of infrastructure in the Meadowville Technology Park.

A key debt policy established by the County Board is the ratio of debt service (principal and interest) costs to governmental fund expenditures. This ratio was 5.9% for the current year comparing favorably to the policy target of 10.0%. Governmental fund expenditures for purposes of this calculation include expenditures for all governmental fund types of both the primary government and the School Board component unit, excluding capital project funds and payments between the primary government and the School Board component unit.

The County's "AAA" general obligation bond rating from all three major rating agencies was affirmed when it entered the bond market in June 2017 to sell \$82.3 million of general improvement bonds. Approximately 1% of counties nationwide have earned a triple "AAA" credit rating designation. Standard and Poor's noted that "Chesterfield County's general obligation bonds are eligible to be rated above the sovereign because we believe the County can maintain better credit characteristics than the nation in a stress scenario".

TABLE 4
Chesterfield County's Outstanding Debt
June 30, 2017 and 2016
(in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2017	2016	2017	2016	2017	2016	2017 - 2016
General obligation bonds, net (backed by the County)	\$ 472.9	\$ 423.3	\$ -	\$ -	\$ 472.9	\$ 423.3	11.7%
Revenue bonds, net	36.6	30	57.1	63.9	93.7	94.3	-0.6%
Certificates of participation	17.9	21.7	0.7	0.7	18.6	22.4	-17.0%
Support agreement	13.2	14.6	-	-	13.2	14.6	-9.6%
Taxable redevelopment facility note	7.2	7.3	-	-	7.2	7.3	-1.4%
Public facility revenue refunding bonds, net	2.4	3.3	-	-	2.4	3.3	-27.3%
Capital lease obligations	0.1	0.3	-	-	0.1	0.3	-66.7%
Total	\$ 550.3	\$ 500.9	\$ 57.8	\$ 64.6	\$ 608.1	\$ 565.5	7.5%

MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The County's annual unemployment rate for calendar year 2016 (CY2016) averaged 3.8%, a decrease from the previous calendar year's rate of 4.3%. The County's annual unemployment rate for CY2016 was lower than to the Commonwealth's 4.0% annual unemployment rate for the same period. The County's unemployment rate for August 2017 was 3.7% which was lower than the Commonwealth's rate of 3.8% for the same period. Improvements in unemployment are expected to continue to be gradual as the economy continues to rebuild job growth lost during the recession.

The County developed a Biennial Financial Plan for fiscal year 2018 that was adopted on April 26, 2017. The FY2018 adopted budget (FY2018 Budget), totaling \$1.4 billion, represents an increase of 1.5% over the FY2017 adopted budget. Overall, the FY2018 Budget includes a 2% merit increase for all eligible County employees. In keeping with citizen driven priorities, several initiatives were included in the budget related to public safety. To address recruitment and retention challenges, the FY2018 Budget increases starting pay for police officers and Sheriff's deputies and enhances both departments' career development programs. To improve police officer safety and to support community trust, the FY2018 Budget includes resources to establish a body-worn camera program. To focus on education, additional funding was added to the School Board operating budget to support teachers and enhance academic support. The FY2018 Budget for capital improvement programs continues to focus on adequately maintaining existing county infrastructure, promoting the revitalization and preservation of our communities, enhancing quality of life for citizens and supporting key initiatives. The FY2018 Budget stays within the financial parameters established in the five-year plan and does so without increasing real or personal property tax rates.

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, 2017

Exhibit I

	Primary Government				
	Governmental	Business-type	Total	Component	Total
	Activities	Activities		Units	Reporting Entity
ASSETS					
Cash and cash equivalents	\$ 321,435,524	\$ 152,123,313	\$ 473,558,837	\$ 18,588,941	\$ 492,147,778
Investments	302,431,505	144,797,355	447,228,860	1,800,000	449,028,860
Receivables, net of allowance for uncollectibles	269,124,982	16,777,298	285,902,280	7,062,824	292,965,104
Due from primary government	-	-	-	69,137,513	69,137,513
Internal balances	6,402,761	(6,402,761)	-	-	-
Inventories	726,870	858,047	1,584,917	308,182	1,893,099
Prepays	6,899,402	-	6,899,402	3,602,129	10,501,531
Capital assets, not being depreciated	123,639,042	29,447,595	153,086,637	389,835	153,476,472
Other capital and intangible assets, net of depreciation	935,242,041	847,012,232	1,782,254,273	37,279,309	1,819,533,582
Total assets	1,965,902,127	1,184,613,079	3,150,515,206	138,168,733	3,288,683,939
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	8,458,559	2,748,058	11,206,617	-	11,206,617
Deferred pension contributions	22,622,248	1,025,767	23,648,015	43,358,398	67,006,413
Deferred pension investment experience	20,623,243	935,125	21,558,368	32,079,069	53,637,437
Deferred outflow pension assumptions	-	-	-	7,952,787	7,952,787
Deferred pension proportionate share	-	-	-	4,890,000	4,890,000
Deferred pension difference in expected and actual experience	163,492	7,413	170,905	9,419,860	9,590,765
Total deferred outflows of resources	51,867,542	4,716,363	56,583,905	97,700,114	154,284,019
LIABILITIES					
Accounts payable and accrued expenses	48,042,717	6,747,727	54,790,444	49,314,020	104,104,464
Due to component units	69,137,513	-	69,137,513	-	69,137,513
Unearned revenues	47,825	-	47,825	603,163	650,988
Developers' connection fees refundable	-	657,570	657,570	-	657,570
Prepaid connection fees	-	157,800	157,800	-	157,800
Non-current liabilities:					
Due within one year	74,203,566	7,312,084	81,515,650	10,914,016	92,429,666
Due in more than one year	714,790,123	62,623,779	777,413,902	662,967,212	1,440,381,114
Total liabilities	906,221,744	77,498,960	983,720,704	723,798,411	1,707,519,115
DEFERRED INFLOWS OF RESOURCES					
Deferred revenues	164,642,716	-	164,642,716	-	164,642,716
Deferred pension assumptions	-	-	-	11,227,447	11,227,447
Deferred pension change in proportionate share	-	-	-	3,971,000	3,971,000
Deferred pension difference in expected and actual experience	16,254,234	737,020	16,991,254	17,709,750	34,701,004
Total deferred inflows of resources	180,896,950	737,020	181,633,970	32,908,197	214,542,167
NET POSITION					
Net investment in capital assets	735,341,966	821,397,739	1,556,739,705	29,095,443	1,585,835,148
Restricted for:					
Capital projects	25,359,072	-	25,359,072	-	25,359,072
Debt covenants	-	9,423,700	9,423,700	709,191	10,132,891
Grantor programs	12,896,307	-	12,896,307	49,049	12,945,356
Legislated programs	16,322,564	-	16,322,564	7,683,504	24,006,068
Public safety programs	1,504,827	-	1,504,827	-	1,504,827
Total restricted	56,082,770	9,423,700	65,506,470	8,441,744	73,948,214
Unrestricted (deficit)	139,226,239	280,272,023	419,498,262	(558,374,948)	(138,876,686)
Total net position	\$ 930,650,975	\$ 1,111,093,462	\$ 2,041,744,437	\$ (520,837,761)	\$ 1,520,906,676

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

County of Chesterfield, Virginia
Statement of Activities
For the Year Ended June 30, 2017

Exhibit II

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government			Total Reporting Entity
				Governmental Activities	Business-type Activities	Component Units	
Primary government							
Governmental activities							
General government	\$ 126,708,814	\$ 89,880,633	\$ 1,085,866	\$ (34,824,100)	\$ -	\$ -	\$ (34,824,100)
Administration of justice	10,896,810	1,848,177	4,562,733	(4,485,900)	-	-	(4,485,900)
Public safety	183,370,852	19,565,438	13,783,303	(148,733,249)	-	-	(148,733,249)
Public works	45,072,932	7,908,710	62,683	(18,455,808)	-	-	(18,455,808)
Health and welfare	84,390,086	24,742,209	32,117,927	(27,517,923)	-	-	(27,517,923)
Parks, recreation and cultural	26,351,945	3,849,219	344,505	(20,296,895)	-	-	(20,296,895)
Education - School Board	308,043,018	43,597	65,751,843	(231,804,942)	-	-	(231,804,942)
Community development	21,062,911	7,180,387	1,379,870	(12,282,131)	-	-	(12,282,131)
Interest on long-term debt	14,269,395	-	-	(14,269,395)	-	-	(14,269,395)
Total governmental activities	820,166,763	155,018,370	119,088,730	(512,670,343)	-	-	(512,670,343)
Business-type activities							
Water	40,873,429	47,735,250	-	-	27,891,377	-	27,891,377
Wastewater	39,030,892	46,868,841	-	-	26,583,958	-	26,583,958
Non-major business activities	5,561,422	1,592,940	-	-	(3,909,899)	-	(3,909,899)
Total business-type activities	85,465,743	96,197,031	-	-	50,565,436	-	50,565,436
Total primary government	\$ 905,632,506	\$ 251,215,401	\$ 119,088,730	(512,670,343)	50,565,436	-	(462,104,907)
Component units	\$ 591,205,386	\$ 14,946,658	\$ 119,447,791	-	-	(456,810,937)	(456,810,937)
General revenues:							
Taxes:							
Property taxes, levied for general purposes				421,227,697	-	-	421,227,697
Property taxes, levied for special purposes				3,224,211	-	-	3,224,211
Utility taxes				8,043,759	-	-	8,043,759
Sales taxes				47,915,376	-	-	47,915,376
Motor vehicle licenses				13,944,691	-	-	13,944,691
Business license taxes				20,580,987	-	-	20,580,987
Other				13,777,956	-	-	13,777,956
Payment from primary government				-	-	287,559,255	287,559,255
Grants and contributions not restricted to specific programs				65,462,954	-	172,994,258	238,457,212
Investment earnings				1,549,802	974,328	197,477	2,721,607
Miscellaneous				260,951	3,328,675	1,988,805	5,578,431
Transfers				(749,313)	749,313	-	-
Total general revenues and transfers				595,239,071	5,052,316	462,739,795	1,063,031,182
Change in net position				82,568,728	55,617,752	5,928,858	144,115,338
Total net position-July 1, 2016				848,082,247	1,055,475,710	(526,766,619)	1,376,791,338
Total net position-June 30, 2017				\$ 930,650,975	\$ 1,111,093,462	\$ (520,837,761)	\$ 1,520,906,676

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

County of Chesterfield, Virginia
Balance Sheet
Governmental Funds
June 30, 2017

Exhibit III

	<u>General</u>	<u>County Capital Projects</u>	<u>School Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 253,941,546	\$ 18,352,493	\$ 1,208,455	\$ 12,014,561	\$ 285,517,055
Cash, cash equivalents and investments with fiscal agents	459,255	9,807,783	-	-	10,267,038
Investments	113,628,470	58,766,189	120,229,063	-	292,623,722
Receivables, net of allowances for uncollectibles of \$18,201,498	207,626,060	75,450	25,632	1,708,620	209,435,762
Due from other funds	-	6,414,891	-	-	6,414,891
Due from other governments	54,521,201	2,201,421	-	2,875,169	59,597,791
Total assets	<u>\$ 630,176,532</u>	<u>\$ 95,618,227</u>	<u>\$ 121,463,150</u>	<u>\$ 16,598,350</u>	<u>\$ 863,856,259</u>
LIABILITIES					
Accounts payable	\$ 8,738,326	\$ 4,632,947	\$ 5,092,873	\$ 2,952,231	\$ 21,416,377
Due to other funds	12,130	-	-	-	12,130
Due to component unit - School Board	69,137,513	-	-	-	69,137,513
Accrued liabilities	12,966,594	15,503	-	289,791	13,271,888
Retainages payable	-	1,018,646	790,844	11,026	1,820,516
Unearned revenues	-	-	-	47,825	47,825
Deposits payable	198,891	1,823,829	-	-	2,022,720
Total liabilities	<u>91,053,454</u>	<u>7,490,925</u>	<u>5,883,717</u>	<u>3,300,873</u>	<u>107,728,969</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred revenues	164,642,716	-	-	-	164,642,716
Unavailable revenues	31,279,476	64,083	-	742,469	32,086,028
Total deferred inflows of resources	<u>195,922,192</u>	<u>64,083</u>	<u>-</u>	<u>742,469</u>	<u>196,728,744</u>
FUND BALANCES					
Restricted	18,168,690	88,063,219	115,579,433	1,741,371	223,552,713
Committed	1,468,131	-	-	-	1,468,131
Assigned	263,559,665	-	-	10,813,637	274,373,302
Unassigned	60,004,400	-	-	-	60,004,400
Total fund balances	<u>343,200,886</u>	<u>88,063,219</u>	<u>115,579,433</u>	<u>12,555,008</u>	<u>559,398,546</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 630,176,532</u>	<u>\$ 95,618,227</u>	<u>\$ 121,463,150</u>	<u>\$ 16,598,350</u>	<u>\$ 863,856,259</u>

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

Total fund balances for governmental funds	\$ 559,398,546
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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.	1,050,779,984
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Other long-term assets are not available to pay for current period expenditures and are deferred in the funds:

Uncollected taxes receivable	\$ 18,716,920	
Uncollected receivables from other governments	11,129,919	
Uncollected miscellaneous receivables	2,239,189	32,086,028

Prepaid and deferred items:

Other postemployment benefit assets	4,799,992	
Prepaid capital asset	2,099,410	
Deferred charge on refunding	8,458,559	
Deferred pension contributions	22,158,341	
Deferred pension investment experience	20,200,329	
Deferred pension difference in expected and experience	(15,760,774)	41,955,857

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

26,153,275

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

Net bonds, certificates of participation, public facility lease, taxable redevelopment facility note, support agreements and capital lease obligations	(550,289,084)	
Judgments and claims	(7,480,050)	
Landfill	(1,154,757)	
Net pension liabilities	(189,958,120)	
Compensated absences	(22,862,512)	
Interest payable	(7,978,192)	(779,722,715)

Total net position of governmental activities	<u>\$ 930,650,975</u>
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The accompanying notes are an integral part of the financial statements.

County of Chesterfield, Virginia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	<u>General</u>	<u>County Capital Projects</u>	<u>School Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
From local sources:					
General property taxes	\$ 422,283,775	\$ -	\$ -	\$ -	\$ 422,283,775
Other local taxes	105,016,089	-	-	-	105,016,089
Permits, privilege fees and regulatory licenses	7,425,213	-	-	-	7,425,213
Fines and forfeitures	2,171,101	-	-	-	2,171,101
Use of money and property	1,540,006	323,378	416,013	1,583	2,280,980
Contributions from developers	-	10,118,047	-	-	10,118,047
Charges for services	36,207,188	291,129	43,597	10,291,705	46,833,619
Miscellaneous	3,398,765	598,982	-	404,703	4,402,450
Recovered costs	10,289,602	-	-	603,118	10,892,720
Donations and contributions	78,490	62,500	-	95,479	236,469
From component unit: School Board	-	-	9,304,726	3,640,800	12,945,526
From other governments	165,145,785	12,395,508	-	13,854,139	191,395,432
Total revenues	<u>753,556,014</u>	<u>23,789,544</u>	<u>9,764,336</u>	<u>28,891,527</u>	<u>816,001,421</u>
Expenditures					
Current:					
General government	47,014,959	-	-	-	47,014,959
Administration of justice	9,560,853	-	-	178,706	9,739,559
Public safety	172,202,318	-	-	8,203,253	180,405,571
Public works	17,739,084	-	-	470,979	18,210,063
Health and welfare	68,015,919	-	-	15,957,211	83,973,130
Parks, recreation and cultural	20,647,688	-	-	99,542	20,747,230
Education - School Board	282,343,920	-	74,203	-	282,418,123
Community development	19,239,079	-	-	1,643,700	20,882,779
Debt service:					
Retirement of principal	42,473,914	-	-	-	42,473,914
Interest	17,730,105	-	-	-	17,730,105
Other	683,442	-	-	-	683,442
Capital outlay	-	61,175,460	32,128,975	-	93,304,435
Total expenditures	<u>697,651,281</u>	<u>61,175,460</u>	<u>32,203,178</u>	<u>26,553,391</u>	<u>817,583,310</u>
Excess (deficiency) of revenues over (under) expenditures	<u>55,904,733</u>	<u>(37,385,916)</u>	<u>(22,438,842)</u>	<u>2,338,136</u>	<u>(1,581,889)</u>
Other financing sources (uses)					
Transfers in	1,390,237	17,664,994	5,742,613	4,077,016	28,874,860
Transfers out	(27,379,693)	(5,717,443)	-	(1,369,937)	(34,467,073)
Bonds issued	-	27,280,000	61,540,000	-	88,820,000
Premium on bonds issued	239,754	2,821,931	7,035,957	-	10,097,642
Refunding bonds issued	20,224,000	-	-	-	20,224,000
Payment to refunded bonds escrow agent	(20,223,913)	-	-	-	(20,223,913)
Total other financing sources (uses), net	<u>(25,749,615)</u>	<u>42,049,482</u>	<u>74,318,570</u>	<u>2,707,079</u>	<u>93,325,516</u>
Net change in fund balances	<u>30,155,118</u>	<u>4,663,566</u>	<u>51,879,728</u>	<u>5,045,215</u>	<u>91,743,627</u>
Total fund balances, July 1, 2016	<u>313,045,768</u>	<u>83,399,653</u>	<u>63,699,705</u>	<u>7,509,793</u>	<u>467,654,919</u>
Total fund balances, June 30, 2017	<u>\$ 343,200,886</u>	<u>\$ 88,063,219</u>	<u>\$ 115,579,433</u>	<u>\$ 12,555,008</u>	<u>\$ 559,398,546</u>

(Continued)

County of Chesterfield, Virginia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

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. \$ 91,743,627

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	\$ 63,376,040	
Depreciation	(38,450,495)	24,925,545

In the Statement of Activities, only the gain on the sale of surplus assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balances by the net book value of the surplus assets sold. (2,129,327)

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. 4,070,692

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 3,775,049

Amortization of prepaid rent in the government-wide statements is not an expenditure in the fund statements. (57,500)

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	62,443,914	
Proceeds	(119,141,642)	(56,697,728)

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	443,861	
Judgment and claims	1,243,370	
Net pension liabilities	(25,387,237)	
Other postemployment benefits asset	700,598	
Landfill	(45,086)	
Interest payable	(901,506)	
Deferred pension contributions	(3,438,495)	
Amortization of debt premiums	7,317,074	
Amortization of deferred charge on refunding	(2,017,500)	
Amortization of deferred pension changes in assumptions	(2,251,005)	
Amortization of deferred pension investment experience	38,103,577	
Amortization of deferred pension difference between expected and actual experience	(2,726,741)	11,040,910

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. 5,897,460

Change in net position of governmental activities. \$ 82,568,728

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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
From local sources:				
General property taxes	\$ 415,233,400	\$ 416,221,400	\$ 422,283,775	\$ 6,062,375
Other local taxes	117,864,000	118,164,000	118,779,982	615,982
Permits, privilege fees and regulatory licenses	6,560,100	6,814,635	7,495,251	680,616
Fines and forfeitures	1,753,500	2,104,852	2,171,101	66,249
Use of money and property	946,300	950,807	1,540,006	589,199
Charges for services	32,924,700	34,246,327	36,137,150	1,890,823
Miscellaneous	1,000,800	1,590,123	3,398,695	1,808,572
Recovered costs	9,469,700	9,700,465	10,289,672	589,207
Donations and contributions	28,600	65,067	78,490	13,423
From other governments	148,297,400	147,802,886	151,381,892	3,579,006
Total revenues	<u>734,078,500</u>	<u>737,660,562</u>	<u>753,556,014</u>	<u>15,895,452</u>
Expenditures				
Current:				
General government	51,723,751	49,526,021	47,014,959	2,511,062
Administration of justice	9,336,925	9,925,306	9,630,565	294,741
Public safety	173,361,736	178,236,904	172,203,931	6,032,973
Public works	17,706,802	18,140,040	17,739,084	400,956
Health and welfare	66,547,710	68,872,267	68,591,776	280,491
Parks, recreation and cultural	20,970,626	20,872,666	20,547,688	324,978
Community development	18,842,808	19,839,807	19,400,065	439,742
Non-departmental	355,000	664,209	100,000	564,209
Debt service:				
Retirement of principal	14,466,800	14,168,802	14,048,365	120,437
Interest	7,345,300	5,743,298	5,634,150	109,148
Other	899,800	490,646	335,278	155,368
Total expenditures	<u>381,557,258</u>	<u>386,479,966</u>	<u>375,245,861</u>	<u>11,234,105</u>
Excess of revenues over expenditures	<u>352,521,242</u>	<u>351,180,596</u>	<u>378,310,153</u>	<u>27,129,557</u>
Other financing sources (uses)				
Transfers in	1,459,400	1,459,400	1,390,237	(69,163)
Transfers out	(367,183,300)	(454,040,171)	(349,673,726)	104,366,445
Premium on bonds issued	-	90,846	128,367	37,521
Payment to refunded bonds escrow agent	-	-	(5,488,707)	(5,488,707)
Refunding bonds issued	-	-	5,488,794	5,488,794
Total other financing uses, net	<u>(365,723,900)</u>	<u>(452,489,925)</u>	<u>(348,155,035)</u>	<u>104,334,890</u>
Net change in fund balance	(13,202,658)	(101,309,329)	30,155,118	131,464,447
Fund balance, July 1, 2016	313,045,768	313,045,768	313,045,768	-
Fund balance, June 30, 2017	<u>\$ 299,843,110</u>	<u>\$ 211,736,439</u>	<u>\$ 343,200,886</u>	<u>\$ 131,464,447</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, 2017

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	\$ 375,245,861
Local funding of grant programs are transfers to other funds, rather than expenditures, for financial reporting purposes.	(647,182)
Budgetary transfers to component unit, excluding transfers for funding "on behalf" debt payments, are expenditures for financial reporting purposes.	282,343,920
Budgetary expenditures to blended component unit are transfers for financial reporting purposes.	(160,986)
Debt service on debt issued "on behalf" of the School Board component unit is considered an expenditure of the primary government for financial reporting purposes.	<u>40,869,668</u>
Total expenditures of the General Fund on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 697,651,281</u>

Other financing sources (uses), net

Total other financing uses, net, on the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	\$ (348,155,035)
Local funding of grant programs are transfers to other funds, rather than expenditures, for financial reporting purposes.	(647,182)
Budgetary transfers to component units are expenditures for financial reporting purposes.	323,102,201
Budgetary expenditures to blended component unit are transfers for financial reporting purposes.	(160,986)
Net proceeds from debt issued "on behalf" of the School Board component unit are considered other financing sources for the primary government for financial reporting purposes.	<u>111,387</u>
Total other financing uses of the General Fund on the Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds	<u>\$ (25,749,615)</u>

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

County of Chesterfield, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2017

Exhibit VI

	Business-type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	Water	Wastewater	Total Non-major Enterprise Funds	Total	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 60,089,767	\$ 73,873,268	\$ 2,262,669	\$ 136,225,704	\$ 35,459,214
Investments	62,333,674	82,463,681	-	144,797,355	-
Restricted cash equivalents with trustees	-	-	6,473,909	6,473,909	-
Receivables, net of allowances for uncollectibles of \$800,746					
Accounts	8,216,778	7,738,926	43,357	15,999,061	91,429
Special assessments	10,557	26,542	-	37,099	-
Total net receivables	8,227,335	7,765,468	43,357	16,036,160	91,429
Accrued interest	91,272	165,336	-	256,608	-
Due from other governments	-	-	30,175	30,175	-
Due from other funds	14,066	-	12,130	26,196	-
Inventories	858,047	-	-	858,047	726,870
Total current assets	131,614,161	164,267,753	8,822,240	304,704,154	36,277,513
Non-current assets:					
Accrued interest receivable	-	161,148	-	161,148	-
Special assessments receivable	78,450	214,757	-	293,207	-
Restricted cash and cash equivalents	5,222,067	4,201,633	-	9,423,700	-
Capital and intangible assets:					
Capacity rights, net	68,621,489	2,258,659	-	70,880,148	-
Land and land improvements	6,537,153	2,866,069	12,971,401	22,374,623	193,685
Buildings	63,985,378	145,999,621	7,576,782	217,561,781	2,276,846
Improvements other than buildings	9,026,406	19,069,061	29,108,883	57,204,350	311,805
Infrastructure	-	-	4,771,722	4,771,722	-
Machinery and equipment	466,715,473	533,369,479	2,167,070	1,002,252,022	17,041,619
Construction in progress	3,880,911	1,756,304	1,435,757	7,072,972	187,256
Total capital and intangible assets	618,766,810	705,319,193	58,031,615	1,382,117,618	20,011,211
Less accumulated depreciation	(195,940,922)	(286,344,752)	(23,372,117)	(505,657,791)	(11,910,112)
Total capital and intangible assets, net of accumulated depreciation	422,825,888	418,974,441	34,659,498	876,459,827	8,101,099
Total non-current assets	428,126,405	423,551,979	34,659,498	886,337,882	8,101,099
Total assets	559,740,566	587,819,732	43,481,738	1,191,042,036	44,378,612
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	1,093,727	1,629,422	24,909	2,748,058	-
Deferred pension contributions	522,554	487,981	15,232	1,025,767	463,907
Deferred pension investment experience	476,378	444,861	13,886	935,125	422,914
Deferred pension difference between expected and actual experience	3,776	3,527	110	7,413	3,353
Total deferred outflows of resources	2,096,435	2,565,791	54,137	4,716,363	890,174

(Continued)

County of Chesterfield, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2017

Exhibit VI

	Business-type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	Water	Wastewater	Total Non-major Enterprise Funds	Total	
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 3,271,460	\$ 1,313,320	\$ 71,766	\$ 4,656,546	\$ 1,093,065
Due to other funds	-	14,066	6,414,891	6,428,957	-
Accrued liabilities:					
Wages and benefits	575,314	480,375	13,089	1,068,778	439,959
Interest	-	-	5,426	5,426	-
Other	655,812	13,298	72,349	741,459	-
Total accrued liabilities	1,231,126	493,673	90,864	1,815,663	439,959
Compensated absences	132,507	134,641	4,037	271,185	101,743
Judgments and claims	530,631	53,380	-	584,011	12,184,005
Certificates of participation, net	-	-	103,470	103,470	-
Revenue bonds payable, net	3,245,687	3,105,295	2,436	6,353,418	-
Total current liabilities	8,411,411	5,114,375	6,687,464	20,213,250	13,818,772
Non-current liabilities:					
Developers' connection fees refundable	233,428	424,142	-	657,570	-
Retainages payable	141,889	54,466	79,163	275,518	-
Prepaid connection fees	-	157,800	-	157,800	-
Compensated absences	644,282	641,863	17,886	1,304,031	447,936
Judgments and claims	1,065,637	107,200	-	1,172,837	538,520
Net pension liabilities	4,479,727	4,183,343	130,583	8,793,653	3,976,962
Certificates of participation, net	-	-	550,724	550,724	-
Revenue bonds payable, net	22,553,166	28,200,966	48,402	50,802,534	-
Total non-current liabilities	29,118,129	33,769,780	826,758	63,714,667	4,963,418
Total liabilities	37,529,540	38,884,155	7,514,222	83,927,917	18,782,190
DEFERRED INFLOWS OF RESOURCES					
Deferred pension difference between expected and actual experience	375,458	350,617	10,945	737,020	333,321
Total deferred inflows of resources	375,458	350,617	10,945	737,020	333,321
NET POSITION					
Net investment in capital assets	398,120,762	389,297,602	33,979,375	821,397,739	8,101,099
Restricted - debt covenants	5,222,067	4,201,633	-	9,423,700	-
Unrestricted	120,589,174	157,651,516	2,031,333	280,272,023	18,052,176
Total net position	\$ 523,932,003	\$ 551,150,751	\$ 36,010,708	\$ 1,111,093,462	\$ 26,153,275

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

County of Chesterfield, Virginia
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2017

Exhibit VII

	Business-type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	Water	Wastewater	Total Non-major Enterprise Funds	Total	
Operating revenues					
Charges for services	\$ 46,040,464	\$ 46,425,262	\$ 1,042,640	\$ 93,508,366	\$ 133,574,692
Sale of supplies	1,013,163	-	-	1,013,163	-
Rental fees	291,505	-	-	291,505	-
From other governments	-	-	513,102	513,102	-
Other	390,118	443,579	37,198	870,895	306,548
Total operating revenues	<u>47,735,250</u>	<u>46,868,841</u>	<u>1,592,940</u>	<u>96,197,031</u>	<u>133,881,240</u>
Operating expenses					
Salaries and wages	8,005,063	7,413,191	249,116	15,667,370	7,280,192
Contractual services	12,391,632	4,435,008	306,395	17,133,035	1,421,243
Capacity rights amortization	2,137,076	118,877	-	2,255,953	-
Materials and supplies	3,029,298	4,317,516	12,272	7,359,086	7,789,028
Heat, light and power	1,410,032	2,382,231	76,025	3,868,288	59,072
Rent	750	-	-	750	-
Depreciation	11,973,229	17,978,549	1,508,160	31,459,938	1,587,230
Repairs and maintenance	873,113	1,531,808	49,485	2,454,406	1,111,816
Insurance	-	-	-	-	2,996,060
Claims	-	-	-	-	111,097,091
Other	363,035	215,986	979,244	1,558,265	37,161
Total operating expenses	<u>40,183,228</u>	<u>38,393,166</u>	<u>3,180,697</u>	<u>81,757,091</u>	<u>133,378,893</u>
Operating income (loss)	<u>7,552,022</u>	<u>8,475,675</u>	<u>(1,587,757)</u>	<u>14,439,940</u>	<u>502,347</u>
Non-operating revenues (expenses)					
Investment income	410,562	562,544	1,222	974,328	107,772
Interest expense	(241,963)	(425,394)	(23,164)	(690,521)	-
Gain (loss) on disposal of capital assets	(202,950)	(10,144)	3,328,675	3,115,581	273,978
Other	(245,288)	(202,188)	(2,357,561)	(2,805,037)	-
Net non-operating revenues (expenses)	<u>(279,639)</u>	<u>(75,182)</u>	<u>949,172</u>	<u>594,351</u>	<u>381,750</u>
Gain (loss) before contributions and transfers	7,272,383	8,400,493	(638,585)	15,034,291	884,097
Capital contributions	21,029,556	18,746,009	58,583	39,834,148	170,463
Transfers in	-	-	805,773	805,773	4,857,000
Transfers out	(53,960)	(2,500)	-	(56,460)	(14,100)
Change in net position	28,247,979	27,144,002	225,771	55,617,752	5,897,460
Total net position-July 1, 2016	<u>495,684,024</u>	<u>524,006,749</u>	<u>35,784,937</u>	<u>1,055,475,710</u>	<u>20,255,815</u>
Total net position-June 30, 2017	<u>\$ 523,932,003</u>	<u>\$ 551,150,751</u>	<u>\$ 36,010,708</u>	<u>\$ 1,111,093,462</u>	<u>\$ 26,153,275</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, 2017

	Business-type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	Water	Wastewater	Total Non-major Enterprise Funds	Total	
Cash flows from operating activities					
Receipts from customers	\$ 46,781,259	\$ 46,624,485	\$ 1,586,839	\$ 94,992,583	\$ 134,027,242
Payments to suppliers	(17,628,876)	(12,682,049)	(1,387,941)	(31,698,866)	(13,430,990)
Payments to employees	(8,575,299)	(8,028,101)	(268,844)	(16,872,244)	(7,761,423)
Claims paid	-	-	-	-	(113,081,718)
Net cash provided by (used in) operating activities	<u>20,577,084</u>	<u>25,914,335</u>	<u>(69,946)</u>	<u>46,421,473</u>	<u>(246,889)</u>
Cash flows from non-capital financing activities					
Transfers in	-	-	160,986	160,986	4,857,000
Transfers out	(3,700)	(2,500)	-	(6,200)	(14,100)
Net cash provided by (used in) non-capital financing activities	<u>(3,700)</u>	<u>(2,500)</u>	<u>160,986</u>	<u>154,786</u>	<u>4,842,900</u>
Cash flows from capital and related financing activities					
Transfers in	-	-	644,787	644,787	-
Purchase of capital assets	(8,962,827)	(6,848,240)	(1,763,974)	(17,575,041)	(3,330,929)
Purchase of capacity rights	(2,100,694)	-	-	(2,100,694)	-
Payments to developers for utility assets	(250,969)	(450,173)	-	(701,142)	-
Retainages paid to contractors	(93,047)	(192,097)	-	(285,144)	-
Proceeds from sale of capital assets	9,407	6,761	47,300	63,468	342,901
Capital contributions	10,250,451	8,804,653	15,653	19,070,757	-
Interest paid on bonds, certificates of participation and other liabilities	(982,719)	(1,148,113)	(32,050)	(2,162,882)	-
Principal paid on bonds, certificates of participation and other liabilities	(2,535,000)	(2,320,000)	(73,907)	(4,928,907)	-
Payment of other debt expenses	(7,565)	(6,310)	-	(13,875)	-
Net cash used in capital and related financing activities	<u>(4,672,963)</u>	<u>(2,153,519)</u>	<u>(1,162,191)</u>	<u>(7,988,673)</u>	<u>(2,988,028)</u>
Cash flows from investing activities					
Purchase of investments	(21,500,000)	(55,700,000)	-	(77,200,000)	-
Proceeds from sale of investments	10,000,000	26,000,000	-	36,000,000	-
Interest received	573,759	771,619	3,822	1,349,200	107,772
Net cash provided by (used in) investing activities	<u>(10,926,241)</u>	<u>(28,928,381)</u>	<u>3,822</u>	<u>(39,850,800)</u>	<u>107,772</u>
Net increase (decrease) in cash and cash equivalents	<u>4,974,180</u>	<u>(5,170,065)</u>	<u>(1,067,329)</u>	<u>(1,263,214)</u>	<u>1,715,755</u>

(Continued)

County of Chesterfield, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017

	Business-type Activities 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, 2016:					
Cash and cash equivalents	\$ 55,188,071	\$ 79,157,349	\$ 3,028,251	\$ 137,373,671	\$ 33,743,459
Investments	51,022,748	53,045,585	-	104,068,333	-
Less: Investments with maturities greater than 90 days when purchased	(51,022,748)	(53,045,585)	-	(104,068,333)	-
Restricted cash and cash equivalents	5,149,583	4,087,617	-	9,237,200	-
Restricted cash and cash equivalents with trustees	-	-	6,775,656	6,775,656	-
Total cash and cash equivalents, June 30, 2016	<u>60,337,654</u>	<u>83,244,966</u>	<u>9,803,907</u>	<u>153,386,527</u>	<u>33,743,459</u>
Cash and cash equivalents, June 30, 2017:					
Cash and cash equivalents	60,089,767	73,873,268	2,262,669	136,225,704	35,459,214
Investments	62,333,674	82,463,681	-	144,797,355	-
Less: Investments with maturities greater than 90 days when purchased	(62,333,674)	(82,463,681)	-	(144,797,355)	-
Restricted cash and cash equivalents	5,222,067	4,201,633	-	9,423,700	-
Restricted cash and cash equivalents with trustees	-	-	6,473,909	6,473,909	-
Total cash and cash equivalents, June 30, 2017	<u>\$ 65,311,834</u>	<u>\$ 78,074,901</u>	<u>\$ 8,736,578</u>	<u>\$ 152,123,313</u>	<u>\$ 35,459,214</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 7,552,022	\$ 8,475,675	\$ (1,587,757)	\$ 14,439,940	\$ 502,347
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	11,973,229	17,978,549	1,508,160	31,459,938	1,587,230
Amortization	2,137,076	118,877	-	2,255,953	-
Changes in assets and liabilities:					
Receivables, net	(826,276)	(145,524)	(6,100)	(977,900)	169,164
Inventories	(31,073)	-	-	(31,073)	(60,439)
Accounts and other payables	(227,894)	(513,242)	15,751	(725,385)	(2,445,191)
Net cash provided by (used in) operating activities	<u>\$ 20,577,084</u>	<u>\$ 25,914,335</u>	<u>\$ (69,946)</u>	<u>\$ 46,421,473</u>	<u>\$ (246,889)</u>
Noncash transactions related to financing, capital and investing activities:					
Contributions of capital assets	\$ 10,779,105	\$ 9,941,356	\$ 22,366	\$ 20,742,827	\$ 170,463
Issuance of developer contracts	138,712	308,295	-	447,007	-
Unrealized loss on investments	(189,075)	(281,904)	-	(470,979)	-
Interest receivable	(25,878)	(72,829)	-	(98,707)	-

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

County of Chesterfield, Virginia
Statement of Fiduciary Net Position
June 30, 2017

	<u>Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 5,454,479	\$ 13,920,002
Accounts receivable	58,749	531,049
Due from other governments	-	25,741
Restricted assets:		
Cash and cash equivalents	-	7,067,237
Investments	-	18,330,256
Cash, cash equivalents, and investments with trustee	-	2,598,617
Due from other governments	-	2,511,659
Interest receivable	-	1,841
Total restricted assets	<u>-</u>	<u>30,509,610</u>
Investments:		
Mutual funds	2,902,813	-
Common and preferred stocks	12,951,489	-
Corporate bonds	4,181,480	-
U.S. government and agency securities	3,191,168	-
Exchange traded funds	5,509,712	-
Collateralized mortgage obligations	86,618	-
Fund of funds	4,317,089	-
Pooled funds	48,275,692	-
Total investments	<u>81,416,061</u>	<u>-</u>
Total assets	<u>86,929,289</u>	<u>\$ 44,986,402</u>
LIABILITIES		
Due to broker	2,964,891	-
Amounts held for others	-	44,986,402
Total liabilities	<u>2,964,891</u>	<u>\$ 44,986,402</u>
FIDUCIARY NET POSITION		
Restricted for pensions/other postemployment benefits	<u>\$ 83,964,398</u>	

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

County of Chesterfield, Virginia
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2017

	<u>Trust Funds</u>
Additions:	
Contributions - employer	\$ 20,921,924
Contributions - employee	8,424,226
Investment earnings:	
Interest and dividends	777,327
Net increase in the fair value of investments	<u>7,809,418</u>
Total investment income	8,586,745
Less investment expenses	<u>(243,019)</u>
Net investment income	<u>8,343,726</u>
Total additions, net	<u>37,689,876</u>
 Deductions:	
Benefit payments	26,526,164
Administrative expenses	<u>79,642</u>
Total deductions	<u>26,605,806</u>
Increase in net position restricted for pensions/other postemployment benefits	11,084,070
Fiduciary net position - July 1, 2016	<u>72,880,328</u>
Fiduciary net position - June 30, 2017	<u>\$ 83,964,398</u>

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

County of Chesterfield, Virginia
Statement of Net Position
Discretely Presented Component Units
June 30, 2017

	School Board	Non-major Component Units	Total Component Units
ASSETS			
Cash and cash equivalents	\$ 17,073,576	\$ 1,515,365	\$ 18,588,941
Investments	-	1,800,000	1,800,000
Receivables	7,033,689	29,135	7,062,824
Due from primary government	69,137,513	-	69,137,513
Inventories	308,182	-	308,182
Prepays	3,601,689	440	3,602,129
Capital assets, not being depreciated	389,835	-	389,835
Other capital assets, net of depreciation	37,279,309	-	37,279,309
Total assets	<u>134,823,793</u>	<u>3,344,940</u>	<u>138,168,733</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension contributions	43,358,398	-	43,358,398
Deferred pension investment experience	32,079,069	-	32,079,069
Deferred pension assumptions	7,952,787	-	7,952,787
Deferred pension proportionate share	4,890,000	-	4,890,000
Deferred pension difference in expected and actual experience	9,419,860	-	9,419,860
Total deferred outflows of resources	<u>97,700,114</u>	<u>-</u>	<u>97,700,114</u>
LIABILITIES			
Accounts payable and other liabilities	49,094,827	219,193	49,314,020
Unearned revenues	603,163	-	603,163
Non-current liabilities:			
Due within one year	7,711,380	3,202,636	10,914,016
Due in more than one year	646,051,088	16,916,124	662,967,212
Total liabilities	<u>703,460,458</u>	<u>20,337,953</u>	<u>723,798,411</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred pension assumptions	11,227,447	-	11,227,447
Deferred pension change in proportionate share	3,971,000	-	3,971,000
Deferred pension difference in expected and actual experience	17,709,750	-	17,709,750
Total deferred inflows of resources	<u>32,908,197</u>	<u>-</u>	<u>32,908,197</u>
NET POSITION			
Net investment in capital assets	29,095,443	-	29,095,443
Restricted for:			
Debt covenants	-	709,191	709,191
Grantor programs	49,049	-	49,049
Legislated programs	7,683,504	-	7,683,504
Total restricted	7,732,553	709,191	8,441,744
Unrestricted (deficit)	(540,672,744)	(17,702,204)	(558,374,948)
Total net position (deficit)	<u>\$ (503,844,748)</u>	<u>\$ (16,993,013)</u>	<u>\$ (520,837,761)</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, 2017

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>School Board</u>	<u>Non-major Component Units</u>	<u>Total Component Units</u>	
School Board	\$ 590,201,324	\$ 14,946,658	\$ 119,447,791	\$ (455,806,875)	\$ -	\$ (455,806,875)	
Non-major Component Units	1,004,062	-	-	-	(1,004,062)	(1,004,062)	
Total	<u>\$ 591,205,386</u>	<u>\$ 14,946,658</u>	<u>\$ 119,447,791</u>	<u>(455,806,875)</u>	<u>(1,004,062)</u>	<u>(456,810,937)</u>	
General revenues:							
Payment from County of Chesterfield				283,825,375	3,733,880	287,559,255	
Grants and contributions							
not restricted to specific programs				172,994,258	-	172,994,258	
Investment earnings				108,155	89,322	197,477	
Miscellaneous				1,988,805	-	1,988,805	
Total general revenues				<u>458,916,593</u>	<u>3,823,202</u>	<u>462,739,795</u>	
Change in net position (deficit)				3,109,718	2,819,140	5,928,858	
Total net position (deficit) - July 1, 2016				<u>(506,954,466)</u>	<u>(19,812,153)</u>	<u>(526,766,619)</u>	
Total net position (deficit) - June 30, 2017				<u>\$ (503,844,748)</u>	<u>\$ (16,993,013)</u>	<u>\$ (520,837,761)</u>	

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

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2017

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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

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

1. The Chesterfield County Public School System (School Board) is responsible for elementary and secondary education within the County's jurisdiction. The five members of the School Board are elected for a four-year term. The members of the current School Board were elected in November 2015. The School Board functions independently of the County Board and County Administration, but is fiscally dependent as it receives significant funding from the County. The nature and significance of the financial relationship between the County and the School Board is such that it would be misleading to exclude the School Board from the County's financial statements. The School Board does not prepare a separate financial report; therefore, the fund financial statements of the School Board are included in the supplementary information section.
2. The Watkins Centre Community Development Authority (Watkins Centre CDA) was created as a political subdivision of the Commonwealth by the County, pursuant to Sections 15.2-5152 of the Code of Virginia. The Watkins Centre CDA was created for the purpose of financing a portion of the transportation infrastructure improvements within the Watkins Centre District (District), a site located in the northwest quadrant at the intersection of State Route 288 and State Route 60 within the County. The District is part of a mixed-use development that includes retail and commercial components. The County Board appoints the five members of the Watkins Centre CDA board and has pledged a tax increment of certain real property and sales taxes collected within the District as a revenue source for retiring debt issued by the Watkins Centre CDA. The County's obligation is limited to the amount of tax increments collected as well as to any special assessments collected on the Watkins Centre CDA's behalf. Complete

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2017

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

3. The Chippenham Place Community Development Authority (Chippenham Place CDA) was created as a political subdivision of the Commonwealth by the County, pursuant to Sections 15.2-5152 of the Code of Virginia. The Chippenham Place CDA was created to fund public infrastructure improvements at the former Cloverleaf Mall site (Stonebridge) owned by the County. The improvements are part of a mixed-use development project that will provide residential, retail and commercial office components. The County Board appoints the five members of the Chippenham Place CDA board and has pledged a tax increment of certain real property and sales taxes collected within the Chippenham Place CDA district as a revenue source for retiring debt issued by the Chippenham Place CDA. The County's obligation is limited to the amount of tax increments collected as well as to any special assessments collected on the Chippenham Place CDA's behalf. Complete financial statements for the Chippenham Place CDA may be obtained by contacting the Chesterfield County Accounting Department, 9901 Lori Road, P.O. Box 40, Chesterfield, Virginia 23832.

B. Government-wide and Fund Financial Statements

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

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

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

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

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Unearned revenues are a liability that represents amounts received where the exchange transaction has not been completed. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2017

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

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when susceptible to accrual, i.e., both measurable and available. Generally, revenues are considered available only if the monies are received within 45 days after the end of the accounting period and are due on or before the last day of the accounting period. Unavailable revenues are resource inflows that represent amounts earned, but which are not available to liquidate liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on general long-term debt, which is recorded when paid.

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

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

The County reports the following major governmental funds:

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

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

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

The non-major governmental funds of the County are:

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

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

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

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. In fiscal year 2017, the T. F. Jeffress Memorial Fund was liquidated and all assets were transferred to Cape Baker.

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2017

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

Enterprise Funds:

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

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

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

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

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

Additionally, the County reports the following fund category:

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements except for program-related services such as water and wastewater usage, inspections and permit issuances. Elimination of these program-related services would distort the direct costs and program revenues reported. Income and losses of internal service funds are allocated to governmental activities.

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

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

The connection fee charged to connect to the County's water and wastewater system consists of a capital recovery charge and a meter installation charge. The capital recovery charge will be used to finance future capital improvements, whereas the meter installation charge recovers the cost of the meter and its installation. In accordance with industry practice, capital recovery charges of \$10,209,660 and \$9,035,464 in fiscal year 2017 have been recorded as capital contributions in the Water and Wastewater

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2017

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

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

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity

1. Cash and Cash Equivalents

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

2. Investment Policy

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

3. Allowances for Uncollectibles

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

4. Inventories

Inventories are valued at the lower of cost (first-in, first-out) or market for the Enterprise and Internal Service Funds of the primary government. In the School Board, textbook and furniture inventories are valued at the lower of cost (moving average) or market and are considered expended when used (consumption method). School Board instructional and custodial supplies inventories held for use are recorded as expenditures when acquired (purchases method).

5. Restricted Assets - Enterprise Funds

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

6. Capacity Rights - Enterprise Funds

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

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2017

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

7. Capital Assets

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

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

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

Buildings	20-60 years
Improvements other than buildings	8-25 years
Machinery and equipment:	
Transmission lines and mains	35-50 years
Other	3-20 years
Infrastructure:	
Drainage systems	25-100 years

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

Interest costs of \$229,399 in the business-type activities of the primary government were capitalized during fiscal year 2017.

8. Deferred Outflows/Inflows of Resources

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

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2017

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

9. Compensated Absences

County and School Board employees are granted vacation pay, based on length of service, in varying amounts, as the services are provided. School Board employees are also granted personal leave. Employees may accumulate unused vacation and/or personal leave earned, subject to certain limitations. Upon retirement, termination or death, employees may be compensated for certain amounts at their current rates of pay. Employees may accumulate an unlimited amount of earned but unused sick leave benefit, which is forfeited upon separation from service, except when separation is caused by retirement. Upon retirement, County employees enrolled in the traditional leave plan who retire with five or more years of full-time service and who are eligible for Virginia Retirement System (VRS) benefits upon retirement, will receive cash compensation for any unused sick leave balance at a rate of \$2 per hour. Upon retirement, County employees enrolled in the paid time off (PTO) plan who retire with five or more years of full-time service and who are eligible for VRS benefits upon retirement, will receive cash compensation for any unused sick leave reserve balance at a rate of \$4 per hour.

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

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

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

10. Retirement Plans

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

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2017

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

Other postemployment benefits plan contributions are actuarially determined for the retiree healthcare and line of duty plans. The County and School Board component unit's policies are to pay premiums and make contributions to irrevocable trusts that, in total, are at least equal to actuarially determined contributions for the retiree healthcare plans. The County's policy is to pay premiums and make contributions to an irrevocable trust that, in total, are at least equal to actuarially determined contributions for the line of duty plan.

12. Long-term Obligations

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

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Payments to an escrow agent to defease debt is reported as other financing uses while issuance costs and repayments of principal and interest are reported as debt service expenditures. Matured principal and interest payments are reported when due.

13. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenditures/expenses and disclosure of contingent assets and liabilities for the reported periods. Actual results could differ from those estimates.

E. New Accounting Pronouncements

In fiscal year 2017, the County implemented GASB Statement No. 74 (GASB 74), "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" and GASB Statement No. 77 (GASB 77), "Tax Abatement Disclosures". GASB 74 replaces GASB Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans".

GASB 74 provides the requirements for plan accounting and reporting for other postemployment benefit (OPEB) plans. GASB 74 also requires additional disclosures and new supplementary schedules for changes, in and components, of the net OPEB liabilities.

GASB 77 establishes accounting and financial reporting standards for tax abatements to provide financial statement users with enhanced transparency on transactions resulting in foregone tax revenue by the County in an effort to incentivize economic development or otherwise benefit the County and its citizens.

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2017

2. Stewardship, Compliance, and Accountability

A. Budgetary Accounting

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

- ◆ Prior to budget submission, department directors develop departmental performance plans, which include items such as objectives, performance measures, initiatives and work plans for the coming year.
- ◆ In early fall, the School Board and County departments receive an expenditure target. Budgets are prepared with work plans consistent with the resources available.
- ◆ Departments submit budgets and work plans to the County Administrator for review in December and January. The County Administrator's recommended budget is prepared by early March. During this time, work sessions are held with the County Board to inform them on details of the budget.
- ◆ No later than March 1, the School Board submits its approved budget to the County Administrator.
- ◆ Prior to March 15, the County Administrator submits to the County Board a proposed operating budget for the County and School Board for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the revenues for financing them.
- ◆ A public hearing is conducted in March to obtain taxpayer comments on the proposed budget. Constituent meetings are also held around the County to provide information to citizens and to receive community input on the County Administrator's proposed budget.
- ◆ Prior to May 1, the County Board adopts the budget by resolution and funds are appropriated July 1 generally at the function level for the General Fund, at the fund level for the Children's Services Fund, and at the major expenditure category for the School Operating Fund of the School Board component unit, through passage of an appropriation resolution. The resolution establishes the levels of control at which expenditures may not legally exceed appropriation. The expenditure categories for the School Operating Fund are: instruction, administration, pupil transportation, operations and maintenance, technology, food service and debt service.
- ◆ Appropriations for the General Fund, School Operating Fund, Internal Service Funds, and Enterprise Funds lapse at fiscal year end. Appropriations for Capital Project funds and Grant funds are continued until the completion of the applicable project or grant, even when the project or grant extends beyond the end of the fiscal year.
- ◆ Formal budgetary integration is employed as a management control device during the year for all funds. Budgets are legally adopted annually for the County's General Fund, the Children's Services Fund and the School Operating Fund. The appropriations resolution specifies that Trust and Agency disbursements must be for the purpose for which the fund was established.
- ◆ A budget is adopted for each grant or project in the Grants Fund or the County Capital Projects Fund when funds become available. In the School Capital Projects Fund, projects are appropriated as funds become available on a fiscal year basis. 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

County of Chesterfield, Virginia
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Grants Fund and County Capital Projects Fund and at the total appropriation level in the School Capital Projects Fund.

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

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B. Fund balances

1. Primary Government

The County Board has adopted policies that provide a framework for the County's overall fiscal planning and management. The County's unassigned General Fund balance has been built over the years to provide the County with sufficient working capital to finance unforeseen emergencies without borrowing. The County is dedicated to maintaining a diversified and stable revenue system to shelter the government from fluctuations in any single revenue source and to ensure its ability to provide ongoing services. The County's policy is to fund current expenditures with current revenues. If it becomes necessary to fund current expenditures with fund balance and the County Board has not specified use of committed or unassigned resources, assigned fund balance is used when available within the same spending category.

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

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

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

Committed fund balance - The County's committed fund balance requires expressed formal action of the County Board by a resolution that identifies the specific circumstances under which resources can be expended. The County Board may modify the specified use of its commitments by resolution.

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

Unassigned fund balance - Unassigned fund balance is the residual classification of fund balance. Only the General Fund can report a positive unassigned fund balance. The County Board has established a minimum fund balance policy, which is the ratio of unassigned General Fund balance to General Fund expenditures. The County's minimum unassigned fund balance target is 8.0% with a floor of 6.0% for fiscal year 2017.

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The County had the following classifications of fund balances at June 30, 2017:

	General Fund	County Capital Projects Fund	School Capital Projects Fund	Other Governmental Funds	Totals
Restricted for:					
General government	\$ 209,702	\$ 736,509	\$ -	\$ -	\$ 946,211
Public, education and government access	4,656,783	-	-	-	4,656,783
Administration of justice	158,472	-	-	-	158,472
Public safety	60,508	31,503,565	-	761,433	32,325,506
Law enforcement	1,504,827	-	-	-	1,504,827
Public works	846,274	36,743,189	-	-	37,589,463
Stormwater management facility	1,205,931	-	-	-	1,205,931
Health and welfare	22,417	-	-	695,934	718,351
Mental health support services	1,168,921	-	-	-	1,168,921
Social services	33,038	-	-	-	33,038
Parks, recreation and cultural	35,461	8,525,236	-	195,861	8,756,558
Education - School Board	-	-	115,001,784	-	115,001,784
Economic development	1,399,835	6,929,459	-	88,143	8,417,437
Tax increment financing and special assessment	6,410,230	-	-	-	6,410,230
Debt service	456,291	3,625,261	577,649	-	4,659,201
Total restricted	<u>18,168,690</u>	<u>88,063,219</u>	<u>115,579,433</u>	<u>1,741,371</u>	<u>223,552,713</u>
Committed to:					
Community contracts	12,122	-	-	-	12,122
District improvement funds	220,185	-	-	-	220,185
Economic development	53,227	-	-	-	53,227
Public works	1,182,597	-	-	-	1,182,597
Total committed	<u>1,468,131</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,468,131</u>
Assigned to:					
General government	535,991	-	-	-	535,991
Personal property tax relief	2,300,000	-	-	-	2,300,000
Telecommunications	937,830	-	-	-	937,830
Workers compensation	2,400,000	-	-	-	2,400,000
Administration of justice	18,886	-	-	-	18,886
Public safety	1,122,199	-	-	7,031,368	8,153,567
Fire apparatus	1,183,430	-	-	-	1,183,430
Local match for grants	1,062,679	-	-	-	1,062,679
Police vehicles	1,914,556	-	-	-	1,914,556
Public works	228,006	-	-	-	228,006
Road construction	11,119,431	-	-	-	11,119,431
Motor vehicle registration fees for transportation	661,818	-	-	-	661,818
Health and welfare	131,814	-	-	1,642,268	1,774,082
Parks, recreation and cultural	496,193	-	-	-	496,193
Economic development	5,954,726	-	-	-	5,954,726
Airport	736,175	-	-	-	736,175
Construction	86,110,190	-	-	-	86,110,190
Debt service	5,992,638	-	-	-	5,992,638
Chesapeake Bay Watershed/TMDL	6,422,902	-	-	2,140,001	8,562,903
Fiscal year 2018 adopted budget	15,054,600	-	-	-	15,054,600
Future capital projects	7,498,766	-	-	-	7,498,766
Future revenue shortfall - County	84,942,206	-	-	-	84,942,206
Future revenue shortfall - Schools	25,759,799	-	-	-	25,759,799
Education - School Board	974,830	-	-	-	974,830
Total assigned	<u>263,559,665</u>	<u>-</u>	<u>-</u>	<u>10,813,637</u>	<u>274,373,302</u>
Unassigned	<u>60,004,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,004,400</u>
Total fund balances	<u>\$ 343,200,886</u>	<u>\$ 88,063,219</u>	<u>\$ 115,579,433</u>	<u>\$ 12,555,008</u>	<u>\$ 559,398,546</u>

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2. Component Unit - School Board

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

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

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

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

Committed fund balance - Committed fund balance requires expressed formal action of the School Board and then by the County Board by a resolution that identifies the specific circumstances under which resources can be expended. Only the School Board can modify the specified use of commitments with County approval by resolution. At June 30, 2017, 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, 2017, the School Board had no unassigned fund balance.

The School Board had the following classifications of fund balances at June 30, 2017:

<u>School Operating Fund</u>	
Nonspendable:	
Inventories	\$ 308,182
Restricted for:	
Instruction	49,049
Food service	7,683,504
Total restricted	<u>7,732,553</u>
Assigned to:	
Instruction	7,061,741
Administration, attendance and health	786,994
Transportation	2,082,052
Operations and maintenance	17,362,770
Technology	426,239
Food service	5,846,897
Future capital projects	108,900
Workers' compensation	2,200,000
Total assigned	<u>35,875,593</u>
Total fund balances	<u>\$ 43,916,328</u>

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C. Deficit net position

The Healthcare Fund, an internal service fund, had a deficit total net position of \$5,981,756 at June 30, 2017. The Healthcare Fund is funded with a combination of employer and employee contributions using Board approved rates which are sufficient to provide the cash flow required to pay medical claims and administrative fees as they become due. Over time, positive claims experience is expected to fully fund claims incurred but not reported (IBNR) at fiscal year end. At June 30, 2017, IBNR was approximately 22% funded after the third full year of operation of the fund.

The Capital Projects Management Fund, an internal service fund, had a deficit total net position of \$205,932 at June 30, 2017. Net pension liabilities and the related deferred inflows and deferred outflows of resources will be funded on a prospective basis as these amounts become due.

3. Significant Transactions of the County and Component Units

A. School Board

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

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

B. Economic Development Authority

On October 18, 2004, the EDA sold its Taxable Redevelopment Facility Note, Series 2004 (the Note), on behalf of the County in an amount not to exceed \$10,000,000 to acquire the former Cloverleaf Mall property ("Mall Property") for redevelopment by the County. On August 1, 2008, the principal amount of the Note was increased by \$7,371,199 for the purchase of the ground lease interest in the Mall Property.

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On July 25, 2013, the principal amount of the Note was decreased by \$3,453,705 due to the sale of a portion of the redevelopment asset. On December 19, 2014, the principal amount of the Note was decreased by \$5,657,548 and Taxable Redevelopment Facility Note, Series 2014A for \$7,484,947 was issued to refinance the 2004 Note. As of June 30, 2017, \$7,158,057 was outstanding on the Series 2014A Note. The County recorded interest expense related to the Note in the amount of \$266,481 during fiscal year 2017 and \$65,317 in accrued interest.

On January 27, 2005, the EDA issued Variable Rate Revenue Bonds, Series 2005A, and Variable Rate Revenue Bonds, Taxable Series 2005B, in the amounts of \$6,490,000 and \$11,630,000, respectively. As of June 30, 2017, \$7,815,000 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 \$920,000 for principal and \$67,826 for interest during fiscal year 2017. In connection with issuing the revenue bonds, the EDA entered into a standby bond purchase agreement with a liquidity facility to purchase, from time to time, an aggregate principal amount of bonds and related interest. Due to the terms of the standby bond purchase agreement, which matures on July 1, 2019, principal payments due after fiscal year 2017 are classified as non-current liabilities due in more than one year.

On October 14, 2010, the EDA issued \$8,345,000 in Taxable Recovery Zone Economic Development Bonds, Series 2010B, to finance a portion of the costs of the acquisition of real property for an interchange with Interstate I-295 and the construction of such interchange connecting Meadowville Technology Park with Interstate I-295. The Series 2010B Bonds were issued as Taxable Recovery Zone Economic Development Bonds under Section 1400U-2 of the Internal Revenue Code of 1986, which was added by the provisions of the American Recovery and Reinvestment Act of 2009 ("ARRA"). Pursuant to ARRA, the EDA qualifies to receive a cash subsidy payment from the U. S. Treasury equal to 45% of the interest payable on the Series 2010B Bonds on each interest payment date. The cash payment does not constitute a guarantee by the U. S. Treasury or a pledge of the faith and credit of the U. S., but is required to be paid by the U. S. Treasury under ARRA. Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, the subsidy is subject to a 6.9% reduction. The County made support payments of \$420,000 for principal and \$146,152 for interest during the fiscal year. As of June 30, 2017, \$5,405,000 remained outstanding on the Series 2010B Bonds.

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

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4. Deposits and Investments

A. Primary Government:

As of June 30, 2017, the carrying value of the County's deposits and investments, other than that of the Trust Funds, with their respective credit ratings, was as follows:

<u>Asset Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Demand deposits	\$ 360,777,138	N/A
LGIP	138,153,436	AAAm
SNAP	170,082,809	AAAm
Federal Home Loan Bank	146,125,879	AA+
Federal Home Loan Mortgage Corporation	130,765,016	AA+
Federal Farm Credit Bank	16,799,531	AA+
Total deposits and investments	<u>\$ 962,703,809</u>	

Credit Risk:

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

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

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

To ensure compliance with the restrictions and requirements created by the Federal Tax Reform Act of 1986 for general obligation tax-exempt bonds issued, the bond proceeds are invested with SNAP. SNAP was originally established as a professionally managed money market/mutual fund program to provide local governments with a method of pooling general obligation and note proceeds for temporary investment. SNAP assists issuing officials in complying with the arbitrage rebate requirements of the Internal Revenue Code of 1986 and the pool invests only in those investments permitted by Virginia statutes. On October 27, 2016, the SNAP Fund was established as a local government investment pool that is not registered as an investment company with the Securities Exchange Commission. The Snap Fund values portfolio securities by the amortized cost method in accordance with GAAP and periodically monitors the relationship between the amortized cost value per share and the net asset value (NAV) per share based upon available indications of market value and takes corrective action, if required, to minimize any material dilution or other

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unfair results which might arise from differences between amortized cost and NAV value. The fair value of the County's position in the pool is the same as the value of the pool shares.

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

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

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

Custodial Credit Risk:

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the depositor will not be able to recover the value of its investments or collateral securities that are in the possession of outside party. As of June 30, 2017, \$4,446,479 of the \$360,777,138 in demand deposits was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$1,847,862
Uninsured and partially collateralized with securities held by the pledging financial institution but not in the government's name	<u>2,598,617</u>
Total	<u>\$4,446,479</u>

Concentration of Credit Risk:

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

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

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As of June 30, 2017, 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	49.8%
Federal Home Loan Mortgage Corporation	44.5%
Federal Farm Credit Bank	5.7%

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, 2017, the County had the following pooled deposits and investments:

<u>Asset Type</u>	<u>Fair Value</u>	<u>Investment Maturity</u>	
		<u>0 - 1 Year</u>	<u>1 - 2 Years</u>
LGIP	\$ 138,153,436	\$ 138,153,436	\$ -
SNAP	170,082,809	170,082,809	-
Federal Home Loan Bank	146,125,879	113,566,648 (a)	32,559,231 (b)
Federal Home Loan Mortgage Corporation	130,765,016	55,286,307 (c)	75,478,709 (d)
Federal Farm Credit Bank	16,799,531	16,799,531 (e)	-
Total	<u>\$ 601,926,671</u>	<u>\$ 493,888,731</u>	<u>\$ 108,037,940</u>

(a) A portion of these bonds have call dates ranging from July 1, 2017 to September 29, 2017.

(b) A portion of these bonds have call dates ranging from July 1, 2017 to September 28, 2017.

(c) A portion of these bonds have call dates ranging from July 27, 2017 to September 29, 2017.

(d) A portion of these bonds have call dates ranging from July 25, 2017 to October 26, 2017.

(e) A bond has a call date July 1, 2017.

Fair Value Hierarchy:

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

Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices (Level 2 inputs). The County's portfolio has the following recurring fair value measurements for debt securities as of June 30, 2017:

<u>Investments by fair value - Level 2</u>	<u>Fair Value</u>
Federal Home Loan Bank	\$ 146,125,879
Federal Home Loan Mortgage Corporation	130,765,016
Federal Farm Credit Bank	16,799,531
Total investments by fair value - Level 2	<u>\$ 293,690,426</u>

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Chesterfield County Supplemental Retirement Plan:

As of June 30, 2017, the carrying value of the County Supplemental Retirement Plan Pension Trust Fund's (Plan) deposits and investments, with their respective credit ratings, was as follows:

<u>Asset Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Demand deposits	\$ 2,495,150	N/A
Mutual funds	2,902,813	N/A
Common and preferred stocks	12,951,489	N/A
Corporate bonds	4,181,480	N/A
Funds of funds	4,317,089	N/A
Exchange traded funds	5,509,712	N/A
Collateralized mortgage backed securities	86,618	N/A
U. S. Treasuries	1,290,502	AA+
Federal National Mortgage Association Pool	973,699	Not Rated
Federal Home Loan Mortgage Corporation Pool	831,063	Not Rated
Government National Mortgage Association Pool	95,904	Not Rated
Total deposits and investments	<u>\$35,635,519</u>	

The Plan's investments includes funds of funds, which are investment funds that use an investment strategy of holding a portfolio of other investment funds rather than investing directly in shares, bonds or other securities, resulting in greater portfolio diversification. At June 30, 2017, the underlying investments in the Plan's funds of funds consisted primarily of equities and fixed income securities.

Credit Risk:

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

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

Custodial Credit Risk:

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of outside party. Of the Plan's \$2,495,150 of demand deposits, \$2,245,150 is invested in money market funds that are uninsured and uncollateralized.

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Concentration of Credit Risk:

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

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

As defined by GAAP, there were no investments in any one issuer that represented 5% or more of total investments as of June 30, 2017.

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, 2017, the Plan had investments of \$86,618 (0.2% of total portfolio excluding demand deposits) in collateralized mortgage backed securities. These securities are based on cash flows from interest and principal payments on underlying mortgages of commercial income producing properties and therefore are sensitive to interest rate changes.

As of June 30, 2017, the Plan had the following investments and maturities:

Asset Type	Fair Value	Investment Maturity		
		0 - 5 Years	5 - 10 Years	10 - 30 Years
Corporate bonds and collateralized mortgage securities	\$ 4,268,098	\$ 2,518,670	\$ 935,174	\$ 814,254
U. S. Treasuries	1,290,502	139,633	605,530	545,339
Federal National Mortgage Association Pool	973,699	313,053	660,646	-
Federal Home Loan Mortgage Corporation Pool	831,063	558,872	272,191	-
Government National Mortgage Association Pool	95,904	39,906	55,998	-
Total	<u>\$ 7,459,266</u>	<u>\$ 3,570,134</u>	<u>\$ 2,529,539</u>	<u>\$ 1,359,593</u>

Fair Value Hierarchy:

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

County of Chesterfield, Virginia
Notes to Financial Statements
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The County's portfolio has the following recurring fair value measurements as of June 30, 2017:

		Fair Value Measurements Using	
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
<u>Investments by fair value level</u>			
Debt securities:			
U. S. Treasury securities	\$ 1,290,502	\$ -	\$ 1,290,502
U. S. Agency and sponsored enterprises	1,900,666	-	1,900,666
Exchange traded note	27,913	27,913	-
Collateralized mortgage-backed securities	86,618	-	86,618
Corporate bonds	4,181,480	-	4,181,480
Total debt securities	7,487,179	27,913	7,459,266
Equity securities:			
Common and preferred stocks	12,923,576	12,923,576	-
Exchange traded funds	5,509,712	5,509,712	-
Mutual funds	2,902,813	2,902,813	-
Total equity securities	21,336,101	21,336,101	-
Total investments by fair value level	28,823,280	\$ 21,364,014	\$ 7,459,266
<u>Investments measured at the net asset value (NAV)</u>			
Multi-strategy alternative funds	4,317,089		
Total investments measured at fair value	\$ 33,140,369		

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Investments measured at the NAV				
(1) Multi-strategy alternative fund	\$ 200,250	None	Quarterly	100 days
(2) Multi-strategy alternative fund	1,718,867	None	Semi-annual	95 days
(3) Multi-strategy alternative fund	2,397,972	None	Quarterly	65 days
Total investments measured at fair value	\$ 4,317,089			

(1) *Multi-strategy alternative fund.* This investment is a multi-strategy fund designed to provide investors with exposure to a well-diversified private markets portfolio across strategy, investment type and vintage year. The fair value of this investment has been determined using the NAV per share (or its equivalent) of the investments.

(2) *Multi-strategy alternative fund.* This investment's objective is capital appreciation with limited variability of returns. This includes relative value strategies that attempt to capture pricing anomalies between assets that for all economic purposes are identical; market neutral and low net equity strategies that involve the purchase of a stock or basket of stocks that is relatively underpriced as well as selling short a stock or basket of stocks that is relatively overpriced; and event driven strategies that involve the assessment of how, when and if specific transactions will be completed and the effect on corporations and financial assets. A common event driven

County of Chesterfield, Virginia
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strategy is merger arbitrage. The fair value of this investment has been determined using the NAV per share (or its equivalent) of the investments.

- (3) *Multi-strategy alternative fund.* This investment's objective is capital appreciation. The fund seeks to realize attractive risk-adjusted returns, net of fees and expenses, over a three- to five-year investment horizon. To achieve this objective, the fund seeks to allocate assets across a diverse set of fund strategies to create portfolios with stable risk, return and correlation characteristics over the long term. Investment strategies include directional equity funds that take long and short stock positions; directional macro strategies that require well developed risk management procedures due to the frequent employment of leverage; event driven strategies that involve investing in opportunities created by significant transactional events such as spin-offs, mergers and acquisition, bankruptcies, recapitalizations and share buybacks; and relative value strategies that seek to take advantage of specific pricing anomalies, while also seeking to maintain minimal exposure to systemic market risk. The fair value of this investment has been determined using the NAV per share (or its equivalent) of the investments.

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

As of June 30, 2017, the carrying value of the County Retiree Healthcare OPEB Fund's deposits and investments held by the Trust and their respective credit rating was as follows:

<u>Asset Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Cash	\$ 500,000	
Investment in pooled funds	26,597,036	N/A
Total	<u>\$27,097,036</u>	

As of June 30, 2017, the carrying value of the School Board Retiree Healthcare OPEB Fund's deposits and investments held by the Trust and their respective credit rating was as follows:

<u>Asset Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Cash	\$ 1,868,329	
Investment in pooled funds	14,260,760	N/A
Total	<u>\$16,129,089</u>	

As of June 30, 2017, the carrying value of the County Line of Duty OPEB Fund's deposits and investments held by the Trust and their respective credit rating was as follows:

<u>Asset Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Cash	\$ 591,000	
Investment in pooled funds	7,417,896	N/A
Total	<u>\$8,008,896</u>	

As of June 30, 2017, excluding the pooled funds, there were no other investments. Accordingly, there is no credit risk, concentration of credit risk or interest rate risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Trust will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The entire balance of the pooled funds in the County and School Board Retiree Healthcare OPEB Funds and the County Line of Duty OPEB Fund are uninsured and uncollateralized.

The Trust categorizes its investments within the fair value hierarchy established by GAAP. A government is permitted in certain circumstances to establish the fair value of an investment that does not have a readily determinable fair value by using the NAV per share (or its equivalent) of the investment. Investments in the Trust are valued using the NAV per share which is determined by dividing the total value of the Trust by the number of outstanding shares. The NAV per share changes with the value of the underlying investments in the Trust. Generally, participants may redeem their investment at the end of a

County of Chesterfield, Virginia
Notes to Financial Statements
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calendar quarter upon 90 days' written notice. The Trust currently invests in the following assets classes and strategies:

Investment Policy and Long-term Rates of Return

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

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

County of Chesterfield, Virginia
Notes to Financial Statements
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B. Component Unit - School Board:

As of June 30, 2017, 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	\$23,279,990	N/A

School Board deposits are invested in accordance with the County's investment policy. As of June 30, 2017, 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, 2017, 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	\$ 4,833,701	N/A
Mutual funds - equity	4,554,435	Not Rated
Mutual funds - fixed income	4,289,247	Not Rated
Exchange traded funds	10,596,515	Not Rated
Total deposits and investments	<u>\$ 24,273,898</u>	

Credit Risk:

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

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

Commercial paper	35% maximum
Corporate bonds	35% maximum

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

Custodial Credit Risk:

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Program will not be able to recover the value of its investments or collateral securities that are in the possession of outside party. The entire amount of the Program's \$4,833,701 of demand deposits is invested in a money market fund that is uninsured and uncollateralized.

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2017

Concentration of Credit Risk:

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

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

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

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

As of June 30, 2017, excluding mutual funds and exchange traded funds, the Program had no investments and, therefore, accordingly had no concentration of credit risk.

Interest Rate Risk:

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

As of June 30, 2017, excluding mutual funds and exchange traded funds, the Program had no investments and, therefore, accordingly had no interest rate risk.

Fair Value Hierarchy:

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

The Program has the following recurring fair value measurements using quoted market prices (Level 1 inputs) as of June 30, 2017:

Investments by fair value - Level 1	Fair Value
Mutual funds - equity	\$ 4,554,435
Mutual funds - fixed income	4,289,247
Exchange traded funds	10,596,515
Total investments by fair value	<u>\$ 19,440,197</u>

County of Chesterfield, Virginia
Notes to Financial Statements
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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, 2017, are levied for fiscal year 2017 and, when unavailable in the current period, are reported as deferred inflows of resources. Installments due on December 5, 2017, are levied for fiscal year 2018 and, therefore, are unearned and reported as deferred inflows of resources.

Personal property taxes, which do not create a lien on property, are due on June 5th and levied for fiscal year 2017 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, 2017. 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, 2017

B. Receivables

Receivables at June 30, 2017, were as follows:

Governmental Activities	General Fund	County Capital Projects Fund	School Capital Projects Fund	Other Governmental Funds	Internal Service Funds	Total
Taxes	\$ 195,258,300	\$ -	\$ -	\$ -	\$ -	\$ 195,258,300
Accounts	17,753,292	64,083	25,632	12,525,215	91,429	30,459,651
Interest	136,881	11,367	-	-	-	148,248
Special assessments	1,862,490	-	-	-	-	1,862,490
Commonwealth of Virginia	54,488,294	2,201,421	-	1,726,189	-	58,415,904
Federal government	32,907	-	-	1,148,980	-	1,181,887
Gross receivables	269,532,164	2,276,871	25,632	15,400,384	91,429	287,326,480
Less: Allowance for uncollectibles	(7,384,903)	-	-	(10,816,595)	-	(18,201,498)
Net receivables	<u>\$ 262,147,261</u>	<u>\$ 2,276,871</u>	<u>\$ 25,632</u>	<u>\$ 4,583,789</u>	<u>\$ 91,429</u>	<u>\$ 269,124,982</u>

Business-type Activities

	Water Fund	Wastewater Fund	Non-major Enterprise Funds	Total
Accounts	\$ 8,635,579	\$ 8,120,871	\$ 43,357	\$ 16,799,807
Interest	91,272	326,484	-	417,756
Special assessments	89,007	241,299	-	330,306
Commonwealth of Virginia	-	-	4,824	4,824
Federal government	-	-	25,351	25,351
Gross receivables	8,815,858	8,688,654	73,532	17,578,044
Less: Allowance for uncollectibles	(418,801)	(381,945)	-	(800,746)
Net receivables	<u>\$ 8,397,057</u>	<u>\$ 8,306,709</u>	<u>\$ 73,532</u>	<u>\$ 16,777,298</u>

Component Unit

	School Board
Accounts	\$ 938,852
Commonwealth of Virginia	221,432
Federal government	5,873,405
Gross receivables	<u>\$ 7,033,689</u>

Special assessments of \$78,450 and \$214,757, 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
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6. Payables

Payables at June 30, 2017, were as follows:

Governmental Activities

	General Fund	County Capital Projects Fund	School Capital Projects Fund	Other Governmental Funds	Internal Service Funds	Total
Vendors	\$ 8,738,326	\$ 4,632,947	\$ 5,092,873	\$ 2,952,231	\$ 1,093,065	\$ 22,509,442
Wages and benefits	12,966,594	15,503	-	289,791	439,959	13,711,847
Retainages	-	1,018,646	790,844	11,026	-	1,820,516
Deposits	198,891	1,823,829	-	-	-	2,022,720
Total	<u>\$ 21,903,811</u>	<u>\$ 7,490,925</u>	<u>\$ 5,883,717</u>	<u>\$ 3,253,048</u>	<u>\$ 1,533,024</u>	<u>40,064,525</u>
					Accrued interest	<u>7,978,192</u>
					Total per government-wide	<u>\$ 48,042,717</u>

Business-type Activities

	Water Fund	Wastewater Fund	Non-major Enterprise Funds	Total
Vendors	\$ 3,271,460	\$ 1,313,320	\$ 71,766	\$ 4,656,546
Wages and benefits	575,314	480,375	13,089	1,068,778
Accrued interest	-	-	5,426	5,426
Retainages	141,889	54,466	79,163	275,518
Other	655,812	13,298	72,349	741,459
Total	<u>\$ 4,644,475</u>	<u>\$ 1,861,459</u>	<u>\$ 241,793</u>	<u>\$ 6,747,727</u>

Component Unit

	School Board
Vendors	\$ 7,347,637
Wages and benefits	41,681,997
Retainages	3,835
Accrued interest	61,358
Total	<u>\$ 49,094,827</u>

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

Internal receivable and payable balances at June 30, 2017, were as follows:

Fund	Internal Receivables	Internal Payables
Internal Receivables/Payables Other Funds		
Governmental Activities:		
General Fund	\$ -	\$ 12,130
County Capital Projects Fund	6,414,891	-
Business-type Activities:		
Water Fund	14,066	-
Wastewater Fund	-	14,066
Non-major Economic Development Authority	12,130	6,414,891
Total primary government	<u>\$ 6,441,087</u>	<u>\$ 6,441,087</u>
Receivables/Payables Primary Government and Component Units		
Primary Government:		
General Fund	\$ -	\$ 69,137,513
Discretely Presented Component Units:		
School Board	69,137,513	-
Total	<u>\$ 69,137,513</u>	<u>\$ 69,137,513</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
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Transfers are used (1) to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) to use revenues collected in the General Fund to finance various grants, projects or programs accounted for in other funds in accordance with budgetary authorization and (3) to provide funding for capital expenditures or budgeted subsidies for operations. Interfund transfers in the fund financial statements during fiscal year 2017 were as follows:

Transfers In:

Governmental Funds

General Fund from:

Grants Fund	\$ 1,369,937	
Water Fund	3,700	
Wastewater Fund	2,500	
Vehicle and Communications Maintenance Fund	<u>14,100</u>	\$ 1,390,237

County Capital Projects Fund from:

General Fund	17,614,734	
Water Fund	<u>50,260</u>	17,664,994

School Capital Projects Fund from:

County Capital Projects Fund	5,717,443	
General Fund	<u>25,170</u>	5,742,613

Grants Fund from:

General Fund		1,114,738
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Stormwater Fund from:

General Fund		470,978
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Children's Services Fund from:

General Fund		2,491,300
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Proprietary Funds

Capital Projects Management Fund from:

General Fund		357,000
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Healthcare Fund from:

General Fund		4,500,000
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Economic Development Authority from:

General Fund		160,986
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Airport Fund from:

General Fund		<u>644,787</u>
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Total transfers in		<u><u>\$ 34,537,633</u></u>
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County of Chesterfield, Virginia
Notes to Financial Statements
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Transfers Out:

Governmental Funds

General Fund to:

County Capital Projects Fund	\$ 17,614,734	
School Capital Projects Fund	25,170	
Grants Fund	1,114,738	
Children's Services Fund	2,491,300	
Stormwater Fund	470,978	
Capital Projects Management Fund	357,000	
Healthcare Fund	4,500,000	
Economic Development Authority	160,986	
Airport Fund	<u>644,787</u>	\$ 27,379,693

County Capital Projects Fund to:

School Capital Projects Fund	5,717,443
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Grants Fund to

General Fund	1,369,937
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Proprietary Funds

Vehicle and Communications Maintenance Fund to:

General Fund	14,100
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Water Fund to:

General Fund	3,700	
County Capital Projects Fund	<u>50,260</u>	53,960

Wastewater Fund to:

General Fund	<u>2,500</u>
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Total transfers out	<u>\$ 34,537,633</u>
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County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2017

8. Capital and Intangible Assets

A. Governmental Activities

Capital asset activity for the year ended June 30, 2017, was as follows:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2017</u>
Capital assets, not being depreciated:				
Land	\$ 72,981,407	\$ 9,321,680	\$ 784,042	\$ 81,519,045
Construction in progress	<u>31,738,462</u>	<u>50,498,612</u>	<u>40,117,077</u>	<u>42,119,997</u>
Total assets, not being depreciated	<u>104,719,869</u>	<u>59,820,292</u>	<u>40,901,119</u>	<u>123,639,042</u>
Capital assets, being depreciated:				
Buildings	1,226,397,051	29,916,259	257,057	1,256,056,253
Improvements other than buildings	80,422,247	7,931,408	-	88,353,655
Machinery and equipment	177,489,462	15,105,862	12,065,525	180,529,799
Infrastructure	<u>37,756,930</u>	<u>1,012,697</u>	<u>-</u>	<u>38,769,627</u>
Total at historical cost	<u>1,522,065,690</u>	<u>53,966,226</u>	<u>12,322,582</u>	<u>1,563,709,334</u>
Less accumulated depreciation for:				
Buildings	424,229,620	25,291,762	201,374	449,320,008
Improvements other than buildings	46,491,637	3,102,151	-	49,593,788
Machinery and equipment	118,639,912	11,091,442	11,063,665	118,667,689
Infrastructure	<u>10,333,438</u>	<u>552,370</u>	<u>-</u>	<u>10,885,808</u>
Total accumulated depreciation	<u>599,694,607</u>	<u>40,037,725</u>	<u>11,265,039</u>	<u>628,467,293</u>
Total capital assets, being depreciated, net	<u>922,371,083</u>	<u>13,928,501</u>	<u>1,057,543</u>	<u>935,242,041</u>
Governmental activities capital assets, net	<u><u>\$ 1,027,090,952</u></u>	<u><u>\$ 73,748,793</u></u>	<u><u>\$ 41,958,662</u></u>	<u><u>\$ 1,058,881,083</u></u>

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

Governmental activities capital assets, net of accumulated depreciation at June 30, 2017, are comprised of the following:

General capital assets, net	\$ 1,050,779,984
Internal Service Funds capital assets, net	<u>8,101,099</u>
Total	<u><u>\$ 1,058,881,083</u></u>

County of Chesterfield, Virginia
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Depreciation expense was charged to the following functions:

General government	\$ 2,772,157
Administration of justice	1,197,048
Public safety	8,951,073
Public works	1,560,121
Health and welfare	725,034
Education - School Board	19,014,698
Parks, recreation and cultural	3,835,458
Community development	394,906
Capital assets held by the County's Internal Service Funds are charged to the various functions based on their usage of the assets	<u>1,587,230</u>
Total depreciation expense	<u>\$ 40,037,725</u>

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

<u>Function</u>	<u>Committed at June 30, 2017</u>
General government	\$ 1,872,140
Public safety	36,198,905
Public works	1,351,821
Health and welfare	5,089,319
Parks, recreation and cultural	7,568,222
Education - School Board	128,665,822
Community development	<u>8,196,372</u>
Total construction in progress commitments	<u>\$ 188,942,601</u>

County of Chesterfield, Virginia
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B. Business-type Activities

Intangible and capital asset activity for the year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Water Fund				
Intangible assets:				
Capacity rights, net of amortization	\$ 68,657,871	\$ 2,100,694	\$ 2,137,076	\$ 68,621,489
Capital assets, not being depreciated:				
Land	5,736,316	800,837	-	6,537,153
Construction in progress	3,113,634	5,296,554	4,529,277	3,880,911
Total assets, not being depreciated	8,849,950	6,097,391	4,529,277	10,418,064
Capital assets, being depreciated:				
Buildings	62,353,388	1,631,990	-	63,985,378
Improvements other than buildings	9,026,406	-	-	9,026,406
Machinery and equipment	451,007,267	16,178,700	470,494	466,715,473
Totals at historical cost	522,387,061	17,810,690	470,494	539,727,257
Less accumulated depreciation for:				
Buildings	21,119,507	1,515,113	-	22,634,620
Improvements other than buildings	5,171,337	329,854	-	5,501,191
Machinery and equipment	157,983,769	10,128,262	306,920	167,805,111
Total accumulated depreciation	184,274,613	11,973,229	306,920	195,940,922
Total capital assets, being depreciated, net	338,112,448	5,837,461	163,574	343,786,335
Water capital and intangible assets, net	\$ 415,620,269	\$ 14,035,546	\$ 6,829,927	\$ 422,825,888

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Wastewater Fund				
Intangible assets:				
Capacity rights, net of amortization	\$ 2,377,536	\$ -	\$ 118,877	\$ 2,258,659
Capital assets, not being depreciated:				
Land	2,190,998	675,071	-	2,866,069
Construction in progress	1,253,258	4,316,108	3,813,062	1,756,304
Total assets, not being depreciated	3,444,256	4,991,179	3,813,062	4,622,373
Capital assets, being depreciated:				
Buildings	145,947,666	51,955	-	145,999,621
Improvements other than buildings	19,069,061	-	-	19,069,061
Machinery and equipment	518,542,494	15,292,857	465,872	533,369,479
Totals at historical cost	683,559,221	15,344,812	465,872	698,438,161
Less accumulated depreciation for:				
Buildings	52,777,350	3,400,355	-	56,177,705
Improvements other than buildings	7,876,526	513,737	-	8,390,263
Machinery and equipment	208,161,294	14,064,457	448,967	221,776,784
Total accumulated depreciation	268,815,170	17,978,549	448,967	286,344,752
Total capital assets, being depreciated, net	414,744,051	(2,633,737)	16,905	412,093,409
Wastewater capital and intangible assets, net	\$ 420,565,843	\$ 2,357,442	\$ 3,948,844	\$ 418,974,441

County of Chesterfield, Virginia
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	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Non-major				
Capital assets, not being depreciated:				
Land and improvements	\$ 13,371,142	\$ 366,605	\$ 766,346	\$ 12,971,401
Construction in progress	2,992,213	1,702,661	3,259,117	1,435,757
Total assets, not being depreciated	<u>16,363,355</u>	<u>2,069,266</u>	<u>4,025,463</u>	<u>14,407,158</u>
Capital assets, being depreciated:				
Buildings	7,158,781	433,022	15,021	7,576,782
Improvements other than buildings	29,138,278	-	29,395	29,108,883
Machinery and equipment	1,707,713	639,850	180,493	2,167,070
Infrastructure	2,134,862	2,636,860	-	4,771,722
Totals at historical cost	<u>40,139,634</u>	<u>3,709,732</u>	<u>224,909</u>	<u>43,624,457</u>
Less accumulated depreciation for:				
Buildings	3,078,012	132,573	15,021	3,195,564
Improvements other than buildings	17,293,596	1,183,626	29,395	18,447,827
Machinery and equipment	1,313,917	61,772	180,493	1,195,196
Infrastructure	403,341	130,189	-	533,530
Total accumulated depreciation	<u>22,088,866</u>	<u>1,508,160</u>	<u>224,909</u>	<u>23,372,117</u>
Total capital assets, being depreciated, net	<u>18,050,768</u>	<u>2,201,572</u>	<u>-</u>	<u>20,252,340</u>
Non-major business-type activities capital and intangible assets, net	<u>\$ 34,414,123</u>	<u>\$ 4,270,838</u>	<u>\$ 4,025,463</u>	<u>\$ 34,659,498</u>
 Total Business-type Activities	 Balance July 1, 2016	 Increases	 Decreases	 Balance June 30, 2017
Intangible assets:				
Capacity rights, net of amortization	\$ 71,035,407	\$ 2,100,694	\$ 2,255,953	\$ 70,880,148
Capital assets, not being depreciated:				
Land	21,298,456	1,842,513	766,346	22,374,623
Construction in progress	7,359,105	11,315,323	11,601,456	7,072,972
Total assets, not being depreciated	<u>28,657,561</u>	<u>13,157,836</u>	<u>12,367,802</u>	<u>29,447,595</u>
Capital assets, being depreciated:				
Buildings	215,459,835	2,116,967	15,021	217,561,781
Improvements other than buildings	57,233,745	-	29,395	57,204,350
Machinery and equipment	971,257,474	32,111,407	1,116,859	1,002,252,022
Infrastructure	2,134,862	2,636,860	-	4,771,722
Totals at historical cost	<u>1,246,085,916</u>	<u>36,865,234</u>	<u>1,161,275</u>	<u>1,281,789,875</u>
Less accumulated depreciation for:				
Buildings	76,974,869	5,048,041	15,021	82,007,889
Improvements other than buildings	30,341,459	2,027,217	29,395	32,339,281
Machinery and equipment	367,458,980	24,254,491	936,380	390,777,091
Infrastructure	403,341	130,189	-	533,530
Total accumulated depreciation	<u>475,178,649</u>	<u>31,459,938</u>	<u>980,796</u>	<u>505,657,791</u>
Total capital assets, being depreciated, net	<u>770,907,267</u>	<u>5,405,296</u>	<u>180,479</u>	<u>776,132,084</u>
Total business-type activities capital and intangible assets, net	<u>\$ 870,600,235</u>	<u>\$ 20,663,826</u>	<u>\$ 14,804,234</u>	<u>\$ 876,459,827</u>

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

Water	\$ 2,137,076
Wastewater	118,877
Total amortization expense	<u>\$ 2,255,953</u>
Water	\$ 11,973,229
Wastewater	17,978,549
Non-major funds	1,508,160
Total depreciation expense	<u>\$ 31,459,938</u>

C. Component Unit - School Board

Capital asset activity for the year ended June 30, 2017, for the School Board component unit was as follows:

	<u>Balance</u> <u>July 1, 2016</u>		<u>Increases</u>		<u>Decreases</u>		<u>Balance</u> <u>June 30, 2017</u>
Capital assets, not being depreciated:							
Construction in progress	\$ 1,063,827	\$	389,835	\$	1,063,827	\$	389,835
Capital assets, being depreciated:							
Machinery and equipment							
Historical cost	100,029,653		11,012,218		3,931,412		107,110,459
Less accumulated depreciation	<u>64,001,463</u>		<u>9,720,648</u>		<u>3,890,961</u>		<u>69,831,150</u>
Total capital assets, being depreciated, net	<u>36,028,190</u>		<u>1,291,570</u>		<u>40,451</u>		<u>37,279,309</u>
School Board capital assets, net	<u>\$ 37,092,017</u>	\$	<u>1,681,405</u>	\$	<u>1,104,278</u>	\$	<u>37,669,144</u>

Current year depreciation on capital assets of the School Board was \$9,720,648.

County of Chesterfield, Virginia
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9. Long-term Obligations

A. General Obligation Bonds

The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities of the primary government and including those used by the School Board component unit. The 2013 voter-approved bond referendum authorized \$353,000,000 in bonds to be issued in two major project categories. \$186,545,000 of this authorization remained at June 30, 2017. 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, 2017, general obligation bonds outstanding were as follows:

	<u>Original Issue Amount</u>	<u>Interest Rates</u>	<u>Annual Principal Requirements</u>	<u>Total Outstanding</u>
General Obligation Bonds				
2002B School, due 2023	\$ 23,950,000	4.60 - 5.10%	\$ 1,195,000	\$ 7,170,000
2008 General Improvement, due 2018	73,920,000	5.00	3,750,000	3,750,000
2009 General Improvement & Refunding, due 2019	92,000,000	5.00	3,575,000	7,150,000
2011 School, due 2032	15,630,000	4.05 - 5.05	780,000 - 785,000	11,710,000
2012 General Improvement & Refunding, due 2032	67,495,000	2.50 - 5.00	895,000 - 7,735,000	55,150,000
2012B School, due 2033	18,595,000	3.05 - 5.05	925,000 - 930,000	14,875,000
2013A School, due 2034	18,305,000	3.05 - 5.05	915,000	15,555,000
2014 General Improvement & Refunding, due 2034	60,645,000	3.50 - 5.00	725,000 - 6,090,000	40,715,000
2015 General Improvement & Refunding, due 2035	92,110,000	3.00 - 5.00	1,730,000 - 11,930,000	85,850,000
2016 General Improvement & Refunding, due 2036	86,480,000	2.125 - 5.00	2,095,000 - 8,965,000	83,780,000
2017A General Obligation Refunding Bond, due 2022	20,224,000	1.57	721,000 - 5,928,000	20,224,000
2017B General Improvement, due 2037	82,270,000	3.00 - 5.00	4,110,000 - 4,115,000	<u>82,270,000</u>
Total general obligation bonds				428,199,000
Add: Premium				<u>44,711,798</u>
Net general obligation bonds				<u>\$ 472,910,798</u>

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

Year Ending	<u>General Obligation Bonds</u>		
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 40,843,000	\$ 16,505,598	\$ 57,348,598
2019	38,063,000	16,484,378	54,547,378
2020	36,387,000	14,796,861	51,183,861
2021	34,165,000	13,134,117	47,299,117
2022	31,186,000	11,577,796	42,763,796
2023-2027	137,070,000	36,605,791	173,675,791
2028-2032	72,150,000	13,066,700	85,216,700
2033-2037	38,335,000	3,141,253	41,476,253
Total	<u>\$ 428,199,000</u>	<u>\$ 125,312,494</u>	<u>\$ 553,511,494</u>

B. Revenue Bonds

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

Revenue bonds outstanding at June 30, 2017, are as follows:

	<u>Original Issue Amount</u>	<u>Interest Rates</u>	<u>Annual Principal Requirements</u>	<u>Amount Outstanding</u>
Primary Government				
Governmental Activities				
Chester Arts Community Center due 2032	\$ 6,899,800	3.09%	\$ 459,987	\$ 6,899,800
Total governmental activities				
Business-type Activities				
Major Enterprise Funds				
2016 Water and Sewer, due 2027	53,695,000	5.00%	2,005,000 - 6,315,000	48,840,000
Add: Premium				8,265,114
Net business-type activities				57,105,114
Total revenue bonds				<u>\$ 64,004,914</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	\$ 22,405,000	\$ 26,435,000	\$ 48,840,000
Net revenue bonds	25,798,853	31,306,261	57,105,114

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

Year Ending	Primary Government					
	Governmental Activities			Business-type Activities		
June 30	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 459,986	\$ 206,097	\$ 666,083	\$ 4,665,000	\$ 2,325,375	\$ 6,990,375
2019	459,986	191,883	651,869	4,910,000	2,086,000	6,996,000
2020	459,986	177,670	637,656	5,160,000	1,834,250	6,994,250
2021	459,986	163,456	623,442	5,425,000	1,569,625	6,994,625
2022	459,986	149,243	609,229	5,710,000	1,291,250	7,001,250
2023-2027	2,299,935	533,010	2,832,945	22,970,000	2,320,250	25,290,250
2028-2032	2,299,935	177,670	2,477,605	-	-	-
Total	<u>\$ 6,899,800</u>	<u>\$ 1,599,029</u>	<u>\$ 8,498,829</u>	<u>\$ 48,840,000</u>	<u>\$ 11,426,750</u>	<u>\$ 60,266,750</u>

C. Support Agreement

In accordance with the Support Agreement, the EDA issued bonds to finance construction projects for the infrastructure improvements at the Meadowville Technology Park. The General Fund is responsible for the following Revenue Bonds outstanding at June 30, 2017:

	Original Issue Amount	Interest Rates	Annual Principal Requirements	Amount Outstanding
Primary Government				
2005 Economic Development, due 2025	\$ 18,120,000	variable	\$ 935,000 - 1,020,000	\$ 7,815,000
2010 Taxable Recovery Zone, Economic Development due 2030	8,345,000	3.381 - 5.265%	415,000 - 420,000	<u>5,405,000</u>
Total bonds under support agreements				<u>\$ 13,220,000</u>

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

Year Ending	Primary Government		
	Non-major Enterprise funds		
June 30	Principal	Interest ^{(1) (2)}	Total
2018	\$ 1,355,000	\$ 328,591	\$ 1,683,591
2019	1,365,000	303,088	1,668,088
2020	1,370,000	276,620	1,646,620
2021	1,385,000	249,534	1,634,534
2022	1,400,000	221,438	1,621,438
2023-2027	5,100,000	684,056	5,784,056
2028-2032	<u>1,245,000</u>	<u>131,099</u>	<u>1,376,099</u>
Total	<u>\$ 13,220,000</u>	<u>\$ 2,194,426</u>	<u>\$ 15,414,426</u>

⁽¹⁾Interest estimated using rate in effect as of June 30, 2017.

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

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D. Special Subfund Revenue Bond

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

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

Amounts outstanding as of June 30, 2017 for the Special Subfund Revenue Bond are:

	<u>Original Issue Amount</u>	<u>Interest Rates</u>	<u>Annual Principal Requirements</u>	<u>Amount Outstanding</u>
Primary Government				
2016A Virginia Resource Authority, due 2037	\$ 19,760,324	3.807 - 5.125%	\$330,000 - 2,034,203	\$ 19,376,633
2017A Virginia Resource Authority, due 2037	6,550,000	3.082 - 5.125%	225,000 - 475,000	6,550,000
Total governmental special subfund revenue bonds				25,926,633
Add: Premium				3,760,425
Net governmental activities.				29,687,058
Business-type Activities				
2016A Virginia Resource Authority due 2028	\$ 44,676	4.480 - 5.125%	\$1,054 - 5,797	43,367
Add: Premium				7,471
Net business-type activities				50,838
Total special subfund revenue bond				\$ 29,737,896

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

Year Ending	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
June 30						
2018	\$ 643,946	\$ 1,156,367	\$ 1,800,313	\$ 1,054	\$ 2,110	\$ 3,164
2019	2,025,002	1,114,094	3,139,096	4,998	1,975	6,973
2020	2,025,036	1,022,863	3,047,899	4,964	1,743	6,707
2021	2,035,036	924,091	2,959,127	4,964	1,497	6,461
2022	2,040,053	819,667	2,859,720	4,947	1,243	6,190
2023-2027	8,985,178	2,630,622	11,615,800	19,822	2,819	22,641
2028-2032	4,292,382	1,074,370	5,366,752	2,618	58	2,676
2033-2037	3,880,000	348,428	4,228,428	-	-	-
Total	<u>\$ 25,926,633</u>	<u>\$ 9,090,502</u>	<u>\$ 35,017,135</u>	<u>\$ 43,367</u>	<u>\$ 11,445</u>	<u>\$ 54,812</u>

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

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

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

Under an agreement dated March 1, 2004, the County leases real property incorporating a new Community Development Building, a replacement Chester House Rehabilitative Facility, and an additional Airport Hangar. Certificates of Participation Series 2005B and 2006B were issued to finance a portion of the cost of the acquisition, construction, installation, furnishing and equipping of these buildings, as well as an Emergency Systems Integration Project. In addition, Certificates of Participation Series 2005A and 2005B were used to finance the acquisition of a financial/human resources information management system. The outstanding Certificates of Participation Series 2005B was refunded with 2016 VRA Bond. Certificates of Participation Series 2006B was partially refunded with Certificates of Participation Series 2012 and with 2016A VRA Bond.

Under an agreement dated June 1, 2007, the County leases real property incorporating the Smith Wagner Building, the Circuit Court and General District Court Courthouse, the Lane B. Ramsey Building and the off-site Public Safety Training Center. Certificates of Participation Series 2007 were issued to finance a portion of the cost to expand, renovate, construct, furnish and equip various portions of these facilities. 2007 Certificate of Participation were partially refunded with 2016A VRA Bond.

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

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

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assets will vest in the County if the County has made all lease payments required under the Agreements.

Amounts outstanding as of June 30, 2017, on the Public Facility Lease, the Certificates of Participation and the Taxable Redevelopment Note are as follows:

	<u>Original Issue Amount</u>	<u>Interest Rates</u>	<u>Annual Principal Requirements</u>	<u>Amount Outstanding</u>
Governmental Activities				
2007 Certificates of Participation, due 2018	\$ 22,220,000	5.00%	\$1,165,000	\$ 1,165,000
2010A Public Facility Revenue Refunding Bonds, due 2020	7,185,000	3.00 - 4.00	800,000 - 815,000	2,420,000
2012 Certificates of Participation Refunding, due 2025	19,011,905	4.00 - 5.00	327,211 - 2,377,090	15,528,073
2014A Taxable Revenue Note	16,596,199	3.65	196,802 - 6,545,637	7,158,057
Total governmental activities				26,271,130
Add: Premium				1,209,685
Net governmental activities				27,480,815
Business-type Activities				
2012 Certificates of Participation - Refunding, due 2025	\$ 743,095	4.00 - 5.00%	\$ 12,789 - 92,910	606,927
Add: Premium				47,267
Net business-type activities				654,194
				<u>\$ 28,135,009</u>

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

<u>Year Ending</u>	<u>Primary Government</u>					
	<u>Governmental Activities</u>			<u>Business-Type Activities</u>		
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 4,486,525	\$ 1,057,706	\$ 5,544,231	\$ 90,277	\$ 26,908	\$ 117,185
2019	3,328,397	892,704	4,221,101	90,653	22,836	113,489
2020	3,345,349	736,660	4,082,009	91,218	18,290	109,508
2021	8,903,479	470,103	9,373,582	92,158	13,705	105,863
2022	2,377,090	232,271	2,609,361	92,910	9,079	101,989
2023-2027	3,830,290	174,192	4,004,482	149,711	6,808	156,519
Total	<u>\$ 26,271,130</u>	<u>\$ 3,563,636</u>	<u>\$ 29,834,766</u>	<u>\$ 606,927</u>	<u>\$ 97,626</u>	<u>\$ 704,553</u>

F. Special Assessment Revenue Note

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

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On May 1, 2017, the Authority entered into a new Financing Agreement with the CDA. In accordance with the new Financing Agreement, the Authority issued a Special Assessment Revenue Note, Series 2017, in an amount of \$11,774,028, the proceeds of which were used to pay the outstanding principal balance and interest on the Authority's Note solely from the revenues and other property pledged to the payment of this Note. The Note is a limited obligation of the Authority secured by pledged revenues consisting of incremental tax and special assessment revenues collected by the County. The County intends to make annual appropriations sufficient to cover the required annual debt service. The Note will be repaid with the incremental tax revenues and, to the extent incremental tax revenues are not sufficient, special assessment revenues. As of June 30, 2017, the Authority reported total accrued interest of \$56,526 related to the Note, which will be paid by the CDA. The balance of the Note is included in Due from Chippenham Place CDA on the Statement of Net Position.

G. Capital Leases

1. Primary Government - Governmental Activities

The County acquired equipment under capital lease arrangements with an interest rate of 3.83%. Capital leases are liquidated by the General Fund. Future minimum lease payments at June 30, 2017, for these capital leases are as follows:

Year Ending	<u>Primary Government</u>		
	<u>Governmental Activities</u>		
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 90,613	\$ 1,735	\$ 92,348

2. Component Unit - School Board

The School Board has acquired equipment under capital lease arrangements with an annual interest rates of 1.6918% to 2.00%. Capital leases are liquidated by the School Operating Fund. Future minimum lease payments at June 30, 2017, for these capital leases are as follows:

Year Ending	<u>Component Unit</u>		
	<u>School Board</u>		
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 2,896,705	\$ 146,530	\$ 3,043,235
2019	1,224,626	90,886	1,315,512
2020	1,245,431	70,080	1,315,511
2021	1,266,591	48,920	1,315,511
2022	1,288,109	27,402	1,315,511
2023-2027	<u>652,239</u>	<u>5,517</u>	<u>657,756</u>
Total	<u>\$ 8,573,701</u>	<u>\$ 389,335</u>	<u>\$ 8,963,036</u>

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H. Compensated Absences Payable

The County recorded a liability for compensated absences in the Statement of Net Position of the government-wide statements for the primary government and the School Board component unit and in the fund financial statements of the proprietary funds. The governmental activities of the primary government recorded \$19,543,280 and \$3,868,911 for accrued vacation and sick leave benefits, respectively, and the business-type activities of the primary government recorded \$1,200,050 and \$375,166 for accrued vacation and sick leave benefits, respectively. The School Board component unit recorded \$10,822,193 and \$7,422,298 for accrued vacation/personal leave and sick leave benefits, respectively. Payments for these liabilities are recorded as a charge to the fund that incurred the liability.

I. Judgments and Claims

The County recorded a liability for workers' compensation claims in the government-wide statements for the primary government and the School Board component unit and in the fund financial statements of the proprietary funds. The workers' compensation liability recorded is \$7,509,394 for the governmental activities of the primary government, \$1,756,848 for the business-type activities of the primary government and \$9,348,530 for the School Board component unit. A liability of \$5,168,336 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, 2017, and b) liabilities for claims incurred but not reported as of June 30, 2017. These liabilities have been estimated based upon a case-by-case review, investigation and historical experience. Payments for workers' compensation liabilities are recorded as a charge to the fund that incurred the liability. Judgments and claims recorded in the Risk Management Fund are payable from the Risk Management Fund.

Effective January 1, 2014, the County and School Board began participating in a self-insured health care program covering medical and prescription drug costs. Medical and drug claims that exceed \$300,000 per member are covered by specific excess risk insurance. Additionally, claims in the aggregate that exceed 125% of expected medical and drug claims are covered by aggregate excess risk insurance. A liability of \$7,524,845 has been recorded for health care claims in the Health Care Fund.

In October 1991, the U. S. Environmental Protection Agency (EPA) issued a rule establishing municipal solid waste landfills (MSWLF) closure requirements for all MSWLF's that accepted solid waste after October 9, 1991 and postclosure requirements for all MSWLF's that accepted solid waste after October 9, 1993. The County operated one landfill, which was closed on October 8, 1993, and completed the final cover during fiscal year 1995. The County has met the Commonwealth's ten-year requirement to perform maintenance and monitoring postclosure functions at the site and has applied for certification from the Commonwealth to release it from further maintenance and monitoring requirements. The County anticipates it will incur an additional postclosure care liability of \$1,154,757 at June 30, 2017. This amount represents the estimated total current cost of landfill postclosure care for an additional ten years, based on the use of 100 percent of the estimated capacity of the landfill. Actual costs may be higher due to inflation, changes in technology or changes in regulations. Actual costs may be lower if the County is released from postclosure maintenance and monitoring by the Commonwealth. Payments for this liability will be recorded as a charge to the General Fund. The County is not required by state and federal laws or regulations to make annual contributions to a trust to finance postclosure care. The County expects to pay additional postclosure care cost from the General Fund with charges to users of the County's solid waste transfer stations, General Fund tax revenue and/or General Fund assigned fund balance.

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GAAP requires that the County estimate the financial liabilities associated with pollution remediation obligations when certain obligating events occur. One such obligating event is being named by a regulator as a potentially responsible party for remediation. The U.S. Department of Interior National Park Service (NPS) has named the County as a Primary Responsible Party (PRP) for cleanup efforts for a landfill site that was closed in 1972 and subsequently transferred to the NPS by the County. As a current owner of the landfill site, the NPS is also a potentially responsible party, with the liability for paying for the costs of cleanup. In December 2015, an Engineering Evaluation and Cost Analysis report was released by the NPS estimating the future cost of cleanup. In January 2016, the County received a cost package summarizing the response costs incurred by the NPS to date. However, neither document apportions liability between the NPS and the County. Therefore, as of June 30, 2017, the County's portion of the liability of the shared costs of cleanup is not reasonably estimable.

J. Net Pension Liabilities

As required by GAAP, a long-term liability has been recorded for the VRS Plan, the County Supplemental Retirement Plan and the School Board Supplemental Retirement Program for the cumulative difference between the total pension liabilities and fiduciary net position as of the measurement date. The governmental activities of the primary government recorded net pension liabilities of \$193,186,734 for the VRS Local Plan and \$748,348 for the County Supplemental Retirement Plan. The business-type activities of the primary government recorded net pension liabilities of \$8,759,720 for the VRS Local Plan and \$33,933 for the County Supplemental Retirement Plan. The School Board component unit recorded net pension liabilities of \$23,613,188 and \$510,798,000 for the VRS Local and Teachers' Pool Plans and \$83,184,558 for the School Board Supplemental Retirement Program. Payments for these liabilities are recorded as a charge to the fund that incurred the liability.

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

For the fiscal year ended June 30, 2017, the County reported an actuarially determined liability for other postemployment health-care and line of duty benefits for retired, active and disabled employees in the financial statements. The County and School Board fully funded annual other postemployment benefits (OPEB) costs for retiree healthcare and Line of Duty benefits. Net payments for these liabilities are recorded as charges to the fund that incurred the liability. Net OPEB assets of \$2,574,562 for retiree healthcare and \$2,225,430 for line of duty are recorded as prepaid assets in the government-wide statements. The School Board recorded a net OPEB asset of \$3,601,689 as a prepaid asset in the government-wide statements.

L. Defeased Debt

In prior years, the County has defeased certain general obligation bonds and certificates of participation by placing funds in irrevocable escrow accounts to provide for future debt service payments on the defeased debt. Accordingly, the escrow account assets and the liability for the defeased debt are not included in the County's financial statements. At June 30, 2017, the outstanding balance of the defeased debt was \$75,065,000 for general obligation bonds, \$10,555,000 for certificates of participation and \$69,615,000 for revenue bonds.

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On March 2, 2017, the County sold \$20,224,000 in Government Obligation Refunding Bonds with a fixed interest rate of 1.57%. Net proceeds of \$20,223,913 were deposited into an irrevocable trust with an escrow agent to pay interest when due on the refunded bonds up to and including their redemption dates and the principal redemption prices on the refunded bonds on their respective redemption dates. As a result of this transaction, the selected maturities of the bonds are considered to be defeased and the assets in the related escrow accounts for the refunded issues are not reflected in the accompanying financial statements. The refunding resulted in the recognition of an accounting loss of \$79,881 for the year ended June 30, 2017; however, the County in effect reduced its aggregate debt service payments by \$1,483,389 over the next thirteen years and obtained an economic gain (the difference between the present values of the old and new debt service payments) of \$1,426,412.

The refunded bonds include:

<u>Description</u>	<u>Amount</u>	<u>Issue Date</u>	<u>Maturity Dates</u>	<u>Call Date</u>
2007B General Improvement	\$ 19,970,000	03/29/2007	2018-2022	04/03/2017

M. Changes in Long-term Obligations

The following is a summary of long-term obligation transactions for the year ended June 30, 2017:

	<u>Balance July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2017</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
General obligation bonds	\$ 381,765,000	\$ 102,494,000	\$ 56,060,000	\$ 428,199,000	\$ 40,843,000
Add: Premium	41,525,121	9,554,945	6,368,268	44,711,798	6,363,687
Net bonds payable	423,290,121	112,048,945	62,428,268	472,910,798	47,206,687
Subfund revenue bonds	19,760,324	6,550,000	383,691	25,926,633	643,946
Add: Premium	3,762,607	542,697	544,879	3,760,425	554,174
Net subfund revenue bonds payable	23,522,931	7,092,697	928,570	29,687,058	1,198,120
Certificates of participation	20,155,475	-	3,462,402	16,693,073	3,474,723
Add: Premium	1,575,890	-	387,339	1,188,551	332,942
Net certificates of participation	21,731,365	-	3,849,741	17,881,624	3,807,665
Public facility lease	3,255,000	-	835,000	2,420,000	815,000
Add: Premium	37,722	-	16,588	21,134	11,765
Net public facility lease	3,292,722	-	851,588	2,441,134	826,765
Chester Arts Revenue Bonds	6,899,800	-	-	6,899,800	459,986
Support agreements - EDA	14,560,000	-	1,340,000	13,220,000	1,355,000
Taxable revenue note	7,347,868	-	189,811	7,158,057	196,802
Capital lease obligations	263,624	-	173,011	90,613	90,613
Total bonds, leases and loans	500,908,431	119,141,642	69,760,989	550,289,084	55,141,638
Other liabilities:					
Compensated absences	23,879,701	3,804,916	4,272,426	23,412,191	4,283,511
Judgments and claims:					
Workers' compensation and risk claims	13,985,979	967,596	2,275,845	12,677,730	7,145,678
Healthcare claims	9,462,328	-	1,937,483	7,524,845	7,524,845
Landfill	1,109,671	45,086	-	1,154,757	107,894
Total judgements and claims	24,557,978	1,012,682	4,213,328	21,357,332	14,778,417
Net pension liabilities	168,182,011	87,085,328	61,332,257	193,935,082	-
Total other liabilities	216,619,690	91,902,926	69,818,011	238,704,605	19,061,928
Total long-term liabilities	\$ 717,528,121	\$ 211,044,568	\$ 139,579,000	\$ 788,993,689	\$ 74,203,566

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Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for these funds are included as part of the above totals for governmental activities. At year end, \$549,679 for compensated absences, \$12,722,525 for judgments and claims and \$3,976,962 for net pension liabilities for internal service funds are included in the above amounts. Except for the amounts for internal service funds, the long-term liabilities for governmental activities are generally liquidated by the General Fund.

Business-type Activities	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017	Amounts Due Within One Year
<u>Water Fund</u>					
Revenue bonds payable	\$ 24,940,000	\$ -	\$ 2,535,000	\$ 22,405,000	\$ 2,460,000
Add: Premium	4,272,208	-	878,355	3,393,853	785,687
Net bonds payable	29,212,208	-	3,413,355	25,798,853	3,245,687
Other liabilities:					
Compensated absences	860,899	360,596	444,706	776,789	132,507
Judgments and claims	1,334,081	262,187	-	1,596,268	530,631
Net pension liabilities	3,974,256	2,011,593	1,506,122	4,479,727	-
Total other liabilities	6,169,236	2,634,376	1,950,828	6,852,784	663,138
Total long-term liabilities	35,381,444	2,634,376	5,364,183	32,651,637	3,908,825
<u>Wastewater Fund</u>					
Revenue bonds payable	28,755,000	-	2,320,000	26,435,000	2,205,000
Add: Premium	5,851,964	-	980,703	4,871,261	900,295
Net bonds payable	34,606,964	-	3,300,703	31,306,261	3,105,295
Other liabilities:					
Compensated absences	916,650	50,381	190,527	776,504	134,641
Judgments and claims	260,125	-	99,545	160,580	53,380
Net pension liabilities	3,754,145	1,878,504	1,449,306	4,183,343	-
Total other liabilities	4,930,920	1,928,885	1,739,378	5,120,427	188,021
Total long-term liabilities	39,537,884	1,928,885	5,040,081	36,426,688	3,293,316
<u>Non-major</u>					
Certificates of participation	679,525	-	72,598	606,927	90,277
Add: Premium	62,494	-	15,227	47,267	13,193
Net certificates of participation	742,019	-	87,825	654,194	103,470
Subfund revenue bonds	44,676	-	1,309	43,367	1,054
Add: Premium	8,891	-	1,420	7,471	1,382
Net subfund revenue bonds payable	53,567	-	2,729	50,838	2,436
Total certificates of participation and revenue bonds payable	795,586	-	90,554	705,032	105,906
Other liabilities:					
Compensated absences	28,146	3,591	9,814	21,923	4,037
Judgments and claims	253	-	253	-	-
Net pension liabilities	116,698	58,637	44,752	130,583	-
Total other liabilities	145,097	62,228	54,819	152,506	4,037
Total long-term liabilities	940,683	62,228	145,373	857,538	109,943

County of Chesterfield, Virginia
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Total Business-type Activities	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017	Amounts Due Within One Year
Revenue bonds payable	\$ 53,695,000	\$ -	\$ 4,855,000	\$ 48,840,000	\$ 4,665,000
Add: Premium	10,124,172	-	1,859,058	8,265,114	1,685,982
Net bonds payable	63,819,172	-	6,714,058	57,105,114	6,350,982
Certificates of participation	679,525	-	72,598	606,927	90,277
Add: Premium	62,494	-	15,227	47,267	13,193
Net certificates of participation	742,019	-	87,825	654,194	103,470
Subfund revenue bonds	44,676	-	1,309	43,367	1,054
Add: Premium	8,891	-	1,420	7,471	1,382
Net Subfund revenue bonds payable	53,567	-	2,729	50,838	2,436
Total bonds, certificates of participation and revenue bonds payable	64,614,758	-	6,804,612	57,810,146	6,456,888
Other liabilities:					
Compensated absences	1,805,695	414,568	645,047	1,575,216	271,185
Judgments and claims	1,594,459	262,187	99,798	1,756,848	584,011
Net pension liabilities	7,845,099	3,948,734	3,000,180	8,793,653	-
Total other liabilities	11,245,253	4,625,489	3,745,025	12,125,717	855,196
Total long-term liabilities	\$ 75,860,011	\$ 4,625,489	\$ 10,549,637	\$ 69,935,863	\$ 7,312,084

Summaries of long-term obligation transactions for the School Board component unit for the year ended June 30, 2017, are as follows:

School Board	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017	Amounts Due Within One Year
Capital leases	\$ 12,666,160	\$ -	\$ 4,092,459	\$ 8,573,701	\$ 2,896,705
Compensated absences	19,266,992	2,315,107	3,337,608	18,244,491	1,707,036
Judgments and claims	11,020,376	-	1,671,846	9,348,530	3,107,639
Net pension liabilities	581,964,528	157,111,063	121,479,845	617,595,746	-
Total long-term liabilities	\$ 624,918,056	\$ 159,426,170	\$ 130,581,758	\$ 653,762,468	\$ 7,711,380

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

According to State law, the School Board component unit is not allowed to issue general obligation debt and, therefore, is not legally obligated to repay general obligation debt issued on its behalf by the primary government. Debt from general obligation bonds of \$334,619,989 is reported in the government-wide statements of the primary government on behalf of the School Board component unit.

In addition to the general obligation debt and lease obligations, the primary government has also recorded accrued interest payable of \$5,791,650 in the government-wide financial statements on behalf of the School Board component unit. The School Board component unit has recorded accrued interest payable of \$61,358 in the government-wide financial statements.

10. Commitments and Contingent Liabilities

A. Lease Commitments

Rent expense for all operating leases was \$1,850,927 for the County and \$501,827 for the School Board for the fiscal year ended June 30, 2017.

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The County leases various types of equipment under operating lease agreements. The County lease agreements are contingent on the County Board appropriating funds for each year's payments. As of June 30, 2017, future operating lease payments for the County and School Board were as follows:

Year Ending	<u>Future Operating Lease Payments</u>	
<u>June 30</u>	<u>County</u>	<u>School Board</u>
2018	\$ 108,452	\$ 25,946
2019	75,217	3,996
2020	17,193	-
Total	<u>\$ 200,862</u>	<u>\$ 29,942</u>

B. Other Commitments

The County has entered into various contracts for the purchase of water and the treatment of wastewater. The County, in establishing water and wastewater rates, considers these commitments, which expire at various times through 2045, as disclosed in note 15A and 15F.

C. Contingent Liabilities

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

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

11. Risk Management - Claims Liability

The Risk Management Fund (an Internal Service Fund) accounts for property, casualty and liability claims for the County and School Board. Third party coverage is obtained for real and personal property and some liability risks. Third party property and casualty coverage is maintained for the Fire Department. The County maintains a broad form Public Officials Liability insurance policy to provide catastrophe coverage for individual claims in excess of \$2,000,000 excluding property and workers' compensation. For property, the County maintains a deductible of \$250,000 per occurrence. Administration of claims impacting this coverage is reviewed routinely by the insurance company that provides the policies. There were no reductions in commercial insurance coverage from the prior year and the amount of settlements in each of the past three years did not exceed the commercial insurance. Risk Management Fund revenues are generated by charges to the departments and School Board for management's estimate of the cost of predictable losses, the cost for administering these losses, a pro rata share of insurance premiums paid, actuarial estimates for incurred but not reported claims and the Risk Management Department's operational costs. Significant claims paid by the Risk Management Fund which exceed the premium charged will be covered by increased premiums in future years to the departments and School Board. Liabilities for unpaid claims are based upon the estimate of the ultimate cost of the claims, pursuant to known information. The estimate of the claims liability does not include amounts for non-incremental claims adjustment expenses. On disputed cases, where the chances of prevailing on the legal and medical issues are less than 50%, the claim is recorded at the full exposure amount. The confidence level estimated percentage used to determine the risk management liability is 65% for property, automobile, general, professional, medical and law enforcement liabilities.

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

Workers' compensation claims are funded annually by appropriations in the various funds. The County maintains an excess insurance policy for claims greater than self-insured retention. The self-insured retention as of January 1, 2017 was \$800,000 for non-public safety county employees, \$1,250,000 for public safety employees and \$800,000 for public school employees. Claims are administered by Risk Management staff with an independent claims audit conducted periodically. Environmental, Health and Safety professionals and representatives of the third party insurance companies provide loss prevention consultation.

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

	<u>County</u>		<u>School Board</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Workers' Compensation:				
Liability, July 1	\$ 10,340,853	\$ 11,370,391	\$ 11,020,376	\$ 10,987,722
Current year claims	2,963,000	3,388,000	2,935,000	3,957,000
Changes in estimates	(1,014,178)	(1,451,503)	(1,604,712)	(723,451)
Claim payments	<u>(3,023,433)</u>	<u>(2,966,035)</u>	<u>(3,002,134)</u>	<u>(3,200,895)</u>
Liability, June 30	<u>\$ 9,266,242</u>	<u>\$ 10,340,853</u>	<u>\$ 9,348,530</u>	<u>\$ 11,020,376</u>

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

	<u>2017</u>	<u>2016</u>
Risk Management Fund:		
Liability, July 1	\$ 5,239,585	\$ 5,421,614
Current year claims	1,885,574	2,828,643
Changes in estimates	(393,165)	(472,688)
Claim payments	<u>(1,563,658)</u>	<u>(2,537,984)</u>
Liability, June 30	<u>\$ 5,168,336</u>	<u>\$ 5,239,585</u>

12. Retirement Plans

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

1. Plan Description and Membership

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

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VRS administers three different benefit structures for local government employees - Plan 1, Plan 2 and Hybrid.

- a. Employees hired before July 1, 2010, and who were vested as of January 1, 2013, are covered under Plan 1, a defined benefit (pension) plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.
- b. Employees hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2, a defined benefit (pension) plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least five years of service credit or when the sum of their age and service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- c. Non-hazardous duty employees hired on or after January 1, 2014 are covered by a combination of a defined benefit (pension) plan and a contribution (retirement savings) plan. Employees covered by this hybrid plan are eligible for full retirement benefits when the normal social security retirement age is reached, and with at least five years of creditable service, or when age and years of service equal 90. Employees may retire with a reduced benefit as early as age 60 with at least five years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.
- d. Eligible hazardous duty employees (law enforcement officers, firefighters and sheriffs) in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least ten years of service credit or at age 55 with five years of service credit.

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.7% for non-hazardous duty employees and 1.85% for hazardous duty employees. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier for non-hazardous duty employees is 1.65% and 1.85% for hazardous duty employees. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%.

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

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

	Primary Government	Component Unit - School Board
Inactive members or their beneficiaries		
currently receiving benefits	1,985	788
Inactive members:		
Vested	529	105
Non-vested	713	288
Active elsewhere in VRS	897	218
Total inactive members	2,139	611
Active members	3,340	1,013
Total	7,464	2,412

VRS issues a publicly available comprehensive annual financial report that includes financial statements, required supplementary information and detailed information about the fiduciary net position of the VRS plans. A copy of that report may be downloaded from their web site at <http://www.varetire.org/pdf/publications/2016-annual-report.pdf> or obtained by writing to VRS at P.O. Box 2500, Richmond, VA, 23218-2500.

2. Contributions

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

a. VRS Local Plans

Including the 5% member contribution for fiscal year 2017, the County's and School Board's actual contributions of \$32,654,236 and \$2,252,025, representing contribution rates of 18.05% and 14.72% of covered employee compensation, respectively, were equal to contractually required contributions. The contractually required contribution rates were determined as part of the June 30, 2015, actuarial valuation. This rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

b. VRS Teachers' Pool

The School Board's actual contribution, including member contributions, to the VRS Teachers' Pool for fiscal year 2017 was \$55,918,839. The contractually required contribution rate for the year ended June 30, 2017, excluding the 5% member rate, was 14.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of the June 30, 2015, actuarial valuation adjusted for the transfer in June 2015 of \$192,884,000 as an accelerated payback of the contribution deferred in the 2010-2012 biennium. The actuarially determined rate for the VRS Teachers' Pool was 16.32%. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of Title 51.1-145 of the Code of Virginia, as amended, the contributions were funded at 89.84% of the actuarial rate for the year ended June 30, 2017.

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2017

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

a. VRS Local Plans

Primary Government

At June 30, 2017, the County reported a net pension liability of \$201,946,454, measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016. Pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources related to pensions are allocated to funds based on their proportionate share of projected monthly benefits.

For the year ended June 30, 2017, the County recognized pension expense of \$19,037,138. Deferred outflows of resources and deferred inflows of resources related to the VRS Local Plan was reported from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between expected and actual earnings on plan investments	\$ 20,732,226	\$ -
Difference between expected and actual experience	-	15,775,783
Contributions subsequent to the measurement date	<u>23,648,015</u>	<u>-</u>
Total	<u>\$ 44,380,241</u>	<u>\$ 15,775,783</u>

Deferred outflows of resources resulting from contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	Deferred (Inflows)/Outflows of Resources
2017	\$ (5,407,736)
2018	(5,407,737)
2019	8,252,166
2020	<u>7,519,750</u>
Total	<u>\$ 4,956,443</u>

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

	1% Decrease	Current Discount	1% Increase
	6%	7%	8%
Net pension liability	\$332,828,545	\$201,946,454	\$93,092,185

County of Chesterfield, Virginia
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June 30, 2017

Component Unit - School Board

At June 30, 2017, the School Board reported a net pension liability of \$23,613,188 measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

For the year ended June 30, 2017, the School Board recognized pension expense of \$2,585,618. Deferred outflows of resources and deferred inflows of resources related to pensions were reported from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between expected and actual earnings on plan investments	\$ 2,494,555	\$ -
Difference between actual and expected experience	158,480	1,158,750
Contributions subsequent to the measurement date	<u>1,493,860</u>	<u>-</u>
Total	<u>\$ 4,146,895</u>	<u>\$ 1,158,750</u>

Deferred outflows of resources resulting from contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources and deferred outflows of resources related to pensions will be recognized in pension expense as follows:

2018	\$ (388,377)
2019	(477,522)
2020	1,357,360
2021	<u>1,002,824</u>
Total	<u>\$ 1,494,285</u>

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

	<u>1% Decrease 6%</u>	<u>Current Discount 7%</u>	<u>1% Increase 8%</u>
Net pension liability	\$37,699,001	\$23,613,188	\$11,780,312

b. VRS Teachers' Pool

At June 30, 2017, the School Board reported a net pension liability of \$510,798,000 for its proportionate share of the net pension liability in the VRS Teachers' Pool. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School Board's proportionate share of net pension liability was based on actual

County of Chesterfield, Virginia
Notes to Financial Statements
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contributions made to the plan during the measurement period. At the measurement date, the School Board's proportionate share was 3.64488%, which was a decrease of 0.03599% from June 30, 2015.

For the year ended June 30, 2017, the School Board recognized pension expense of \$44,542,000. Deferred outflows of resources and deferred inflows of resources to pensions were reported from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between expected and actual earnings on plan investments	\$ 29,178,000	\$ -
Difference between actual and expected experience	-	16,551,000
Changes in proportionate share of contributions	4,890,000	3,971,000
Contributions subsequent to the measurement date	41,864,538	-
Total	<u>\$ 75,932,538</u>	<u>\$ 20,522,000</u>

Deferred outflows of resources resulting from contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources and deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	Deferred (Inflows)/Outflows of Resources
2017	\$ (2,799,000)
2018	(2,799,000)
2019	13,011,000
2020	7,618,000
2021	(1,485,000)
Total	<u>\$ 13,546,000</u>

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

	1% Decrease 6%	Current Discount 7%	1% Increase 8%
Net Pension Liability	\$ 728,144,000	\$ 510,798,000	\$ 331,757,000

4. Actuarial Assumptions

Total pension liabilities in the VRS plans were based on an actuarial valuation as of June 30, 2015, using the entry age normal actuarial cost method and the following actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

County of Chesterfield, Virginia
Notes to Financial Statements
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a. VRS Local Plans

1. Non-hazardous Duty

The following assumptions, applied to all periods included in the measure and rolled forward to the measurement date of June 30, 2016, applied to the total pension liabilities for non-hazardous employees in the County and School Board VRS Local Plans:

Inflation	2.50%
Salary increases,	
including inflation	3.50% - 5.35%
Investment rate of return.....	7.00%, net of pension plan investment expense, including inflation*
Mortality rates:	14% of deaths are assumed to be service related
Pre-retirement.....	RP-2000 Employee Mortality Table with Scale AA 2020 with males set forward 4 years and females set back 2 years
Post-retirement.....	RP-2000 Combined Mortality Table with Scale AA to 2020 with males set forward 1 year

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

2. Hazardous Duty

The following assumptions, applied to all periods included in the measure and rolled forward to the measurement date of June 30, 2016, applied to the total pension liability for hazardous duty employees in the County VRS Local Plan:

Inflation	2.50%
Salary increases,	
including inflation	3.50% - 4.75%
Investment rate of return.....	7.00%, net of pension plan investment expense, including inflation*
Mortality rates:	60% of deaths are assumed to be service related
Pre-retirement.....	RP-2000 Employee Mortality Table with Scale AA 2020 with males set back 2 years and females set back 2 years
Post-retirement.....	RP-2000 Combined Mortality Table with Scale AA to 2020 with males set forward 1 year
Post-disablement.....	RP-2000 Disability Life Mortality Table projected to 2020 with males set back 3 years and no provision for future mortality improvement

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

County of Chesterfield, Virginia
Notes to Financial Statements
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expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

b. VRS Teachers' Pool

The following assumptions, applied to all periods included in the measure and rolled forward to the measurement date of June 30, 2016, applied to the total pension liability for employees in the School Board VRS Teachers' Pool Plan:

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.95%
Investment rate of return.....	7.00%, net of pension plan investment expense, including inflation*
Mortality rates:	
Pre-retirement.....	RP-2000 Employee Mortality Table with Scale AA 2020 with males set forward 3 years and females set back 5 years
Post-retirement	RP-2000 Combined Mortality Table with Scale AA to 2020 with males set back 2 years and females set back 3 years
Post-disablement.....	RP-2000 Disability Life Mortality Table with males set back 1 year and no provision for future mortality improvement

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

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

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

*Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real rate of return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%

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

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2017

5. Changes in Net Pension Liabilities

a. VRS Local Plan - Primary Government

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance at June 30, 2015	\$ 957,615,971	\$ 785,687,747	\$ 171,928,224
Changes:			
Service Cost	22,272,468	-	22,272,468
Interest	65,494,255	-	65,494,255
Difference between expected and actual experience	(8,183,531)	-	(8,183,531)
Contributions - employer	-	27,306,288	(27,306,288)
Contributions - employee	-	9,096,346	(9,096,346)
Net investment income	-	13,653,023	(13,653,023)
Benefit payments, including refunds of employee contributions	(43,967,501)	(43,967,501)	-
Administrative expense	-	(484,906)	484,906
Other changes	-	(5,789)	5,789
Net changes	<u>35,615,691</u>	<u>5,597,461</u>	<u>30,018,230</u>
Balance at June 30, 2016	<u>\$ 993,231,662</u>	<u>\$ 791,285,208</u>	<u>\$ 201,946,454</u>

b. VRS Local Plan - School Board Component Unit

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance at June 30, 2015	\$ 115,997,422	\$ 96,518,094	\$ 19,479,328
Changes:			
Service cost	2,651,127	-	2,651,127
Interest	7,846,485	-	7,846,485
Difference between expected and actual experience	(1,687,860)	-	(1,687,860)
Contributions - employer	-	2,166,394	(2,166,394)
Contributions - employee	-	994,249	(994,249)
Net investment income	-	1,577,265	(1,577,265)
Benefit payments, including refunds of employee contributions	(7,809,560)	(7,809,560)	-
Administrative expense	-	(61,331)	61,331
Other changes	-	(685)	685
Net Changes	<u>1,000,192</u>	<u>(3,133,668)</u>	<u>4,133,860</u>
Balance at June 30, 2016	<u>\$ 116,997,614</u>	<u>\$ 93,384,426</u>	<u>\$ 23,613,188</u>

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

At June 30, 2017, the County and the School Board component unit owed the following amounts to the VRS plans due to the timing of when contractually required contributions payments become due.

VRS Local plan - Primary Government	\$1,751,716
VRS Local plan - School Board	108,017
VRS Teachers' Pool - School Board	3,230,084

B. Supplemental Retirement Plan - Primary Government

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

1. Summary of Significant Accounting Policies

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

2. Plan Description and Membership

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

Benefits begin to vest after five years of service. Employees who retire at or after age 65 with five years of credited service are entitled to an unreduced retirement benefit, payable monthly for life, in an amount equal to 0.875% of final average compensation in excess of covered compensation, multiplied by years of service credited to the member at retirement. Covered compensation is the average of taxable wage bases over the 35 calendar years ending with the calendar year in which the participant attains age 64. Covered compensation shall not change after a participant reaches normal retirement age. With respect to calendar years on or after 2013, the taxable wage base is the prior year's taxable wage base increased by an adjustment factor equal to the smaller of 5% and a ratio, the numerator of which is the consumer price index for urban workers (CPI-U) for the month of September immediately preceding the current January 1 and the denominator of which is the CPI-U for the month of September preceding the previous January 1, with the ratio so determined, reduced by 1.00. Employees with ten years of credited service may retire at or after age 55 and receive a reduced retirement benefit.

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

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

Active members	2,354
Terminated members with vested rights	68
Retired members with benefits in pay status and beneficiaries of deceased members receiving benefits	<u>315</u>
Total	<u>2,737</u>

3. Contributions

The Plan provides for annual employer contributions at actuarially determined amounts, which will remain relatively level over time as a percentage of payroll and will accumulate sufficient assets to meet the cost of all basic benefits when due. The actuarially determined contribution for the fiscal year ended June 30, 2017 was determined as part of the June 30, 2016 actuarial valuation. The County contributed \$1,614,144, which was equal to the actuarially determined contribution.

4. Rate of Return

As of June 30, 2017, the annual money-weighted rate of return on cash flows on the plan investments, net of pension plan investment expense, was 11.34%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

- a) Pension liabilities: The County reported a net pension liability of \$782,281. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, and actuarially rolled forward to June 30, 2017. Except for the inflation rate, there were no changes in assumptions or benefit terms since the prior measurement period. Pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources related to pensions are allocated to funds based on their proportionate share of projected monthly benefits.
- b) Pension expense: For the year ended June 30, 2017, the County recognized pension expense of \$725,162.
- c) Deferred outflows of resources and deferred inflows of resources related to pensions: Deferred outflows of resources and deferred inflows of resources related to pensions were reported from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between expected and actual earnings on plan investments	\$ 826,142	\$ -
Difference between expected and actual experience	<u>170,905</u>	<u>1,215,471</u>
Total	<u>\$ 997,047</u>	<u>\$ 1,215,471</u>

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

<u>Year ending June 30:</u>	<u>Deferred (Inflows)/ Outflows of Resources</u>
2018	\$ 14,085
2019	86,716
2020	(89,926)
2021	(229,299)
Total	<u>\$ (218,424)</u>

6. Changes in Net Pension Liability

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance at June 30, 2016	\$ 36,792,661	\$ 32,693,775	\$ 4,098,886
Service cost	341,753	-	341,753
Interest	2,356,749	-	2,356,749
Contributions - employer	-	1,614,144	(1,614,144)
Net investment income	-	3,212,058	(3,212,058)
Administrative expenses	-	(78,142)	78,142
Difference between expected and actual experience	(1,267,047)	-	(1,267,047)
Benefit payments	(1,753,487)	(1,753,487)	-
Net changes	<u>(322,032)</u>	<u>2,994,573</u>	<u>(3,316,605)</u>
Balance at June 30, 2017	<u>\$ 36,470,629</u>	<u>\$ 35,688,348</u>	<u>\$ 782,281</u>

7. Actuarial Methods and Significant Assumptions

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

Valuation date..... July 1, 2016
Investment rate of return..... 6.5%
Projected salary increases, including inflation..... 3.5%
Inflation rate 2.0%
Mortality 1994 Group Annuity Mortality Tables
for males and females, setback one
year, with no projection scale

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

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

	1% Decrease	Current Discount	1% Increase
	5.5%	6.5%	7.5%
Net pension liability (asset)	\$ 4,436,638	\$ 782,281	\$ (2,539,258)

8. Fiduciary Net Position

As of June 30, 2017, the Plan fiduciary net position of \$35,688,348, as a percentage of the total pension liability, was 97.86%.

Chesterfield County, Virginia
Supplemental Retirement
Pension Trust

Assets	
Cash and cash equivalents	\$ 2,495,150
Accounts receivable	58,391
Investments	33,140,369
Total assets	35,693,910
Liabilities	
Due to broker	5,562
Fiduciary net position	
Restricted for pension benefits	\$ 35,688,348
Additions:	
Contributions	\$ 1,614,144
Investment earnings	3,411,705
Less investment expenses	(199,646)
Net investment income	3,212,059
Total additions, net	4,826,203
Deductions:	
Benefit payments	1,753,487
Administrative expenses	78,142
Total deductions	1,831,629
Increase in net position	
restricted for pension benefits	2,994,574
Fiduciary net position - July 1, 2016	32,693,774
Fiduciary net position - June 30, 2017	\$ 35,688,348

C. Supplemental Retirement Program - Component Unit - School Board

The School Board contributes to the Supplemental Retirement Program (Program), a single-employer, defined benefit pension plan established in 1996 and administered by the School Board to provide pension benefits for certain qualified School Board employees in addition to any benefits which may be received under the VRS Local and VRS Teachers' Pool Plans or Social Security. The Program was closed to employees hired or re-hired after June 30, 2013. The Program does not issue separately audited financial statements.

County of Chesterfield, Virginia
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1. Summary of Significant Accounting Policies

- a) Basis of Accounting: The Program's financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contribution. Benefits and refunds are recognized when due and payable in accordance with the terms of the Program. It is included in the School Board Component Unit reporting entity as a Pension Trust Fund. The Program does not issue separately audited financial statements.
- b) Valuation of Investments: Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales prices at current exchange rates. Investments that do not have an established market are reported at estimated fair value. The Program's assets do not include any securities issued by the County.

2. Program Description and Membership

- a) Program Description: The School Board's Program is provided for full-time employees covered by the VRS plans with at least ten years employment by Chesterfield County Public Schools (CCPS), including the five years immediately preceding retirement. Employees must have at least twenty years in VRS or related experience as granted by CCPS, be at least age of 50, and not be retired on disability. An employee is vested under the Program when he reaches his normal retirement age defined as the time when services have been rendered in the part-time position classification selected by the employee. During the period the employee is providing services to the School Board in the part-time position, the employee's benefit is paid from the general assets of the School Board. If the employee does not complete the service required, the employee's benefits are forfeited. Benefit payments made after the first year shall be made from the Program's assets.

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

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

Active participants	4,596
Retirees (vested)	593
Retirees (non-vested)	<u>422</u>
Total	<u>5,611</u>

County of Chesterfield, Virginia
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June 30, 2017

3. Contributions

The Program provides for annual employer contributions based on actuarially determined rates. The actuarially determined contribution for the fiscal year ended June 30, 2017, was determined as part of the June 30, 2016 valuation. 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 funding requirements over the longer term. The Program is funded from available budget allocations and interest earned from the Program. The School Board contributed \$14,840,273, which was greater than the actuarially determined contribution, to the Program.

4. Rate of Return

As of June 30, 2017, the annual money-weighted rate of return on cash flows on the Program investments, net of investment expense, was 9.63%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

- a) Pension liabilities: As of June 30, 2017, the School Board reported a net pension liability of \$83,184,558. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by the June 30, 2016 actuarial valuation date, actuarially rolled forward to the reporting date of June 30, 2017.
- b) Pension expense: For the year ended June 30, 2017, the School Board recognized pension expense of \$8,193,823.
- c) Deferred outflows of resources and deferred inflows of resources related to pensions:
Deferred outflows of resources and deferred inflows of resources related to pensions were reported from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on plan investments	\$ 406,514	\$ -
Difference between actual and expected experience	9,261,380	-
Change in assumptions	<u>7,952,787</u>	<u>11,227,447</u>
Total	<u>\$ 17,620,681</u>	<u>\$ 11,227,447</u>

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

Year ending June 30:	Deferred (Inflows)/ Outflows of Resources
2018	\$ 1,113,742
2019	1,113,742
2020	942,905
2021	765,596
2022	882,368
Thereafter	1,574,881
	<u>\$ 6,393,234</u>

6. Changes in Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2016	\$ 119,038,439	\$ 19,840,239	\$ 99,198,200
Service cost	2,888,145	-	2,888,145
Interest	5,476,927	-	5,476,927
Differences between expected and actual experience	3,425,955	-	3,425,955
Change in assumptions	(11,095,541)	-	(11,095,541)
Contributions - employer	-	14,840,273	(14,840,273)
Net investment income	-	1,954,218	(1,954,218)
Administrative expenses	-	(85,363)	85,363
Benefit payments	(12,270,641)	(12,270,641)	-
Net changes	(11,575,155)	4,438,487	(16,013,642)
Balance at June 30, 2017	<u>\$ 107,463,284</u>	<u>\$ 24,278,726</u>	<u>\$ 83,184,558</u>

7. Actuarial Method and Significant Assumptions

- a) Actuarial methods and significant assumptions: The total pension liability was determined as part of the actuarial valuation at June 30, 2016, actuarially rolled forward to June 30, 2017.

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

- b) Discount Rate: The projection of cash flows used to determine the discount rate assumed that School Board contributions will be made at the current contribution rates. Based on this assumption, the Program's fiduciary net position was projected to be available to make

County of Chesterfield, Virginia
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all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 6.5% on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease 5.5%	Current Discount 6.5%	1% Increase 7.5%
Net pension liability	\$ 89,087,975	\$ 83,184,558	\$ 77,588,550

8. Fiduciary Net Position

As of June 30, 2017, the Plan fiduciary net position of \$ 24,278,726 as a percentage of the pension total liability was 22.6%.

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

Assets	
Cash, cash equivalents and investments	\$ 24,273,898
Interest Receivable	4,828
Total assets	<u>24,278,726</u>
Fiduciary Net Position	
Restricted for pension benefits	<u>\$ 24,278,726</u>
Additions:	
Contributions	\$ 14,840,273
Investment earnings	1,954,220
Total additions	<u>16,794,493</u>
Deductions:	
Benefit payments	12,270,641
Administrative expenses	85,364
Total deductions	<u>12,356,005</u>
Increase in net position restricted for pension benefits	4,438,488
Fiduciary net position - July 1, 2016	<u>19,840,238</u>
Fiduciary net position - June 30, 2017	<u>\$ 24,278,726</u>

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13. Other Postemployment Benefits Plans

A. Postemployment Retiree Healthcare Benefits - Primary Government

1. Plan Description

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

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

County contributions for pre-65 health and dental benefits at June 30, 2017 are:

Years of Service	Grandfathered	Non-grandfathered
0 to 9	-	-
10 to 14	50%	-
15 to 19	100%*	\$196 per month
20 to 24	100%*	\$294 per month
25+	100%*	\$391 per month

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

Non-grandfathered County contributions are subject to an annual 3% increase based on inflation but will never exceed the contribution for an active employee.

All retired employees, active employees who are age 65 and over, public safety employees with 25 or more years of service and non-public safety employees with 30 or more years of service (all as of January 1, 2009), will receive a County contribution toward their post-Medicare coverage no greater than \$221 per month indexed at 3% per year plus \$40 reimbursement for prescription coverage. For all other employees, the County limits its contribution toward post-Medicare coverage based on years of service. The County will contribute \$4 per month for each year of service plus a static \$40 per month for a Medicare Part D plan cost reimbursement.

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

2. Funding Policy

As of June 30, 2017, the County has \$26,597,107 in net plan assets accumulated for payment of future benefits. The County made contributions and paid premiums to the trust in amounts greater than

County of Chesterfield, Virginia
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the annual required contribution (ARC) for the fiscal year ended June 30, 2017, and intends to fund at least the ARC amount in future fiscal years. Actual contributions to the plan are appropriated on an annual basis. Employees' contributions vary according to individual elections of coverage and the level of County contribution which is based on eligibility requirements.

3. Annual OPEB cost and Net OPEB (Asset)

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

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

Annual required contribution (ARC)	\$ 8,409,318
Interest on NOPEBO	(131,178)
Adjustment to the ARC	<u>141,943</u>
Annual OPEB Cost	8,420,083
Contributions made	<u>(9,120,677)</u>
Increase in NOPEBO (asset)	(700,594)
NOPEBO (asset) beginning of year	<u>(1,873,968)</u>
NOPEBO (asset) end of year	<u>\$ (2,574,562)</u>

Three-year Trend Information

Fiscal Year Ended	Annual OPEB Cost	Percent Contributed	Net OPEB Obligation (Asset)
6/30/2017	\$ 8,420,083	108.32 %	\$ (2,574,562)
6/30/2016	8,994,588	100.67	(1,873,968)
6/30/2015	8,488,544	104.56	(1,814,403)

4. Funded Status and Funding Progress

As of June 30, 2017, the plan was 22.43% funded. The actuarial accrued liability for benefits was \$118,567,566 and the actuarial value of assets was \$26,597,107 leaving \$91,970,459 unfunded. The ratio of the unfunded actuarial liability to annual covered payroll of \$181,884,658 was 50.57%. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information since inception that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

5. Actuarial Methods and Assumptions

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

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into the future and are subject to continued revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial assumptions at June 30, 2017 included (a) 7.0% discount rate (b) medical benefit cost trend increases of 5.9% in plan year 2017 (c) dental cost trend of 5.0% annually (d) long-term payroll growth rate of 3.5% and (e) inflation rate of return of 2.5%. Plan liabilities were determined using the entry age normal actuarial cost method. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis for a period of 17 years.

Chesterfield County, Virginia
Postemployment Retiree Healthcare
Benefits Trust - County

Assets	
Cash, investments and receivable	\$ 27,097,107
Liabilities	
Due to broker	<u>500,000</u>
Fiduciary net position	
Restricted for other postemployment benefits	<u>\$ 26,597,107</u>
Additions:	
Contributions	\$ 9,120,677
Investment earnings	2,980,079
Less investment expenses	<u>(25,099)</u>
Net investment income	<u>2,954,980</u>
Total additions, net	<u>12,075,657</u>
Deductions:	
Benefit payments	8,620,677
Administrative expenses	<u>500</u>
Total deductions	<u>8,621,177</u>
Increase in net position restricted for other postemployment benefits	3,454,480
Fiduciary net position - July 1, 2016	<u>23,142,627</u>
Fiduciary net position - June 30, 2017	<u>\$ 26,597,107</u>

6. OPEB Liability - Plan - GASB Statement No. 74

Additional note disclosure and related required supplementary information about the Plan's investment performance, total OPEB liability, net OPEB liability and contributions as required under GASB Statement No. 74, are as follows below and in the required supplementary information section. The amounts disclosed are not reflected in the financial statements of the County.

- a) Rate of Return: As of June 30, 2017, the annual money-weighted rate of return on cash flows on the plan investments, net of OPEB plan investment expense, was 13.04%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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- b) Net OPEB Liability: The components of the net OPEB liability as of June 30, 2017 were as follows:

Net OPEB Liability	
Total OPEB liability	\$ 118,567,566
Plan fiduciary net position	<u>(26,597,107)</u>
Net OPEB liability	<u>\$ 91,970,459</u>
Fiduciary net position as a percent of total OPEB liability	22.43%

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

Valuation date	June 30, 2017
Investment rate of return	7.0%
Long-term projected salary increase.....	3.5%
Healthcare cost trend rates	5.9% decreasing to 4.5% in 2070
Pre-retirement mortality.....	RP-2000 Combined Healthy Mortality Table projected to 2020 by Scale AA set forward 2 years for males and set back 3 years for females
Post-retirement mortality	RP-2000 Combined Healthy Mortality Table projected to 2020 by Scale for males and set back 1 year for females

- d) Discount Rate: The discount rate used to measure the total OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at current contribution rates. Based on the current and historical commitment of the County to fully fund actuarially determined contribution amounts, the Plan's fiduciary net position combined with future contributions is sufficient to cover all projected future payments. The long-term expected rate of return on plan investments is 7.50% and, when applied to the periods of projected benefit payments, it is not anticipated that the plan's assets will be exhausted; therefore, the expected municipal bond rate was not applied in determining the discount rate.
- e) Sensitivity of net OPEB liability to changes in the discount rate: The net OPEB liability is shown below as calculated on the current 7.00% discount rate and also as calculated using discount rates 1 percent lower or 1 percent higher:

1% lower 6.00%	Current rate 7.00%	1% higher 8.00%
\$ 103,315,937	\$ 91,970,459	\$ 82,151,038

- f) Sensitivity of net OPEB liability to changes in healthcare cost trend rates: The net OPEB liability is shown below as calculated on the projected healthcare cost trend rate and also as calculated using rates 1 percent lower or 1 percent higher than assumed:

1% lower	Current rate	1% higher
\$ 86,963,321	\$ 91,970,459	\$ 97,629,617

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

1. Plan Description

The Other Postemployment Benefit (OPEB) Trust is a single employer defined benefit plan that provides health and dental insurance during retirement for certain qualified retirees and their dependents. Benefit provisions are established by the County Board and may be amended at any time. The Board of Trustees, appointed by the County Board, administers the plan. The OPEB Trust is considered part of the County's reporting entity and is included in the County's financial statements as an OPEB Trust Fund. No separately audited financial statements are available. The County joined other Virginia localities by opting to participate in the 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, 2016, are:

Years of Service	Grandfathered	Non-grandfathered
0 to 9	-	-
10 to 14	100%*	-
15 to 19	100%*	\$196 per month
20 to 24	100%*	\$294 per month
25+	100%*	\$391 per month

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

Non-grandfathered School Board contributions are subject to an annual 3% increase based on inflation but will never exceed the contribution for an active employee.

All retired employees and active employees who are age 65 and over and with 30 or more years of service (all as of January 1, 2009), will receive a School Board contribution toward their post-Medicare coverage no greater than \$221 per month indexed at 3% per year plus \$40 reimbursement for prescription coverage. For all other employees, the School Board limits its contribution toward post-Medicare coverage based on years of service. The School Board will contribute \$4 per month for each year of service plus a static \$40 per month for a Medicare Part D plan cost reimbursement.

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

2. Funding Policy

As of July 1, 2017, the School Board has \$14,260,963 in plan assets accumulated for payment of future benefits. The School Board made contributions and paid premiums to the trust in amounts greater than the annual required contribution (ARC) for the fiscal year ended June 30, 2017, and intends to fund at least the ARC amount in future fiscal years. Actual contributions to the plan are appropriated on an annual basis. Employees' contributions vary according to individual elections of coverage and the level of School Board contribution which is based on eligibility requirements.

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3. Annual OPEB cost and Net OPEB (Asset)

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

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

Net Other Postemployment Benefits Obligation (NOPEBO) (ASSET)	
Annual required contribution (ARC)	\$ 15,478,605
Interest on NOPEBO	(99,266)
Adjustment to the ARC	89,395
Annual OPEB Cost	15,468,734
Contributions made	(17,652,329)
Increase in NOPEBO (asset)	(2,183,595)
NOPEBO (asset) beginning of year	(1,418,094)
NOPEBO (asset) end of year	\$ (3,601,689)

Three-year Trend Information

Fiscal Year Ended	Annual OPEB Cost	Percent Contributed	Net OPEB Obligation (Asset)
6/30/2017	\$ 15,468,734	114.12 %	\$ (3,601,689)
6/30/2016	16,570,938	107.90	(1,418,094)
6/30/2015	16,632,253	100.00	(112,925)

4. Funded Status and Funding Progress

As of July 1, 2017, the plan was 6.46% funded. The actuarial accrued liability for benefits was \$220,686,357 and the actuarial value of assets was \$14,260,963 leaving \$206,425,394 unfunded. The ratio of the unfunded actuarial liability to annual covered payroll of \$319,003,486 was 64.71%. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information since inception that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

5. Actuarial Methods and Assumptions

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

The actuarial assumptions at June 30, 2017, included (a) 7.0% discount rate (b) medical benefit cost trend increases of 5.9% in plan year 2017 (c) dental cost trend of 5.0% annually (d) long-term payroll growth rate of 3.5% and (e) inflation rate of return of 2.3%. Plan liabilities were determined using

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the entry age normal actuarial cost method. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over a closed period of 22 years.

Chesterfield County, Virginia
Postemployment Retiree Healthcare
Benefits Trust - Schools

Assets	
Cash, investments and receivable	\$ 16,129,292
Liabilities	
Due to broker	<u>1,868,329</u>
Fiduciary Net Position	
Restricted for other postemployment benefits	<u>\$ 14,260,963</u>
Additions:	
Contributions	\$ 17,652,329
Investment earnings	1,415,298
Less investment expenses	<u>(11,743)</u>
Net investment income	<u>1,403,555</u>
Total additions, net	<u>19,055,884</u>
Deductions:	
Benefit payments	15,784,000
Administrative expenses	<u>500</u>
Total deductions	<u>15,784,500</u>
Increase in net position restricted for other postemployment benefits	3,271,384
Fiduciary net position - July 1, 2016	<u>10,989,579</u>
Fiduciary net position - June 30, 2017	<u>\$ 14,260,963</u>

6. OPEB Liability - Plan - GASB Statement No. 74

Additional note disclosure and related required supplementary information about the Plan's investment performance, total OPEB liability, net OPEB liability and contributions as required under GASB Statement No. 74, are as follows below and in the required supplementary information section. The amounts disclosed are not reflected in the financial statements of the School Board.

- a) Rate of Return: As of June 30, 2017, the annual money-weighted rate of return on cash flows on the plan investments, net of OPEB plan investment expense, was 13.04%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.
- b) Net OPEB Liability: The components of the net OPEB liability as of June 30, 2017 were as follows:

Net OPEB Liability	
Total OPEB liability	\$ 220,686,357
Plan fiduciary net position	<u>(14,260,963)</u>
Net OPEB liability	<u>\$ 206,425,394</u>
Fiduciary net position as a percent of total OPEB liability	6.46%

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

Valuation date	June 30, 2017
Investment rate of return	7.0%
Long-term projected salary increase.....	3.5%
Healthcare cost trend rates	5.9% decreasing to 4.5% in 2070
Pre-retirement mortality.....	RP-2000 Combined Healthy Mortality Table projected to 2020 by Scale AA set back 3 years for males and set back 5 years for females
Post-retirement mortality	RP-2000 Combined Healthy Mortality Table projected to 2020 by Scale AA set back 2 years for males and set back 3 years for females

- d) Discount Rate: The discount rate used to measure the total OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at current contribution rates. Based on the current and historical commitment of the School Board to fully fund actuarially determined contribution amounts, the Plan's fiduciary net position combined with future contributions is sufficient to cover all projected future payments. The long-term expected rate of return on plan investments is 7.50% and, when applied to the periods of projected benefit payments, it is not anticipated that the plan's assets will be exhausted; therefore, the expected municipal bond rate was not applied in determining the discount rate.
- e) Sensitivity of net OPEB liability to changes in the discount rate: The net OPEB liability is shown below as calculated on the current 7.00% discount rate and also as calculated using discount rates 1 percent lower or 1 percent higher:

1%	Current	1%
lower	rate	higher
6.00%	7.00%	8.00%
\$ 229,098,225	\$ 206,425,393	\$ 187,001,681

- f) Sensitivity of net OPEB liability to changes in healthcare cost trend rates: The net OPEB liability is shown below as calculated on the projected healthcare cost trend rate and also as calculated using rates 1 percent lower or 1 percent higher than assumed:

1%	Current	1%
lower	rate	higher
\$ 188,827,740	\$ 206,425,393	\$ 227,000,764

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

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duty. Benefit provisions and eligibility requirements are established by title 9.1 Chapter 4 of the Code of Virginia. There were approximately 1,471 participants in the program in fiscal year 2017. A Board of Trustees, appointed by the County Board, administers the plan. The OPEB - Line of Duty Trust is considered part of the County's reporting entity and is included in the County's financial statements as an OPEB Trust Fund. No separately audited financial statements are available. The County joined other Virginia localities by opting to participate in the VML/VACo Trust Fund for the purpose of investing OPEB contributions. VML/VACo issues audited financial statements which can be obtained by contacting the VML/VACo Finance Program, 919 E. Main Street Suite 1100, Richmond, Virginia 23219.

2. Funding Policy

As of June 30, 2017, the County has \$7,417,980 in net plan assets accumulated for payment of future benefits. The County made contributions of \$959,000 for the fiscal year ended June 30, 2017, which was less than the ARC, and intends to fund at least the ARC amount in future fiscal years. Actual contributions to the plan are appropriated on an annual basis.

3. Annual OPEB cost and Net OPEB Obligation

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

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

Annual required contribution (ARC)	\$ 999,464
Interest on NOPEBO	(155,780)
Adjustment to the ARC	<u>115,312</u>
Annual OPEB Cost	958,996
Contributions made	<u>(959,000)</u>
Increase in NOPEBO (asset)	(4)
NOPEBO (asset) beginning of year	<u>(2,225,426)</u>
NOPEBO (asset) end of year	<u>\$ (2,225,430)</u>

Three-year Trend Information

Fiscal Year Ended	Annual OPEB Cost	Percent Contributed	Net OPEB Obligation (Asset)
6/30/2017	\$ 958,996	100.00 %	\$ (2,225,430)
6/30/2016	577,817	104.72	(2,225,430)
6/30/2015	992,987	104.29	(2,198,168)

4. Funded Status and Funding Progress

As of June 30, 2017, the plan was 51.99% funded. The actuarial accrued liability for benefits was \$14,267,433 and the actuarial value of assets was \$7,417,980 leaving \$6,849,453 unfunded. The ratio of the unfunded actuarial liability to annual covered payroll of \$65,181,494 was 10.51%. 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

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of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

5. Actuarial Methods and Assumptions

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

The actuarial assumptions at June 30, 2017, included (a) 7.0% discount rate (b) medical benefit cost trend increases of 5.9% in plan year 2017 (c) dental cost trend of 5.0% annually and (d) implicit inflation rate of 2.3%. Plan liabilities were determined using the entry age normal actuarial cost method with attribution to the event that caused the death or disability. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis for a period of 30 years.

Chesterfield County, Virginia	
Postemployment Line of Duty	
Benefits Trust - County	
Assets	
Cash, investments and receivable	\$ 8,008,980
Liabilities	
Due to broker	<u>591,000</u>
Fiduciary net position	
Restricted for other postemployment benefits	<u>\$ 7,417,980</u>
Additions:	
Contributions	\$ 959,000
Investment earnings	779,663
Less investment expenses	<u>(6,531)</u>
Net investment income	<u>773,132</u>
Total additions, net	<u>1,732,132</u>
Deductions:	
Benefit payments	368,000
Administrative expenses	<u>500</u>
Total deductions	<u>368,500</u>
Increase in net position restricted for other postemployment benefits	1,363,632
Fiduciary net position - July 1, 2016	<u>6,054,348</u>
Fiduciary net position - June 30, 2017	<u>\$ 7,417,980</u>

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2017

6. OPEB Liability - Plan - GASB Statement No. 74

Additional note disclosure and related required supplementary information about the Plan's investment performance, total OPEB liability, net OPEB liability and contributions as required under GASB Statement No. 74, are as follows below and in the required supplementary information section. The amounts disclosed are not reflected in the financial statements of County.

- a) Rate of Return: As of June 30, 2017, the annual money-weighted rate of return on cash flows on the plan investments, net of OPEB plan investment expense, was 13.04%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.
- b) Net OPEB Liability: The components of the net OPEB liability as of June 30, 2017 were as follows:

Net OPEB Liability	
Total OPEB liability	\$ 14,267,433
Plan fiduciary net position	<u>(7,417,980)</u>
Net OPEB liability	<u>\$ 6,849,453</u>
Fiduciary net position as a percent of total OPEB liability	51.99%

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

Valuation date	June 30, 2017
Investment rate of return	7.0%
Projected long-term salary increase	3.5%
Healthcare cost trend rates	5.9% decreasing to 4.5% in 2070
Pre-retirement mortality.....	RP-2000 Combined Healthy Mortality Table projected to 2020 by Scale AA set forward 2 years for males and set back 3 years for females
Post-retirement mortality	RP-2000 Combined Healthy Mortality Table projected to 2020 by Scale AA for males and set back 1 year for females

- d) Discount Rate: The discount rate used to measure the total OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at current contribution rates. Based on the current and historical commitment of the County to fully fund actuarially determined contribution amounts, the Plan's fiduciary net position combined with future contributions is sufficient to cover all projected future payments. The long-term expected rate of return on plan investments is 7.50% and, when applied to the periods of projected benefit payments, it is not anticipated that the plan's assets will be exhausted; therefore, the expected municipal bond rate was not applied in determining the discount rate.

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2017

- e) Sensitivity of net OPEB liability to changes in the discount rate: The net OPEB liability is shown below as calculated on the current 7.00% discount rate and also as calculated using discount rates 1 percent lower or 1 percent higher:

1%	Current	1%
lower	rate	higher
6.00%	7.00%	8.00%
\$ 9,146,464	\$ 6,849,453	\$ 5,116,383

- f) Sensitivity of net OPEB liability to changes in healthcare cost trend rates: The net OPEB liability is shown below as calculated on the projected healthcare cost trend rate and also as calculated using rates 1 percent lower or 1 percent higher than assumed:

1%	Current	1%
lower	rate	higher
\$ 4,709,748	\$ 6,849,453	\$ 9,758,297

14. Tax Abatements

A. General

Incentive Program for Rehabilitation of Commercial Properties - The County has adopted an ordinance granting a partial tax exemption for certain commercial or industrial structures that have been rehabilitated, renovated or replaced. This program is established under the authority provided by the Code of Virginia §58.1-3221. Upon approval, the partial exemption will be in effect for seven years. The amount of the exemption is based solely on the increase in assessed value and does not change over the seven-year period. Generally, to qualify, the commercial or industrial structures must be no less than 25 years of age, the increase in assessed value must be 15% or more and the taxpayer must apply for the exemption within 12 months after the filing date of the building permit application for the rehabilitation, renovation or replacement structure. Because real property taxes are not abated until after the improvements have been made, there are no provisions for recapturing abated taxes. In fiscal year 2017, tax abatements for the County's incentive program for rehabilitation of commercial properties totaled \$288,069. No other commitments are made by the County as part of these agreements.

B. Technology Zone Programs

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

Machinery and Tools – Any business which after January 1, 2006 either locates in a technology zone or undergoes a facility expansion or renovation which results in an increase of 15% or \$50,000, whichever is greater, in the assessed value of its machinery and tools over the value of its machinery and tools from the previous year can qualify for a 100% rebate of the increase in machinery and tools taxes for five consecutive years. The taxpayer must apply for and access the rebate within one year of start of operations in the technology zone, or within one year of a qualifying facility expansion or renovation in order to receive the rebate. In fiscal year 2017, tax abatements for the County's Technology Zone Programs for Machinery and Tools taxes totaled \$209,609. No other commitments are made by the County as part of these agreements.

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2017

Personal Property – Any business which locates from outside the County to a technology zone is qualified to receive a rebate of personal property tax. An application for rebate under this section must be submitted to the County and the benefit accessed by the business within one year of locating in the technology zone. The rebate shall be equal to 100% of the taxes paid on business tangible personal property up to a maximum of \$100,000 for the first calendar year the business is located in the technology zone. To qualify for the rebate, the business must make a capital investment of at least \$3,000,000 in the technology zone. In fiscal year 2017, tax abatements for the County's Technology Zone Programs for Personal Property taxes totaled \$40,402. No other commitments are made by the County as part of these agreements.

Business License – Any business required to obtain a license based on gross receipts or purchases and is located in or makes improvements to a building within a technology zone, on or after the date on which the technology zone was established, may be qualified to receive tax relief of the increase in gross receipts or purchases over the business' gross receipts or purchase during the base year. To qualify for the relief, the business must apply within one year of start of operations in the zone. The tax and fee relief period will begin in the tax year after the business qualifies for the relief and will last for four additional tax years, or for so long as the business remains within any technology zone, whichever period is shorter. In fiscal year 2017, tax abatements for the County's Technology Zone Programs for Business License fees totaled \$75,940. No other commitments are made by the County as part of these agreements.

C. Sports Tourism and Public Entertainment and Recreation

Under the authority provided by the Code of Virginia §15.2-4905, the Board may approve, through local resolution, individual incentive packages to encourage growth that provides significant economic benefits to the County in terms of capital investment, sports tourism and/or public entertainment and recreation. Economic Development staff negotiate the terms of these agreements and the County agrees to rebate a portion of agreed upon taxes and, in exchange, the tax payer agrees to meet certain performance measures, which typically include a minimum capital investment and the creation of a minimum number of new, full-time jobs. Each performance agreement specifies the duration of the tax abatement period and other any terms or conditions that apply to the transaction. The County has made no other commitments as part of these agreements other than to reduce taxes. In fiscal year 2017, the County abated \$110,986 in real estate taxes related to the fourth year of a five-year agreement with a taxpayer who constructed a sports tourism facility in the County.

D. Tax Increment Financing

Under the authority of Code of Virginia §58.1-3245.2, the County adopted various tax increment financing agreements with community development authorities that were created by the County for the purpose of financing, planning, acquisition and construction of infrastructure improvements within each authority's designated development district. The authorities have pledged the tax increments to pay debt service on long-term debt issued to finance infrastructure improvements. Based on the individual agreements, the County has agreed to pay a range of 64% to 100% of incremental real estate taxes that exceed base amounts to each authority. For fiscal year 2017, the County paid \$1,436,022 in real property tax increments. The County also agreed to pay from 34% to 100% of its the local portion of sales tax revenue collected each calendar year from retail establishments within the districts to each authority. For fiscal year 2017, the County paid \$755,146 in sales tax revenues related to calendar years 2015 and 2016.

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2017

15. Joint Ventures

A. Appomattox River Water Authority

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

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

The County retains an ongoing financial responsibility for the joint venture due to the requirement to purchase water and the capacity rights, (note 1.D.6), received in connection with the expansion of the treatment plant. The County's purchases of water for the year ended June 30, 2017, were \$6,968,566. 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 2017.

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

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2017

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

Each participating jurisdiction is authorized to levy an 8% transient occupancy tax and has agreed in the Hotel Tax Payment Agreement to appropriate and to pay to the Convention Authority an amount equal to the total amount of transient occupancy tax collected. The County recorded an expenditure of \$5,186,616 for transient occupancy tax to the Convention Authority during the year ended June 30, 2017.

Each participating jurisdiction intends that its respective tax payment will be sufficient to fund its allocated share of operating costs as defined in the Interlocal Agreement. The County received \$3,037,924 from the Convention Authority for tax payments made in excess of its allocated share of operating costs during the year ended June 30, 2017.

On May 19, 1998, the Convention Authority entered into a fiscal services agreement with the County. The agreement specifies that the County provide services to the Convention Authority to (1) direct and monitor the investment and disbursement of funds from future revenue bonds held by the trustee; (2) receive and manage revenues transferred on behalf of the Convention Authority to the Treasurer of Chesterfield County; (3) maintain accounting records in accordance with generally accepted accounting principles and coordinate with outside independent auditors; (4) monitor and control the Convention Authority's budget; and (5) secure arbitrage reporting and financial advisory services. In accordance with the terms of the fiscal agent agreement, the Convention Authority made payments of \$113,400 to the County for the year ended June 30, 2017. 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, 2017, there was one fixed GRTC routes in the County and a \$166,410 contribution was made by the County in fiscal year 2017. 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.

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2017

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, 2017, were \$11,198,960. Complete financial statements for the Jail Authority can be obtained from the Riverside Regional Jail Authority's office at 500 Folar Trail, North Prince George, VA 23860.

F. South Central Wastewater Authority

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

The County paid \$4,786,709 on July 2, 1996, representing its share of acquired debt and an initial operations and maintenance deposit. The County will be responsible for its portion of operation and maintenance expenses on a monthly basis, based on the Service Agreement. The County's purchases of wastewater services for the year ended June 30, 2017 were \$745,350. Complete financial statements for the Wastewater Authority can be obtained from the South Central Wastewater Authority's Office at 900 Magazine Road, Petersburg, VA 23803.

16. Related Organizations and Jointly Governed Organizations

A. Health Center Commission for the County of Chesterfield

The Health Center Commission for the County of Chesterfield (Health Center Commission) was created on January 13, 1993 by the County Board, pursuant to Chapter 37, Title 15.1 of the Code of Virginia, for the purpose of operating a long-term care facility and independent living campus (Lucy Corr Village). The seven members of the Health Center Commission are appointed by the Board; however there is no ability of the Board to direct the members of the Health Center Commission with respect to carrying out the Health Center Commission's fiscal and management functions and the Health Center Commission has no significant financial benefit or financial burden relationship with the County. The County provides support services to the Health Center Commission on a cost basis. For fiscal year 2017, the County received \$45,701 from the Health Center Commission for providing support services.

B. Central Virginia Waste Management Authority

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

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2017

financial interest or responsibility in the Waste Authority. The County's contribution and direct payments for special projects for the year ended June 30, 2017, were \$3,550,511.

C. Greater Richmond Partnership

The Greater Richmond Partnership is comprised of members from the City of Richmond and the Counties of Chesterfield, Hanover, and Henrico. Together in partnership with the business leadership of the area, the Greater Richmond Partnership's purpose is to further economic development of the metropolitan area. The County has one representative serving on the Greater Richmond Partnership's eight-member Board of Directors and contributed \$385,000 for the year ended June 30, 2017.

D. Petersburg Area Regional Tourism Corporation

The Petersburg Area Regional Tourism Corporation (PART) is comprised of sixteen members from the Counties of Chesterfield, Dinwiddie, Prince George, the Cities of Colonial Heights, Hopewell and Petersburg. The major function of the PART is to develop a regional tourism marketing initiative that will result in increased tourism visitation and spending. In addition, the PART will assist member localities in strategic product development planning. The County has two representatives serving on the PART, and paid a contribution of \$100,000 for the year ended June 30, 2017.

E. Richmond Region Tourism

Richmond Region Tourism (RRT), formerly the Richmond Metropolitan Convention and Visitors Bureau, serves the City of Richmond and the Counties of Chesterfield, Hanover, Henrico and New Kent by promoting conventions, tourism and development in the Metropolitan Richmond area in order to increase revenues, provide increased employment and improve the economic health of all jurisdictions involved. The RRT has twenty-three members and the County has two representatives serving on RRT's Board of Directors and contributed \$970,695 for the year ended June 30, 2017.

F. Richmond Regional Planning District Commission

The Richmond Regional Planning District Commission (RRPDC) is comprised of thirty-three members from the Counties of Charles City, Chesterfield, Goochland, Hanover, Henrico, New Kent, Powhatan, the City of Richmond and the Town of Ashland. The major objectives of the RRPDC are to promote regional cooperation; coordinate the activities and policies of member local governments; resolve service delivery problems involving more than one government within the region and provide planning assistance to local governments. In accordance with its Charter, the RRPDC promotes the orderly physical, social and economic development of the region through planning and encouraging local governments to plan for the future. The County has seven representatives serving on the RRPDC and paid total dues of \$213,722 for the year ended June 30, 2017.

G. Virginia's Gateway Region Board

Virginia's Gateway Region Board (VGRB) serves the Counties of Chesterfield, Dinwiddie, Prince George, Surry and Sussex, as well as the Cities of Colonial Heights, Hopewell and Petersburg in their efforts to provide balanced industrialization to commission members. The County has two representatives serving on VGRB's twenty-five member board and contributed \$71,920 to VGRB for the year ended June 30, 2017.



REQUIRED SUPPLEMENTARY INFORMATION

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

Schedule of Changes in Net Pension Liability and Related Ratios*

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

Notes to Schedule:

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

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

Schedule of County Contributions*

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 26,687,165	\$ 27,304,007	\$ 23,648,015
Contributions in relation to contractually required contribution	<u>26,687,165</u>	<u>27,304,007</u>	<u>23,648,015</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 173,942,815	\$ 175,451,036	\$ 181,566,910
Contributions as a percentage of covered-employee payroll	15.34%	15.56%	13.02%

Notes to Schedule:

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

Methods and assumptions used to determine contribution rates:

	<u>Non-Hazardous</u>	<u>Hazardous Duty</u>
Actuarial cost method	Entry age normal cost method	Entry Age Actuarial Cost
Amortization method	Level percent closed	Level percent closed
Remaining amortization period	26 years	16 years
Asset valuation method	5-year smoothed market	5-year smoothed market
Inflation rate	2.5%	2.5%
Projected salary increases	3.5% - 5.35 % per annum, compounded annually	3.5% - 4.75 % per annum, compounded annually
Investment rate of return	7.0% per annum, compounded annually	7.0% per annum, compounded annually

* Schedules are intended to show information for 10 years. Since 2015 was the first year of this presentation, no other data is available. Additional years will be included as they become available.

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

Schedule of Changes in Net Pension Liability and Related Ratios*

	2014	2015	2016	2017
Total pension liability				
Service cost	\$ 436,406	\$ 403,634	\$ 389,168	\$ 341,753
Interest	2,175,203	2,230,938	2,246,553	2,356,749
Difference between expected and actual experience	(326,029)	(771,910)	314,521	(1,267,047)
Benefit payments, including refunds of member contributions	(1,380,465)	(1,467,615)	(1,574,809)	(1,753,487)
Net change in total pension liability	905,115	395,047	1,375,433	(322,032)
Plan total pension liability - beginning	34,117,066	35,022,181	35,417,228	36,792,661
Plan total pension liability - ending	<u>\$ 35,022,181</u>	<u>\$ 35,417,228</u>	<u>\$ 36,792,661</u>	<u>\$ 36,470,629</u>
Plan fiduciary net position				
Contributions - employer	\$ 2,400,000	\$ 2,200,000	\$ 1,779,372	\$ 1,614,144
Net investment income	3,988,515	836,727	(78,505)	3,212,058
Benefit payments, including refunds of member contributions	(1,292,402)	(1,467,615)	(1,574,809)	(1,753,487)
Administrative expense	(88,063)	(76,370)	(67,274)	(78,142)
Net change in Plan fiduciary net position	5,008,050	1,492,742	58,784	2,994,573
Plan fiduciary net position - beginning	26,134,199	31,142,249	32,634,991	32,693,775
Plan fiduciary net position - ending	<u>\$ 31,142,249</u>	<u>\$ 32,634,991</u>	<u>\$ 32,693,775</u>	<u>\$ 35,688,348</u>
Plan net pension liability - ending	<u>\$ 3,879,932</u>	<u>\$ 2,782,237</u>	<u>\$ 4,098,886</u>	<u>\$ 782,281</u>
Plan fiduciary net position as a percentage of the total pension liability	88.92%	92.14%	88.86%	97.86%
Covered-employee payroll	\$ 152,639,449	\$ 146,058,394	\$ 137,953,101	\$ 127,044,622
Plan net pension liability as a percentage of covered-employee payroll	2.54%	1.90%	2.97%	0.62%

Notes to Schedule:

There were no benefit changes or changes to actuarial assumptions or methods for the 2014-2016 Plan year. In 2017, the inflation rate was changed to 2%.

	2014	2015	2016	2017
Annual money-weighted rate of return	16.08%	3.37%	0.30%	11.34%

Schedule of County Contributions*

	2014	2015	2016	2017
Actuarially determined contribution	\$ 1,850,332	\$ 1,703,209	\$ 1,579,372	\$ 1,614,144
Contributions in relation to the actuarially determined contribution	2,400,000	2,200,000	1,779,372	1,614,144
Contribution excess	<u>\$ (549,668)</u>	<u>\$ (496,791)</u>	<u>\$ (200,000)</u>	<u>\$ -</u>
Covered-employee payroll	\$ 152,639,449	\$ 146,058,394	\$ 137,953,101	\$ 127,044,622
Contributions as a percentage of covered-employee payroll	1.57%	1.51%	1.29%	1.27%

Notes to Schedule:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level Dollar
Amortization period	20 years closed - actuarial gains and losses; 40 years closed-other
Asset valuation method	Adjusted Market Value
Inflation rate	3% (2014-2016); 2% (2017)
Projected salary increases	3.5% per annum, compounded annually
Investment rate of return	6.5% per annum, compounded annually
Retirement age	Less than 30 years of service and age 50-70 weighted from 3-100%; more than 30 years of service and age 50-70 weighted from 10-100%
Mortality	1994 Group Annuity Mortality Tables for males and females, setback one year, with no projection scale

Other information:

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

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

County of Chesterfield, Virginia
Required Supplementary Information (Unaudited)
Primary Government and School Board Component Unit
(See Accompanying Report of the Independent Auditor)

Primary Government
Other Postemployment Benefits Plan - Retiree Healthcare

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)*	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2017	\$ 26,597,107	\$ 118,567,566	\$ 91,970,459	22.43 %	\$ 181,884,658	50.57 %
7/1/2016	23,142,627	112,162,326	89,219,699	20.63	181,773,143	49.08
7/1/2015	22,433,762	108,533,051	86,099,289	20.67	174,662,020	49.29
7/1/2014	21,277,961	107,592,178	86,314,217	19.78	174,662,020	49.42
7/1/2013	18,235,054	116,627,914	98,392,860	15.64	173,533,265	56.70
7/1/2012	15,207,379	113,027,051	97,819,672	13.45	173,533,265	56.37

Primary Government
Other Postemployment Benefits Plan - Line of Duty

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)*	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2017	\$ 7,417,980	\$ 14,267,433	\$ 6,849,453	51.99 %	\$ 65,181,494	10.51 %
7/1/2016	6,054,348	10,869,925	4,815,577	55.70	65,256,708	7.38
7/1/2015	5,724,957	10,020,020	4,295,063	57.14	60,439,854	7.11
7/1/2014	4,922,775	12,165,779	7,243,004	40.46	60,439,854	11.98
7/1/2013	3,899,867	9,929,322	6,029,455	39.28	59,044,641	10.21
7/1/2012	2,979,062	9,221,148	6,242,086	32.31	59,044,641	10.57

School Board Component Unit
Other Postemployment Benefits Plan - Retiree Healthcare

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)*	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2017	\$ 14,260,963	\$ 220,686,357	\$ 206,425,394	6.46 %	\$ 319,003,486	64.71 %
7/1/2016	10,989,579	211,428,436	200,438,858	5.20	311,222,914	64.40
7/1/2015	10,010,980	209,375,812	199,364,832	4.80	303,632,112	65.66
7/1/2014	8,673,702	205,546,119	196,872,417	4.22	296,226,450	66.46
7/1/2013	6,877,165	218,951,407	212,074,242	3.14	289,001,415	73.38
7/1/2012	5,423,624	231,569,855	226,146,231	2.34	277,171,421	81.59

*For years 2012-2016, the actuarial cost method was projected unit of credit, which changed to entry age normal on 7/1/2017.

County of Chesterfield, Virginia
Required Supplementary Information (Unaudited)
Primary Government
(See Accompanying Report of the Independent Auditor)
Other Postemployment Benefits Plan - Retiree Healthcare
Schedule of Changes in Net OPEB Liability and Related Ratios*

Total OPEB liability	<u>2017</u>
Service cost	\$ 927,910
Interest	8,038,741
Benefit payments, including refunds of member contributions	<u>(8,620,676)</u>
Net change in total OPEB liability	345,975
Plan total OPEB liability - beginning	<u>118,221,591</u>
Plan total OPEB liability - ending	<u>\$ 118,567,566</u>
Plan fiduciary net position	
Contributions - employer	\$ 9,120,677
Net investment income	2,954,980
Benefit payments, including refunds of member contributions	(8,620,677)
Administrative expense	<u>(500)</u>
Net change in Plan fiduciary net position	3,454,480
Plan fiduciary net position - beginning	<u>23,142,627</u>
Plan fiduciary net position - ending	<u>\$ 26,597,107</u>
Plan net OPEB liability - ending	<u>\$ 91,970,459</u>
Plan fiduciary net position as a percentage of the total OPEB liability	22.43%
Covered-employee payroll	\$ 181,884,658
Plan net OPEB liability as a percentage of covered-employee payroll	50.57%

Notes to Schedule:

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

	<u>2017</u>
	13.04%
Annual money-weighted rate of return	

Schedule of County Contributions*

	<u>2017</u>
Actuarially required contribution	\$ 8,409,418
Contributions in relation to actuarially required contribution	<u>9,120,677</u>
Contribution excess	<u>\$ (711,259)</u>
Covered-employee payroll	\$ 181,884,658
Contributions as a percentage of covered-employee payroll	5.01%

Notes to Schedule:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal cost method
Amortization method	Level percent closed
Remaining amortization period	17 years
Asset valuation method	Market value
Healthcare cost trend rate	5.9%
Projected long-term salary increases	3.50%
Investment rate of return	7.0% per annum, compounded annually

* Schedules are intended to show information for 10 years. Since 2017 was the first year of this presentation, no other data is available. Additional years will be included as they become available.

County of Chesterfield, Virginia
Required Supplementary Information (Unaudited)
Primary Government
(See Accompanying Report of the Independent Auditor)
Other Postemployment Benefits Plan - Line of Duty
Schedule of Changes in Net OPEB Liability and Related Ratios*

Total OPEB liability	2017
Service cost	\$ 601,750
Interest	945,421
Benefit payments, including refunds of member contributions	<u>(368,000)</u>
Net change in total OPEB liability	1,179,171
Plan total OPEB liability - beginning	<u>13,088,262</u>
Plan total OPEB liability - ending	<u><u>\$ 14,267,433</u></u>
Plan fiduciary net position	
Contributions - employer	\$ 959,000
Contributions - employee	-
Net investment income	779,663
Benefit payments, including refunds of member contributions	(368,000)
Administrative expense	<u>(7,031)</u>
Net change in Plan fiduciary net position	1,363,632
Plan fiduciary net position - beginning	<u>6,054,348</u>
Plan fiduciary net position - ending	<u><u>\$ 7,417,980</u></u>
Plan net OPEB liability - ending	<u><u>\$ 6,849,453</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	51.99%
Covered-employee payroll	\$ 65,181,494
Plan net OPEB liability as a percentage of covered-employee payroll	10.51%

Notes to Schedule:

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

	2017
Annual money-weighted rate of return	13.04%

Schedule of County Contributions*

	2017
Actuarially required contribution	\$ 999,464
Contributions in relation to actuarially required contribution	<u>959,000</u>
Contribution deficiency	<u><u>\$ 40,464</u></u>
Covered-employee payroll	\$ 65,181,494
Contributions as a percentage of covered-employee payroll	1.47%

Notes to Schedule:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal cost method
Amortization method	Level percent closed
Remaining amortization period	30 years
Asset valuation method	Market value
Healthcare cost trend rate	5.9%
Projected long-term salary increases	3.50%
Investment rate of return	7.0% per annum, compounded annually

* Schedules are intended to show information for 10 years. Since 2017 was the first year of this presentation, no other data is available. Additional years will be included as they become available.

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

Schedule of Changes in Net Pension Liability and Related Ratios*

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

Notes to Schedule:

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

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

Schedule of School Board Contributions*

	2015	2016	2017
Contractually required contribution	\$ 2,839,118	\$ 2,166,398	\$ 1,493,860
Contributions in relation to contractually required contribution	<u>2,839,118</u>	<u>2,166,398</u>	<u>1,493,860</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 27,158,776	\$ 25,240,789	\$ 19,762,536
Contributions as a percentage of covered-employee payroll	10.90%	8.58%	7.56%

Notes to Schedule:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal cost method
Amortization method	Level percent closed
Amortization period	27 years
Asset valuation method	5-year smoothed market
Inflation rate	2.5%
Projected salary increases	3.5% - 5.35 % per annum, compounded annually
Investment rate of return	7.0% per annum, compounded annually

* Schedules are intended to show information for 10 years. Since 2015 was the first year of this presentation, no other data is available.

Additional years will be included as they become available.

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

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Proportionate Share of the Net Pension Liability	3.65792%	3.68087%	3.64488%
Proportionate Share of the Net Pension Liability	\$ 442,048,000	\$ 463,287,000	\$ 510,798,000
Covered employee payroll	272,561,876	267,295,731	285,569,809
Proportionate Share of the Net Pension Liability as a percentage of covered employee payroll	162.18%	173.32%	178.87%
Plan Fiduciary Net Position as percentage of the Total Pension Liability	70.88%	70.68%	70.68%

Notes to Schedule:

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

Schedule of School Board Contributions*

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 39,521,472	\$ 38,757,881	\$ 41,864,534
Contributions in relation to contractually required contribution	<u>39,521,472</u>	<u>38,757,881</u>	<u>41,864,534</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 272,561,876	\$ 267,295,731	\$ 285,569,809
Contributions as a percentage of covered-employee payroll	14.50%	14.50%	14.66%

Notes to Schedule:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Actuarial Cost
Amortization method	Level percent closed
Amortization period	29 years
Asset valuation method	5-year smoothed market
Inflation rate	2.5%
Projected salary increases	3.5% - 5.95 % per annum, compounded annually
Investment rate of return	7.0% per annum, compounded annually

* Schedules are intended to show information for 10 years. Since 2015 is the first year of this presentation, no other data is available.

Additional years will be included as they become available.

County of Chesterfield, Virginia
Required Supplementary Information (Unaudited)
School Board Component Unit
(See Accompanying Report of the Independent Auditor)
Supplemental Retirement Program (Program)

Schedule of Changes in Net Pension Liability and Related Ratios*

	2014	2015	2016	2017
Total pension liability				
Service cost	\$ 1,938,164	\$ 1,668,165	\$ 1,915,218	\$ 2,888,145
Interest	6,885,837	5,057,421	4,964,736	5,476,927
Difference between expected and actual experience	(5,862,476)	-	8,053,289	3,425,955
Changes of assumptions	3,954,534	(2,088,417)	10,225,013	(11,095,641)
Benefit payments, including refunds of member contributions	(12,252,008)	(12,268,111)	(11,252,201)	(12,270,541)
Net change in total pension liability	(5,335,949)	(7,630,942)	13,906,055	(11,575,155)
Program total pension liability - beginning	91,811,165	86,475,216	105,132,384	119,038,439
Program total pension liability - ending	<u>\$ 86,475,216</u>	<u>\$ 78,844,274</u>	<u>\$ 119,038,439</u>	<u>\$ 107,463,284</u>
Program fiduciary net position				
Contributions - employer	\$ 9,386,241	\$ 11,161,699	\$ 10,305,625	\$ 14,840,273
Net investment income	3,277,353	522,611	72,592	1,954,218
Benefit payments, including refunds of member contributions	(12,252,008)	(12,268,111)	(11,252,201)	(12,270,641)
Administrative expense	(63,582)	(84,314)	(73,670)	(85,363)
Net change in Program fiduciary net position	348,004	(668,115)	(947,654)	4,438,487
Program fiduciary net position - beginning	21,108,004	21,456,008	20,787,893	19,840,239
Program fiduciary net position - ending	<u>\$ 21,456,008</u>	<u>\$ 20,787,893</u>	<u>\$ 19,840,239</u>	<u>\$ 24,278,726</u>
Program net pension liability - ending	<u>\$ 65,019,208</u>	<u>\$ 58,056,381</u>	<u>\$ 99,198,200</u>	<u>\$ 83,184,558</u>
Program fiduciary net position as a percentage of the total pension liability	24.81%	26.37%	16.67%	22.59%
Covered-employee payroll	\$ 258,789,820	\$ 267,847,464	\$ 205,589,540	\$ 212,785,174
Program net pension liability as a percentage of covered-employee payroll	25.12%	21.68%	48.25%	39.09%

Notes to Schedule:

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

Changes in assumptions: Projected salary increases were changed from 3.5% to 3.0% effective June 30, 2016.

The increase in assumed contribution as a percentage of the recommended contribution is based on the actual experience over the last 5 years.

	2014	2015	2016	2017
Discount rate used to estimate total pension liability	6.16%	6.60%	4.73%	6.50%
Annual money-weighted rate of return	15.75%	2.36%	0.33%	9.63%

Schedule of School Board Contributions*

	2014	2015	2016	2017
Actuarially determined contribution	\$ 14,424,056	\$ 13,306,271	\$ 13,352,847	\$ 12,367,273
Contributions in relation to the actuarially determined contribution	9,386,241	11,161,699	10,305,625	14,840,273
Contribution deficiency (excess)	<u>\$ 5,037,815</u>	<u>\$ 2,144,572</u>	<u>\$ 3,047,222</u>	<u>\$ (2,473,000)</u>
Covered-employee payroll	\$ 258,789,820	\$ 267,847,464	\$ 205,589,540	\$ 212,785,174
Contributions as a percentage of covered-employee payroll	3.63%	4.17%	5.01%	6.97%

Notes to Schedule:

The actuarially determined contribution is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar
Amortization period	20 years rolling for actives, 3 year layered for retirees
Asset valuation method	Fair Market Value
Inflation rate	No inflation rate assumed
Projected salary increases	3.5% (2014-2016); 3.0% (2017) per annum, compounded annually
Investment rate of return	7.5%
Retirement age	Participants eligible for an unreduced pension from VRS are assumed to retire at higher rates
Mortality	Based on the RP-2000 Mortality Table for males and females projected to 2020 with Scale AA

Other information:

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

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

County of Chesterfield, Virginia
Required Supplementary Information (Unaudited)
School Board Component Unit
(See Accompanying Report of the Independent Auditor)
Other Postemployment Benefits Plan - Retiree Healthcare
Schedule of Changes in Net OPEB Liability and Related Ratios*

Total OPEB liability	<u>2017</u>
Service cost	\$ 1,806,182
Interest	14,953,725
Benefit payments, including refunds of member contributions	<u>(15,784,000)</u>
Net change in total OPEB liability	975,907
Plan total OPEB liability - beginning	<u>219,710,450</u>
Plan total OPEB liability - ending	<u>\$ 220,686,357</u>
Plan fiduciary net position	
Contributions - employer	\$ 17,652,329
Contributions - employee	-
Net investment income	1,403,555
Benefit payments, including refunds of member contributions	(15,784,000)
Administrative expense	<u>(500)</u>
Net change in Plan fiduciary net position	3,271,384
Plan fiduciary net position - beginning	<u>10,989,579</u>
Plan fiduciary net position - ending	<u>\$ 14,260,963</u>
Plan net OPEB liability - ending	<u>\$ 206,425,394</u>
Plan fiduciary net position as a percentage of the total OPEB liability	6.46%
Covered-employee payroll	\$ 319,003,486
Plan net OPEB liability as a percentage of covered-employee payroll	64.71%

Notes to Schedule:

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

	<u>2017</u>
	13.04%
Annual money-weighted rate of return	

Schedule School Board Contributions*

	<u>2017</u>
Actuarially required contribution	\$ 15,478,605
Contributions in relation to actuarially required contribution	<u>17,652,329</u>
Contribution excess	<u>\$ (2,173,724)</u>
Covered-employee payroll	\$ 319,003,486
Contributions as a percentage of covered-employee payroll	5.53%

Notes to Schedule:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal cost method
Amortization method	Level percent closed
Remaining amortization period	22 years
Asset valuation method	Market value
Healthcare cost trend rate	5.9%
Projected long-term salary increases	3.50%
Investment rate of return	7.0% per annum, compounded annually

* Schedules are intended to show information for 10 years. Since 2017 was the first year of this presentation, no other data is available. Additional years will be included as they become available.

SUPPLEMENTARY INFORMATION



Non-major Governmental Funds

Special Revenue Funds

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

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

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

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

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, 2017

	<u>Special Revenue Funds</u>			<u>Total Non-major Governmental Funds</u>
	<u>Grants</u>	<u>Children's Services</u>	<u>Stormwater</u>	
ASSETS				
Cash and cash equivalents	\$ 8,357,204	\$ 1,425,007	\$ 2,232,350	\$ 12,014,561
Accounts receivable, net	1,372,114	336,506	-	1,708,620
Due from other governments	1,373,716	1,501,453	-	2,875,169
Total assets	<u>\$ 11,103,034</u>	<u>\$ 3,262,966</u>	<u>\$ 2,232,350</u>	<u>\$ 16,598,350</u>
LIABILITIES				
Accounts payable	\$ 1,389,858	\$ 1,470,024	\$ 92,349	\$ 2,952,231
Accrued liabilities	267,163	22,628	-	289,791
Retainages payable	11,026	-	-	11,026
Unearned revenues	47,825	-	-	47,825
Total liabilities	<u>1,715,872</u>	<u>1,492,652</u>	<u>92,349</u>	<u>3,300,873</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	614,423	128,046	-	742,469
FUND BALANCES				
Restricted	1,741,371	-	-	1,741,371
Assigned	7,031,368	1,642,268	2,140,001	10,813,637
Total fund balances	<u>8,772,739</u>	<u>1,642,268</u>	<u>2,140,001</u>	<u>12,555,008</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 11,103,034</u>	<u>\$ 3,262,966</u>	<u>\$ 2,232,350</u>	<u>\$ 16,598,350</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, 2017

	<u>Special Revenue Funds</u>			<u>Permanent Fund</u>	<u>Total Non-major Governmental Funds</u>
	<u>Grants</u>	<u>Children's Services</u>	<u>Stormwater</u>	<u>T. F. Jeffress Memorial Fund</u>	
Revenues					
From local sources:					
Use of money and property	\$ 1,583	\$ -	\$ -	\$ -	\$ 1,583
Charges for services	7,979,760	171,943	2,140,002	-	10,291,705
Miscellaneous	404,638	65	-	-	404,703
Recovered costs	72,831	530,287	-	-	603,118
Donations and contributions	95,479	-	-	-	95,479
From component unit - School Board	-	3,640,800	-	-	3,640,800
From other governments	6,104,461	7,749,678	-	-	13,854,139
Total revenues	<u>14,658,752</u>	<u>12,092,773</u>	<u>2,140,002</u>	<u>-</u>	<u>28,891,527</u>
Expenses					
Administration of justice	178,706	-	-	-	178,706
Public safety	8,203,253	-	-	-	8,203,253
Public works	-	-	470,979	-	470,979
Health and welfare	2,444,540	13,498,097	-	14,574	15,957,211
Parks, recreation and cultural	99,542	-	-	-	99,542
Community development	1,643,700	-	-	-	1,643,700
Total expenditures	<u>12,569,741</u>	<u>13,498,097</u>	<u>470,979</u>	<u>14,574</u>	<u>26,553,391</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,089,011</u>	<u>(1,405,324)</u>	<u>1,669,023</u>	<u>(14,574)</u>	<u>2,338,136</u>
Other financing sources (uses)					
Transfers in	1,114,738	2,491,300	470,978	-	4,077,016
Transfers out	(1,369,937)	-	-	-	(1,369,937)
Total other financing sources (uses), net	<u>(255,199)</u>	<u>2,491,300</u>	<u>470,978</u>	<u>-</u>	<u>2,707,079</u>
Net change in fund balances	1,833,812	1,085,976	2,140,001	(14,574)	5,045,215
Total fund balances, July 1, 2016	6,938,927	556,292	-	14,574	7,509,793
Total fund balances, June 30, 2017	<u>\$ 8,772,739</u>	<u>\$ 1,642,268</u>	<u>\$ 2,140,001</u>	<u>\$ -</u>	<u>\$ 12,555,008</u>

See accompanying independent auditors' report.



Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

General Fund

This fund reflects the general operations of the government and is used to account for all financial resources except those required to be accounted for in another fund.

Children's Services Fund

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

County of Chesterfield, Virginia
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
From local sources:				
General property taxes:				
Real property taxes	\$ 327,150,200	\$ 327,150,200	\$ 325,839,487	\$ (1,310,713)
Real and personal public service corporation taxes	12,850,000	12,850,000	13,885,590	1,035,590
Personal property taxes	63,925,000	64,670,000	68,480,167	3,810,167
Machinery and tools taxes	5,111,200	5,111,200	5,372,984	261,784
Penalties and interest	3,250,000	3,250,000	3,368,713	118,713
Special assessments and service districts	2,947,000	3,190,000	5,336,834	2,146,834
Total general property taxes	415,233,400	416,221,400	422,283,775	6,062,375
Other local taxes:				
Bank stock tax	1,782,600	1,782,600	2,181,534	398,934
Business license taxes	20,418,300	20,418,300	20,580,987	162,687
Consumer utility taxes	8,134,600	8,134,600	8,043,759	(90,841)
Local sales and use taxes	47,248,100	47,248,100	47,915,376	667,276
Motor vehicle licenses	14,884,700	14,884,700	13,944,691	(940,009)
Recordation tax	5,124,300	5,124,300	5,892,181	767,881
Short-term rental tax	443,900	443,900	517,624	73,724
Telecommunications tax	14,232,700	14,232,700	13,763,893	(468,807)
Transient occupancy tax	4,966,700	5,266,700	5,186,616	(80,084)
Incremental sales tax	628,100	628,100	753,321	125,221
Total other local taxes	117,864,000	118,164,000	118,779,982	615,982
Permits, privilege fees and regulatory licenses:				
Animal licenses	73,000	75,360	53,232	(22,128)
Building permits	4,460,700	4,462,875	5,517,444	1,054,569
DMV stop fees	575,000	575,000	70,039	(504,961)
Erosion control fees	102,500	102,500	110,960	8,460
Permits and other licenses	413,200	413,200	579,180	165,980
Plan review fees	260,000	260,000	274,053	14,053
Planning fees	675,700	925,700	890,343	(35,357)
Total permits, privilege fees and regulatory licenses	6,560,100	6,814,635	7,495,251	680,616
Fines and forfeitures	1,753,500	2,104,852	2,171,101	66,249
Use of money and property:				
Use of money	315,000	319,507	701,010	381,503
Use of property	631,300	631,300	838,996	207,696
Total use of money and property	946,300	950,807	1,540,006	589,199
Charges for services:				
Annual recycling fees	1,940,000	1,940,000	1,935,763	(4,237)
Building inspection administrative fee	45,800	45,800	44,483	(1,317)
Building rental	158,700	158,700	158,680	(20)
Courthouse maintenance fees	95,000	95,000	66,014	(28,986)
Employee Medical Center	587,500	627,498	668,327	40,829
False alarm charges	120,000	120,000	91,962	(28,038)
Juvenile Detention Home fees	165,000	165,000	128,625	(36,375)
Landfill fees	1,424,000	1,719,200	1,734,328	15,128
Law Library	111,400	111,400	113,436	2,036
Library fines and services	302,500	302,500	199,757	(102,743)
Med-flight services	442,400	442,400	462,700	20,300

(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, 2017

	<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	\$ 19,901,600	\$ 20,851,729	\$ 22,352,491	\$ 1,500,762
Parks and Recreation fees	489,500	489,500	920,547	431,047
Police miscellaneous fees	115,000	115,000	111,229	(3,771)
Police officers fees	1,009,000	1,009,000	1,038,369	29,369
Recycling proceeds	114,500	119,300	124,052	4,752
Sale of publications and maps	10,700	10,700	3,357	(7,343)
Sheriff fees	716,900	716,900	650,724	(66,176)
Traffic offenses	450,000	450,000	367,538	(82,462)
Treasurer's administrative fees	1,210,000	1,210,000	1,257,692	47,692
Other	3,515,200	3,546,700	3,707,076	160,376
Total charges for services	32,924,700	34,246,327	36,137,150	1,890,823
Miscellaneous:				
Public phone commission	55,000	55,000	96,311	41,311
Other miscellaneous	945,800	1,535,123	3,302,384	1,767,261
Total miscellaneous	1,000,800	1,590,123	3,398,695	1,808,572
Recovered costs:				
Interfund reimbursements	1,512,500	1,598,605	1,403,746	(194,859)
Reimbursed by other localities	727,600	781,100	767,352	(13,748)
Reimbursement from Schools	4,957,500	5,048,660	5,061,060	12,400
Other	2,272,100	2,272,100	3,057,514	785,414
Total recovered costs	9,469,700	9,700,465	10,289,672	589,207
Donations and contributions	28,600	65,067	78,490	13,423
Total revenues from local sources	585,781,100	589,857,676	602,174,122	12,316,446
From other governments:				
From the Commonwealth:				
Non-categorical aid:				
Clerk's excess fees	365,000	365,000	449,749	84,749
Mobile home sales tax	51,000	51,000	30,284	(20,716)
Personal property tax relief	41,092,000	41,092,000	41,092,048	48
Rolling stock tax	125,000	125,000	113,966	(11,034)
State recordation tax	1,433,800	1,433,800	1,516,377	82,577
Vehicle rental tax	1,104,500	1,104,500	1,247,455	142,955
Total non-categorical aid	44,171,300	44,171,300	44,449,879	278,579
Shared expenditures:				
Clerk of Circuit Court	1,150,200	1,220,200	1,152,808	(67,392)
Commissioner of the Revenue	443,300	443,300	509,251	65,951
Commonwealth's Attorney	1,965,900	2,007,600	2,216,582	208,982
Sheriff	3,058,400	3,163,000	3,325,225	162,225
Treasurer	405,900	405,900	459,512	53,612
Other	71,000	71,000	75,849	4,849
Total shared expenditures	7,094,700	7,311,000	7,739,227	428,227
From other governments:				
From the Commonwealth:				
Categorical aid:				
Annexation House Bill 599	7,458,800	7,458,800	7,698,932	240,132
Chesterfield County Jail	494,000	494,000	584,881	90,881
Education-state sales tax	63,400,200	61,700,200	62,051,255	351,055
Emergency medical services	314,000	314,000	327,033	13,033

(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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
From other governments: (continued)				
From the Commonwealth:				
Categorical aid:				
Fire programs	\$ 1,000,000	\$ 1,000,000	\$ 1,026,226	\$ 26,226
Juvenile Detention Home	1,810,000	1,810,000	1,908,630	98,630
Library	195,400	195,400	252,088	56,688
Mental Health Support Services	4,250,300	4,600,112	4,641,520	41,408
Sheriff programs	1,871,000	1,766,400	1,929,661	163,261
Welfare	4,440,100	4,635,850	4,664,098	28,248
Other	2,861,200	3,171,324	4,204,255	1,032,931
Total categorical aid	88,095,000	87,146,086	89,288,579	2,142,493
Total from the Commonwealth	139,361,000	138,628,386	141,477,685	2,849,299
From the federal government:				
Categorical aid:				
Mental Health Block Grant	884,200	884,200	870,163	(14,037)
Public safety	61,600	75,950	51,486	(24,464)
Welfare	7,910,600	8,134,350	8,890,795	756,445
Other	80,000	80,000	91,763	11,763
Total from the federal government	8,936,400	9,174,500	9,904,207	729,707
Total revenues from other governments	148,297,400	147,802,886	151,381,892	3,579,006
Total revenues	734,078,500	737,660,562	753,556,014	15,895,452
Expenditures				
General government:				
Accounting	3,930,256	3,950,257	3,832,166	118,091
Board of Supervisors	393,235	373,235	348,858	24,377
Budget and Management	1,056,500	1,156,500	1,131,478	25,022
Clerk to the Board	269,206	259,206	218,489	40,717
Commissioner of the Revenue	3,209,800	3,149,800	3,061,910	87,890
Communications and Media	814,200	889,200	862,308	26,892
County Administration	1,063,000	1,048,000	975,053	72,947
County Attorney	1,663,508	1,778,508	1,733,863	44,645
Document Services	939,591	974,591	962,119	12,472
Employee benefits	8,143,500	3,836,223	3,179,001	657,222
General Services	449,724	489,424	469,726	19,698
Human Resource Management	3,292,418	3,320,696	3,154,773	165,923
Information Systems Technology	13,818,573	15,677,141	14,840,389	836,752
Interest paid on tax refunds	46,000	46,000	3,057	42,943
Intergovernmental Relations	183,300	183,300	175,536	7,764
Internal Audit	882,554	937,554	916,952	20,602
Learning and Performance Center	1,209,681	1,369,681	1,319,885	49,796
License Inspector	536,700	516,700	488,329	28,371
Management Services Administration	316,500	371,500	360,885	10,615
Non-departmental	7,000	-	7,382	(7,382)
Purchasing	1,785,300	1,880,300	1,831,390	48,910
Real Estate Assessments	2,858,100	2,738,100	2,665,330	72,770
Registrar	1,031,152	1,344,152	1,343,752	400
Treasurer	3,823,953	3,235,953	3,132,328	103,625
Total general government	51,723,751	49,526,021	47,014,959	2,511,062

(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, 2017

	<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	\$ 3,669,700	\$ 3,804,700	\$ 3,766,702	\$ 37,998
Circuit Court Judges	712,800	742,800	718,624	24,176
Commonwealth's Attorney	4,541,426	4,849,807	4,679,496	170,311
General District Court	188,639	268,639	240,167	28,472
Juvenile and Domestic Relations Court	100,525	135,525	121,213	14,312
Law Library	117,435	117,435	98,533	18,902
Magistrate	6,400	6,400	5,830	570
Total administration of justice	<u>9,336,925</u>	<u>9,925,306</u>	<u>9,630,565</u>	<u>294,741</u>
Public safety:				
Building Inspections	5,012,200	5,036,200	4,857,230	178,970
Community Corrections	2,926,128	2,975,128	2,910,120	65,008
Emergency Communications Center	7,011,007	7,011,007	6,890,251	120,756
Fire and EMS	55,161,593	58,346,868	56,020,134	2,326,734
Juvenile Detention Home	5,119,157	5,325,927	5,158,618	167,309
Juvenile Probation	105,553	100,553	84,348	16,205
Police	64,883,675	65,452,778	62,998,182	2,454,596
Regional Jail	11,534,000	11,436,000	11,198,960	237,040
Sheriff and Jail	21,608,423	22,552,443	22,086,088	466,355
Total public safety	<u>173,361,736</u>	<u>178,236,904</u>	<u>172,203,931</u>	<u>6,032,973</u>
Public works:				
Buildings and Grounds	6,919,956	6,698,126	6,557,926	140,200
Environmental Engineering	5,116,133	5,363,619	5,155,512	208,107
Hydrant rental and right of way	45,000	70,000	58,234	11,766
Street lights and road improvements	848,195	887,475	886,724	751
Waste and Resource Recovery	4,777,518	5,120,820	5,080,688	40,132
Total public works	<u>17,706,802</u>	<u>18,140,040</u>	<u>17,739,084</u>	<u>400,956</u>
Health and welfare:				
Health	2,948,100	3,373,100	3,305,255	67,845
Human Services Administration	466,020	624,520	448,064	176,456
Mental Health Support Services	38,886,847	40,088,404	39,614,736	473,668
Social Services	18,091,443	18,510,943	18,244,406	266,537
Tax relief for the elderly	5,834,200	5,949,200	6,666,905	(717,705)
Youth Planning and Development	321,100	326,100	312,410	13,690
Total health and welfare	<u>66,547,710</u>	<u>68,872,267</u>	<u>68,591,776</u>	<u>280,491</u>
Parks, recreation and cultural:				
Community Contracts	745,600	745,600	732,917	12,683
District Improvements Funds	167,500	41,716	-	41,716
Library	8,985,911	8,862,527	8,701,234	161,293
Parks and Recreation	11,071,615	11,222,823	11,113,537	109,286
Total parks, recreation and cultural	<u>20,970,626</u>	<u>20,872,666</u>	<u>20,547,688</u>	<u>324,978</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, 2017

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Community development:				
Community Development Administration	\$ 1,188,188	\$ 1,149,188	\$ 1,118,351	\$ 30,837
Convention Center	4,966,700	5,266,700	5,186,616	80,084
Cooperative Extension	371,497	354,997	342,246	12,751
Economic Development	3,037,567	3,192,067	3,119,544	72,523
Economic development incentives	345,000	345,000	160,943	184,057
Planning	4,070,194	4,385,194	4,345,890	39,304
Tax increment financing payments	3,491,401	3,734,400	3,733,881	519
Transportation	1,372,261	1,412,261	1,392,594	19,667
Total community development	18,842,808	19,839,807	19,400,065	439,742
Non-departmental	355,000	664,209	100,000	564,209
Debt service:				
Retirement of principal	14,466,800	14,168,802	14,048,365	120,437
Interest	7,345,300	5,743,298	5,634,150	109,148
Other	899,800	490,646	335,278	155,368
Total debt service	22,711,900	20,402,746	20,017,793	384,953
Total expenditures	381,557,258	386,479,966	375,245,861	11,234,105
Excess of revenues over expenditures	352,521,242	351,180,596	378,310,153	27,129,557
Other financing sources (uses)				
Transfers in:				
Grant Funds	1,439,100	1,439,100	1,369,937	(69,163)
Water Fund	3,700	3,700	3,700	-
Wastewater Fund	2,500	2,500	2,500	-
Vehicle and Communications Maintenance Fund	14,100	14,100	14,100	-
Total transfers in	1,459,400	1,459,400	1,390,237	(69,163)
Transfers out:				
County Capital Projects Fund	(26,636,500)	(103,724,924)	(17,614,734)	86,110,190
Stormwater Fund	-	(5,874,380)	(470,978)	5,403,402
School Capital Projects Fund	-	(1,000,000)	(25,170)	974,830
Grants Fund	(870,900)	(1,924,998)	(912,756)	1,012,242
Children's Services Fund	(1,196,100)	(2,046,100)	(2,046,100)	-
Healthcare Fund	-	(4,500,000)	(4,500,000)	-
Airport Fund	(587,600)	(1,377,650)	(644,787)	732,863
Capital Projects Management Fund	-	(357,000)	(357,000)	-
School Operating Fund	(337,892,200)	(333,235,119)	(323,102,201)	10,132,918
Total transfers out	(367,183,300)	(454,040,171)	(349,673,726)	104,366,445
Premium on bonds issued	-	90,846	128,367	37,521
Payment to refunded bonds escrow agent	-	-	(5,488,707)	(5,488,707)
Proceeds from refunding bonds issued	-	-	5,488,794	5,488,794
Total other financing uses, net	(365,723,900)	(452,489,925)	(348,155,035)	104,334,890
Net change in fund balance	(13,202,658)	(101,309,329)	30,155,118	131,464,447
Fund balance, July 1, 2016	313,045,768	313,045,768	313,045,768	-
Fund balance, June 30, 2017	\$ 299,843,110	\$ 211,736,439	\$ 343,200,886	\$ 131,464,447

See accompanying independent auditors' report.

County of Chesterfield, Virginia
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Children's Services Fund
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues				
Charges for services	\$ -	\$ -	\$ 171,943	\$ 171,943
Recovered costs	450,800	621,400	530,287	(91,113)
Miscellaneous	-	-	65	65
From the Commonwealth	7,149,600	9,429,461	7,565,988	(1,863,473)
From the federal government	-	-	183,690	183,690
Total revenues	7,600,400	10,050,861	8,451,973	(1,598,888)
Expenditures				
Health and welfare	12,409,600	16,452,961	13,498,097	2,954,864
Deficiency of revenues under expenditures	(4,809,200)	(6,402,100)	(5,046,124)	1,355,976
Other financing sources				
Transfers in	1,641,300	2,491,300	2,491,300	-
Transfers from component unit - School Board	2,897,900	3,640,800	3,640,800	-
Total other financing sources	4,539,200	6,132,100	6,132,100	-
Net change in fund balance	(270,000)	(270,000)	1,085,976	1,355,976
Fund balance, July 1, 2016	556,292	556,292	556,292	-
Fund balance, June 30, 2017	\$ 286,292	\$ 286,292	\$ 1,642,268	\$ 1,355,976

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.	\$ 8,451,973
Transfers from the School Board component unit are revenues for financial reporting purposes.	3,640,800
Total revenues on the Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-major Governmental Funds.	\$ 12,092,773

Other financing sources

Total other financing sources, net, on the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual.	\$ 6,132,100
Transfers from the School Board component unit are revenues for financial reporting purposes.	(3,640,800)
Total other financing sources, net, on the Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-major Governmental Funds.	\$ 2,491,300

See accompanying independent auditors' report.



Non-major Enterprise Funds

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

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

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

County of Chesterfield, Virginia
Combining Statement of Net Position
Non-major Enterprise Funds
June 30, 2017

	Enterprise Funds		
	Economic Development Authority	Airport	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,803,903	\$ 458,766	\$ 2,262,669
Restricted cash equivalents with trustees	6,473,909	-	6,473,909
Receivables	-	43,357	43,357
Due from other governments	-	30,175	30,175
Due from other funds	12,130	-	12,130
Total current assets	8,289,942	532,298	8,822,240
Non-current assets:			
Capital assets:			
Land and land improvements	11,077,161	1,894,240	12,971,401
Buildings	-	7,576,782	7,576,782
Improvements other than buildings	1,936,873	27,172,010	29,108,883
Infrastructure	4,771,722	-	4,771,722
Machinery and equipment	-	2,167,070	2,167,070
Construction in progress	1,383,247	52,510	1,435,757
Total capital assets	19,169,003	38,862,612	58,031,615
Less accumulated depreciation	(899,034)	(22,473,083)	(23,372,117)
Net capital assets	18,269,969	16,389,529	34,659,498
Total assets	26,559,911	16,921,827	43,481,738
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	-	24,909	24,909
Deferred pension contributions	-	15,232	15,232
Deferred pension investment experience	-	13,886	13,886
Deferred pension difference between expected and actual experience	-	110	110
Total deferred outflows of resources	-	54,137	54,137
LIABILITIES			
Current liabilities:			
Accounts payable	36,989	34,777	71,766
Due to other funds	6,414,891	-	6,414,891
Accrued liabilities	72,349	18,515	90,864
Compensated absences	-	4,037	4,037
Certificates of participation, net	-	103,470	103,470
Revenue bonds payable, net	-	2,436	2,436
Total current liabilities	6,524,229	163,235	6,687,464
Non-current liabilities:			
Retainages payable	79,163	-	79,163
Compensated absences	-	17,886	17,886
Net pension liabilities	-	130,583	130,583
Certificates of participation, net	-	550,724	550,724
Revenue bond payable, net	-	48,402	48,402
Total non-current liabilities	79,163	747,595	826,758
Total liabilities	6,603,392	910,830	7,514,222
DEFERRED INFLOWS OF RESOURCES			
Deferred pension difference between expected and actual experience	-	10,945	10,945
Total deferred inflows of resources	-	10,945	10,945
NET POSITION			
Net investment in capital assets	18,269,969	15,709,406	33,979,375
Unrestricted	1,686,550	344,783	2,031,333
Total net position	\$ 19,956,519	\$ 16,054,189	\$ 36,010,708

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, 2017

	Enterprise Funds		
	Economic Development Authority	Airport	Total
Operating revenues			
Charges for services	\$ 293,818	\$ 748,822	\$ 1,042,640
From the Commonwealth	500,000	13,102	513,102
Other	33,062	4,136	37,198
Total operating revenues	826,880	766,060	1,592,940
Operating expenses			
Salaries and wages	-	249,116	249,116
Contractual services	135,867	170,528	306,395
Materials and supplies	-	12,272	12,272
Heat, light and power	-	76,025	76,025
Depreciation	256,978	1,251,182	1,508,160
Repairs and maintenance	-	49,485	49,485
Other	970,077	9,167	979,244
Total operating expenses	1,362,922	1,817,775	3,180,697
Operating loss	(536,042)	(1,051,715)	(1,587,757)
Non-operating revenues (expenses)			
Interest and dividend income	1,222	-	1,222
Interest expense	-	(23,164)	(23,164)
Gain on disposal of capital assets	3,281,375	47,300	3,328,675
Other	(2,357,561)	-	(2,357,561)
Total non-operating revenues, net	925,036	24,136	949,172
Gain (loss) before capital contributions and transfers	388,994	(1,027,579)	(638,585)
Capital contributions	-	58,583	58,583
Transfers in	160,986	644,787	805,773
Change in net position	549,980	(324,209)	225,771
Total net position - July 1, 2016	19,406,539	16,378,398	35,784,937
Total net position - June 30, 2017	\$ 19,956,519	\$ 16,054,189	\$ 36,010,708

See accompanying independent auditors' report.

County of Chesterfield, Virginia
Combining Statement of Cash Flows
Non-major Enterprise Funds
For the Year Ended June 30, 2017

	Enterprise Funds		
	Economic Development Authority	Airport	Total
Cash flows from operating activities			
Receipts from customers	\$ 823,480	\$ 763,359	\$ 1,586,839
Payments to suppliers	(1,097,822)	(290,119)	(1,387,941)
Payments to employees	-	(268,844)	(268,844)
Net cash provided by (used in) operating activities	(274,342)	204,396	(69,946)
Cash flows from non-capital financing activities			
Transfers in	160,986	-	160,986
Cash flows from capital and related financing activities			
Transfers in	-	644,787	644,787
Purchase of capital assets	(1,077,969)	(686,005)	(1,763,974)
Capital contributions	-	15,653	15,653
Proceeds from the sale of capital assets	-	47,300	47,300
Interest paid on certificates of participation and revenue bonds	-	(32,050)	(32,050)
Principal paid on certificates of participation and revenue bonds	-	(73,907)	(73,907)
Net cash used in capital and related financing activities	(1,077,969)	(84,222)	(1,162,191)
Cash flows from investing activities			
Interest received	3,822	-	3,822
Net increase (decrease) in cash and cash equivalents	(1,187,503)	120,174	(1,067,329)
Cash and cash equivalents, July 1, 2016	9,465,315	338,592	9,803,907
Cash and cash equivalents, June 30, 2017	\$ 8,277,812	\$ 458,766	\$ 8,736,578
Reconciliation of operating loss to net cash provided by (used in) operating activities:			
Operating loss	\$ (536,042)	\$ (1,051,715)	\$ (1,587,757)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation	256,978	1,251,182	1,508,160
Changes in assets and liabilities:			
Receivables, net	(3,399)	(2,701)	(6,100)
Accounts and other payables	8,121	7,630	15,751
Net cash provided by (used in) operating activities	\$ (274,342)	\$ 204,396	\$ (69,946)
Noncash transactions related to financing, capital and investing activities:			
Contributions of capital assets	\$ 3,201	\$ 19,165	\$ 22,366

See accompanying independent auditors' report.

Internal Service Funds

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

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

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

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

Healthcare Fund - This fund reflects operations of the County's self-insured healthcare function, which provides services to the County and School Board. The fund's major sources of revenue are charges for services used to pay medical claims and administrative fees.

County of Chesterfield, Virginia
Combining Statement of Net Position
Internal Service Funds
June 30, 2017

	Vehicle and Communications Maintenance	Risk Management	Capital Projects Management	Healthcare	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 13,800,759	\$ 19,830,112	\$ 249,031	\$ 1,579,312	\$ 35,459,214
Receivables	60,225	31,204	-	-	91,429
Inventories	726,870	-	-	-	726,870
Total current assets	<u>14,587,854</u>	<u>19,861,316</u>	<u>249,031</u>	<u>1,579,312</u>	<u>36,277,513</u>
Non-current assets:					
Capital assets:					
Land	-	193,685	-	-	193,685
Buildings	2,138,022	123,832	14,992	-	2,276,846
Improvements other than buildings	311,805	-	-	-	311,805
Machinery and equipment	16,943,748	82,424	15,447	-	17,041,619
Construction in progress	-	187,256	-	-	187,256
Total capital assets	<u>19,393,575</u>	<u>587,197</u>	<u>30,439</u>	<u>-</u>	<u>20,011,211</u>
Less accumulated depreciation	<u>(11,738,938)</u>	<u>(144,420)</u>	<u>(26,754)</u>	<u>-</u>	<u>(11,910,112)</u>
Net capital assets	<u>7,654,637</u>	<u>442,777</u>	<u>3,685</u>	<u>-</u>	<u>8,101,099</u>
Total assets	<u>22,242,491</u>	<u>20,304,093</u>	<u>252,716</u>	<u>1,579,312</u>	<u>44,378,612</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred pension contributions	365,710	52,564	45,633	-	463,907
Deferred pension investment experience	333,394	47,919	41,601	-	422,914
Deferred pension difference between expected and actual experience	<u>2,643</u>	<u>380</u>	<u>330</u>	<u>-</u>	<u>3,353</u>
Total deferred outflows of resources	<u>701,747</u>	<u>100,863</u>	<u>87,564</u>	<u>-</u>	<u>890,174</u>
LIABILITIES					
Current liabilities:					
Accounts payable	868,078	186,943	1,821	36,223	1,093,065
Accrued liabilities	312,574	92,882	34,503	-	439,959
Compensated absences	67,664	15,746	18,333	-	101,743
Judgments and claims	<u>9,755</u>	<u>4,649,405</u>	<u>-</u>	<u>7,524,845</u>	<u>12,184,005</u>
Total current liabilities	<u>1,258,071</u>	<u>4,944,976</u>	<u>54,657</u>	<u>7,561,068</u>	<u>13,818,772</u>
Non-current liabilities:					
Compensated absences	324,138	56,233	67,565	-	447,936
Judgments and claims	19,589	518,931	-	-	538,520
Net pension liabilities	<u>3,135,140</u>	<u>450,620</u>	<u>391,202</u>	<u>-</u>	<u>3,976,962</u>
Total non-current liabilities	<u>3,478,867</u>	<u>1,025,784</u>	<u>458,767</u>	<u>-</u>	<u>4,963,418</u>
Total liabilities	<u>4,736,938</u>	<u>5,970,760</u>	<u>513,424</u>	<u>7,561,068</u>	<u>18,782,190</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred pension difference between expected and actual experience	<u>262,765</u>	<u>37,768</u>	<u>32,788</u>	<u>-</u>	<u>333,321</u>
NET POSITION					
Investment in capital assets	7,654,637	442,777	3,685	-	8,101,099
Unrestricted	<u>10,289,898</u>	<u>13,953,651</u>	<u>(209,617)</u>	<u>(5,981,756)</u>	<u>18,052,176</u>
Total net position	<u>\$ 17,944,535</u>	<u>\$ 14,396,428</u>	<u>\$ (205,932)</u>	<u>\$ (5,981,756)</u>	<u>\$ 26,153,275</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, 2017

	Vehicle and Communications Maintenance	Risk Management	Capital Projects Management	Healthcare	Total
Operating revenues					
Charges for services	\$ 18,446,565	\$ 8,411,078	\$ 451,547	\$ 106,265,502	\$ 133,574,692
Other	55,792	250,756	-	-	306,548
Total operating revenues	<u>18,502,357</u>	<u>8,661,834</u>	<u>451,547</u>	<u>106,265,502</u>	<u>133,881,240</u>
Operating expenses					
Salaries and wages	5,340,977	1,337,224	601,991	-	7,280,192
Contractual services	687,158	652,585	81,500	-	1,421,243
Materials and supplies	7,762,760	18,927	7,341	-	7,789,028
Heat, light and power	54,713	4,359	-	-	59,072
Depreciation	1,583,617	2,477	1,136	-	1,587,230
Repairs and maintenance	1,050,520	54,638	6,658	-	1,111,816
Insurance	-	2,996,060	-	-	2,996,060
Claims	-	1,696,514	-	109,400,577	111,097,091
Other	25,616	10,015	1,530	-	37,161
Total operating expenses	<u>16,505,361</u>	<u>6,772,799</u>	<u>700,156</u>	<u>109,400,577</u>	<u>133,378,893</u>
Operating income (loss)	<u>1,996,996</u>	<u>1,889,035</u>	<u>(248,609)</u>	<u>(3,135,075)</u>	<u>502,347</u>
Non-operating revenues					
Interest and dividend income	-	107,772	-	-	107,772
Gain on disposal of capital assets	273,978	-	-	-	273,978
Total non-operating revenues	<u>273,978</u>	<u>107,772</u>	<u>-</u>	<u>-</u>	<u>381,750</u>
Income (loss) before capital contributions and transfers	2,270,974	1,996,807	(248,609)	(3,135,075)	884,097
Capital contributions	170,463	-	-	-	170,463
Transfers in	-	-	357,000	4,500,000	4,857,000
Transfers out	(14,100)	-	-	-	(14,100)
Change in net position	<u>2,427,337</u>	<u>1,996,807</u>	<u>108,391</u>	<u>1,364,925</u>	<u>5,897,460</u>
Total net position - July 1, 2016	<u>15,517,198</u>	<u>12,399,621</u>	<u>(314,323)</u>	<u>(7,346,681)</u>	<u>20,255,815</u>
Total net position - June 30, 2017	<u>\$ 17,944,535</u>	<u>\$ 14,396,428</u>	<u>\$ (205,932)</u>	<u>\$ (5,981,756)</u>	<u>\$ 26,153,275</u>

See accompanying independent auditors' report.

County of Chesterfield, Virginia
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2017

	Vehicle and Communications Maintenance	Risk Management	Capital Projects Management	Healthcare	Total
Cash flows from operating activities					
Receipts from customers	\$ 18,648,359	\$ 8,661,834	\$ 451,547	\$ 106,265,502	\$ 134,027,242
Payments to suppliers	(9,629,431)	(3,705,831)	(95,728)	-	(13,430,990)
Payments to employees	(5,795,120)	(1,319,508)	(646,795)	-	(7,761,423)
Claims paid	-	(1,744,601)	-	(111,337,117)	(113,081,718)
Net cash provided by (used in) operating activities	<u>3,223,808</u>	<u>1,891,894</u>	<u>(290,976)</u>	<u>(5,071,615)</u>	<u>(246,889)</u>
Cash flows from non-capital financing activities					
Transfers In	-	-	357,000	4,500,000	4,857,000
Transfers out	(14,100)	-	-	-	(14,100)
Net cash provided by (used in) non-capital financing activities	<u>(14,100)</u>	<u>-</u>	<u>357,000</u>	<u>4,500,000</u>	<u>4,842,900</u>
Cash flows from capital and related financing activities					
Purchase of capital assets	(3,189,795)	(141,134)	-	-	(3,330,929)
Proceeds from sale of capital assets	342,901	-	-	-	342,901
Net cash used in capital and related financing activities	<u>(2,846,894)</u>	<u>(141,134)</u>	<u>-</u>	<u>-</u>	<u>(2,988,028)</u>
Cash flows from investing activities					
Interest received	-	107,772	-	-	107,772
Net increase (decrease) in cash and cash equivalents	362,814	1,858,532	66,024	(571,615)	1,715,755
Cash and cash equivalents, July 1, 2016	13,437,945	17,971,580	183,007	2,150,927	33,743,459
Cash and cash equivalents, June 30, 2017	<u>\$ 13,800,759</u>	<u>\$ 19,830,112</u>	<u>\$ 249,031</u>	<u>\$ 1,579,312</u>	<u>\$ 35,459,214</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 1,996,996	\$ 1,889,035	\$ (248,609)	\$ (3,135,075)	\$ 502,347
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	1,583,617	2,477	1,136	-	1,587,230
Changes in assets and liabilities:					
Receivables, net	146,002	23,162	-	-	169,164
Inventories	(60,439)	-	-	-	(60,439)
Accounts and other payables	(442,368)	(22,780)	(43,503)	(1,936,540)	(2,445,191)
Net cash provided by (used in) operating activities	<u>\$ 3,223,808</u>	<u>\$ 1,891,894</u>	<u>\$ (290,976)</u>	<u>\$ (5,071,615)</u>	<u>\$ (246,889)</u>
Noncash transactions related to financing, capital and investing activities are as follows:					
Contributions of capital assets	\$ 170,463	\$ -	\$ -	\$ -	\$ 170,463

See accompanying independent auditors' report.

Fiduciary Funds

Trust Funds

Supplemental Retirement Plan Pension Trust - County - This fund reflects the funds held in trust to pay benefits for the County's Supplemental Retirement Plan.

Pooled Postemployment Retiree Healthcare Benefits Trust - County - This fund reflects the funds held in trust to pay benefits for the County's OPEB plan for healthcare benefits.

Pooled Postemployment Retiree Healthcare Benefits Trust - Schools - This fund reflects the funds held in trust to pay benefits for the School's OPEB plan for healthcare benefits.

Pooled Postemployment Line of Duty Benefits Trust - County - This fund reflects the funds held in trust to pay benefits for the County's OPEB plan for line of duty benefits.

Agency Funds

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

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

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

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

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

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

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

County of Chesterfield, Virginia
Combining Statement of Fiduciary Net Position
Trust Funds
June 30, 2017

	Supplemental Retirement Plan Pension Trust County	Pooled Postemployment Retiree Healthcare Benefits Trust County	Pooled Postemployment Retiree Healthcare Benefits Trust Schools	Pooled Postemployment Line of Duty Benefits Trust County	Total Trust Funds
ASSETS					
Cash and cash equivalents	\$ 2,495,150	\$ 500,000	\$ 1,868,329	\$ 591,000	\$ 5,454,479
Accounts receivable	58,391	71	203	84	58,749
Investments:					
Mutual funds	2,902,813	-	-	-	2,902,813
Common and preferred stocks	12,951,489	-	-	-	12,951,489
Corporate bonds	4,181,480	-	-	-	4,181,480
U. S. government and agency securities	3,191,168	-	-	-	3,191,168
Exchange traded funds	5,509,712	-	-	-	5,509,712
Collateralized mortgage backed securities	86,618	-	-	-	86,618
Fund of funds	4,317,089	-	-	-	4,317,089
Pooled funds	-	26,597,036	14,260,760	7,417,896	48,275,692
Total investments	<u>33,140,369</u>	<u>26,597,036</u>	<u>14,260,760</u>	<u>7,417,896</u>	<u>81,416,061</u>
Total assets	<u>35,693,910</u>	<u>27,097,107</u>	<u>16,129,292</u>	<u>8,008,980</u>	<u>86,929,289</u>
LIABILITIES					
Due to broker	<u>5,562</u>	<u>500,000</u>	<u>1,868,329</u>	<u>591,000</u>	<u>2,964,891</u>
Total liabilities	<u>5,562</u>	<u>500,000</u>	<u>1,868,329</u>	<u>591,000</u>	<u>2,964,891</u>
FIDUCIARY NET POSITION					
Restricted for pension/other postemployment benefits	<u>\$ 35,688,348</u>	<u>\$ 26,597,107</u>	<u>\$ 14,260,963</u>	<u>\$ 7,417,980</u>	<u>\$ 83,964,398</u>

See accompanying independent auditors' report.

County of Chesterfield, Virginia
Combining Statement of Changes in Fiduciary Net Position
Trust Funds
For the Year Ended June 30, 2017

	Supplemental Retirement Plan Pension Trust County	Pooled Postemployment Retiree Healthcare Benefits Trust County	Pooled Postemployment Retiree Healthcare Benefits Trust Schools	Pooled Postemployment Line of Duty Benefits Trust County	Total Trust Funds
Additions:					
Contributions					
Employer	\$ 1,614,144	\$ 6,656,381	\$ 11,692,399	\$ 959,000	\$ 20,921,924
Employee	-	2,464,296	5,959,930	-	8,424,226
Investment earnings:					
Interest and dividends	764,364	8,136	3,297	1,530	777,327
Net increase in the fair value of investments	2,647,341	2,971,943	1,412,001	778,133	7,809,418
Total investment income	3,411,705	2,980,079	1,415,298	779,663	8,586,745
Less investment expenses	(199,646)	(25,099)	(11,743)	(6,531)	(243,019)
Net investment earnings	3,212,059	2,954,980	1,403,555	773,132	8,343,726
Total additions, net	4,826,203	12,075,657	19,055,884	1,732,132	37,689,876
Deductions:					
Benefit payments	1,753,487	8,620,677	15,784,000	368,000	26,526,164
Administrative expenses	78,142	500	500	500	79,642
Total deductions	1,831,629	8,621,177	15,784,500	368,500	26,605,806
Increase in net position restricted for pensions/other postemployment benefits	2,994,574	3,454,480	3,271,384	1,363,632	11,084,070
Fiduciary net position - July 1, 2016	32,693,774	23,142,627	10,989,579	6,054,348	72,880,328
Fiduciary net position - June 30, 2017	\$ 35,688,348	\$ 26,597,107	\$ 14,260,963	\$ 7,417,980	\$ 83,964,398

See accompanying independent auditors' report.

County of Chesterfield, Virginia
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2017

	Greater Richmond Convention Center Authority	Special Welfare	MHSS SSA	Police Safekeeping	Inmate Trust	Jail Canteen	Appomattox Regional Governor's School	Total
ASSETS								
Cash and cash equivalents	\$ 11,315,086	\$ 58,909	\$ 116,258	\$ 435,986	\$ 31,503	\$ 235,824	\$ 1,726,436	\$ 13,920,002
Accounts receivable	521,347	-	-	-	-	9,585	117	531,049
Due from other governments	-	-	-	-	-	-	25,741	25,741
Restricted assets:								
Cash and cash equivalents	7,067,237	-	-	-	-	-	-	7,067,237
Investments	18,330,256	-	-	-	-	-	-	18,330,256
Cash, cash equivalents	2,598,617	-	-	-	-	-	-	2,598,617
and investments with trustee	2,511,659	-	-	-	-	-	-	2,511,659
Due from other governments	1,841	-	-	-	-	-	-	1,841
Interest receivable								
Total restricted assets	30,509,610	-	-	-	-	-	-	30,509,610
Total assets	\$ 42,346,043	\$ 58,909	\$ 116,258	\$ 435,986	\$ 31,503	\$ 245,409	\$ 1,752,294	\$ 44,986,402
LIABILITIES								
Amounts held for others	\$ 42,346,043	\$ 58,909	\$ 116,258	\$ 435,986	\$ 31,503	\$ 245,409	\$ 1,752,294	\$ 44,986,402

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, 2017

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
GREATER RICHMOND CONVENTION CENTER AUTHORITY				
Assets				
Cash and cash equivalents	\$ 9,692,222	\$ 13,221,774	\$ 11,598,910	\$ 11,315,086
Accounts receivable	397,500	521,347	397,500	521,347
Due from other governments	5,369	-	5,369	-
Restricted assets:				
Cash and cash equivalents	8,023,399	6,309,711	7,265,873	7,067,237
Investments	15,864,865	3,482,702	1,017,311	18,330,256
Cash, cash equivalents and investments with trustee	1,827,619	13,128,312	12,357,314	2,598,617
Due from other governments	3,212,789	2,511,659	3,212,789	2,511,659
Interest receivable	73	1,841	73	1,841
Total restricted assets	<u>28,928,745</u>	<u>25,434,225</u>	<u>23,853,360</u>	<u>30,509,610</u>
 Total assets	 <u>\$ 39,023,836</u>	 <u>\$ 39,177,346</u>	 <u>\$ 35,855,139</u>	 <u>\$ 42,346,043</u>
 Liabilities				
Amounts held for others	<u>\$ 39,023,836</u>	<u>\$ 39,177,346</u>	<u>\$ 35,855,139</u>	<u>\$ 42,346,043</u>
SPECIAL WELFARE				
Assets				
Cash and cash equivalents	<u>\$ 40,135</u>	<u>\$ 141,810</u>	<u>\$ 123,036</u>	<u>\$ 58,909</u>
 Liabilities				
Amounts held for others	<u>\$ 40,135</u>	<u>\$ 141,810</u>	<u>\$ 123,036</u>	<u>\$ 58,909</u>
MENTAL HEALTH SUPPORT SERVICES SOCIAL SECURITY ADMINISTRATION				
Assets				
Cash and cash equivalents	<u>\$ 164,821</u>	<u>\$ 720,915</u>	<u>\$ 769,478</u>	<u>\$ 116,258</u>
 Liabilities				
Amounts held for others	<u>\$ 164,821</u>	<u>\$ 720,915</u>	<u>\$ 769,478</u>	<u>\$ 116,258</u>
POLICE SAFEKEEPING				
Assets				
Cash and cash equivalents	<u>\$ 505,137</u>	<u>\$ 986,726</u>	<u>\$ 1,055,877</u>	<u>\$ 435,986</u>
 Liabilities				
Amounts held for others	<u>\$ 505,137</u>	<u>\$ 986,726</u>	<u>\$ 1,055,877</u>	<u>\$ 435,986</u>

(Continued)

County of Chesterfield, Virginia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
INMATE TRUST FUND				
Assets				
Cash and cash equivalents	\$ 21,489	\$ 733,457	\$ 723,443	\$ 31,503
Liabilities				
Amounts held for inmates	\$ 21,489	\$ 733,457	\$ 723,443	\$ 31,503
JAIL CANTEEN FUND				
Assets				
Cash and cash equivalents	\$ 278,806	\$ 97,370	\$ 140,352	\$ 235,824
Accounts receivable	5,656	9,584	5,655	9,585
Total assets	\$ 284,462	\$ 106,954	\$ 146,007	\$ 245,409
Liabilities				
Amounts held for others	\$ 284,462	\$ 106,955	\$ 146,008	\$ 245,409
APPOMATTOX REGIONAL GOVERNOR'S SCHOOL				
Assets				
Cash and cash equivalents	\$ 1,495,621	\$ 4,100,523	\$ 3,869,708	\$ 1,726,436
Accounts receivable	15	117	15	117
Due from other governments	21,141	25,741	21,141	25,741
Total assets	\$ 1,516,777	\$ 4,126,381	\$ 3,890,864	\$ 1,752,294
Liabilities				
Amounts held for others	\$ 1,516,777	\$ 4,126,381	\$ 3,890,864	\$ 1,752,294
TOTAL AGENCY FUNDS				
Assets				
Cash and cash equivalents	\$ 12,198,231	\$ 20,002,575	\$ 18,280,804	\$ 13,920,002
Accounts receivable	403,171	531,048	403,170	531,049
Due from other governments	26,510	25,741	26,510	25,741
Restricted assets:				
Cash and cash equivalents	8,023,399	6,309,711	7,265,873	7,067,237
Investments	15,864,865	3,482,702	1,017,311	18,330,256
Cash, cash equivalents and investments with trustees	1,827,619	13,128,312	12,357,314	2,598,617
Due from other governments	3,212,789	2,511,659	3,212,789	2,511,659
Interest receivable	73	1,841	73	1,841
Total restricted assets	28,928,745	25,434,225	23,853,360	30,509,610
Total assets	\$ 41,556,657	\$ 45,993,589	\$ 42,563,844	\$ 44,986,402
Liabilities				
Amounts held for others	\$ 41,556,657	\$ 45,993,590	\$ 42,563,845	\$ 44,986,402

See accompanying independent auditors' report.

Non-major Discretely Presented Component Units

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

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

County of Chesterfield, Virginia
Combining Statement of Net Position
Non-major Discretely Presented Component Units
June 30, 2017

	Watkins Centre Community Development <u>Authority</u>	Chippenham Place Community Development <u>Authority</u>	Total Non-major Component <u>Units</u>
ASSETS			
Cash and cash equivalents	\$ 299,354	\$ 1,216,011	\$ 1,515,365
Investments	1,800,000	-	1,800,000
Receivables	29,135	-	29,135
Prepays	440	-	440
Total assets	<u>2,128,929</u>	<u>1,216,011</u>	<u>3,344,940</u>
LIABILITIES			
Accounts payable and other liabilities	162,123	57,070	219,193
Non-current liabilities:			
Due within one year	2,538,400	664,236	3,202,636
Due in more than one year	<u>5,806,332</u>	<u>11,109,792</u>	<u>16,916,124</u>
Total liabilities	<u>8,506,855</u>	<u>11,831,098</u>	<u>20,337,953</u>
NET POSITION			
Restricted for debt service	-	709,191	709,191
Unrestricted (deficit)	<u>(6,377,926)</u>	<u>(11,324,278)</u>	<u>(17,702,204)</u>
Total net position (deficit)	<u>\$ (6,377,926)</u>	<u>\$ (10,615,087)</u>	<u>\$ (16,993,013)</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, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Net (Expenses) Revenues and Changes in Position</u>		
		<u>Watkins Centre Community Development Authority</u>	<u>Chippenham Place Community Development Authority</u>	<u>Total Non-major Component Units</u>
Watkins Centre Community Development Authority	\$ 586,390	\$ (586,390)	\$ -	\$ (586,390)
Chippenham Place Community Development Authority	417,672	-	(417,672)	(417,672)
Total non-major component units	<u>\$ 1,004,062</u>	<u>(586,390)</u>	<u>(417,672)</u>	<u>(1,004,062)</u>
General revenues:				
Payment from County of Chesterfield		2,843,670	890,210	3,733,880
Investment earnings		89,035	287	89,322
Total general revenues		<u>2,932,705</u>	<u>890,497</u>	<u>3,823,202</u>
Change in net position		2,346,315	472,825	2,819,140
Total net position (deficit) - July 1, 2016		<u>(8,724,241)</u>	<u>(11,087,912)</u>	<u>(19,812,153)</u>
Total net position (deficit) - June 30, 2017		<u>\$ (6,377,926)</u>	<u>\$ (10,615,087)</u>	<u>\$ (16,993,013)</u>

See accompanying independent auditors' report.



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

County of Chesterfield, Virginia
Schedule of Capital Assets Used in the Operation of Governmental Funds
by Function and Activity
June 30, 2017

	<u>Total</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements other than Buildings</u>	<u>Machinery and Equipment</u>	<u>Infrastructure</u>
General government:						
Accounting	\$ 20,956	\$ -	\$ -	\$ -	\$ 20,956	\$ -
Board of Supervisors	7,933	-	-	-	7,933	-
Budget and Management	9,600	-	-	-	9,600	-
Commissioner of the Revenue	43,437	-	-	-	43,437	-
County Administration	1,120,033	-	-	-	1,120,033	-
General Services	11,545,061	584,668	10,407,420	-	552,973	-
Human Resource Management	51,965	-	-	-	51,965	-
Information Systems Technology	27,944,557	129,800	5,895,653	162,719	21,756,385	-
Internal Audit	313,695	150,000	151,006	-	12,689	-
Learning and Performance Center	125,104	-	-	-	125,104	-
License Inspector	35,393	-	-	-	35,393	-
Real Estate Assessments	559,071	85,500	442,144	-	31,427	-
Registrar	543,156	-	-	-	543,156	-
Treasurer	6,829,784	-	-	-	6,829,784	-
Total general government	49,149,745	949,968	16,896,223	162,719	31,140,835	-
Administration of justice:						
Circuit Court Clerk	330,644	-	-	-	330,644	-
Circuit Court Judges	270,016	-	-	-	270,016	-
Commonwealth's Attorney	135,011	-	114,474	-	20,537	-
Community Corrections	1,586,131	336,091	1,172,854	-	77,186	-
General District Court	33,428,005	22,441	32,503,462	118,080	784,022	-
Juvenile and Domestic Relations Court	17,366,944	53,173	17,250,223	-	63,548	-
Total administration of justice	53,116,751	411,705	51,041,013	118,080	1,545,953	-
Public safety:						
Animal Control	3,796,523	181,324	3,234,631	33,304	347,264	-
Building Inspections	2,214,745	105,932	110,100	-	1,998,713	-
Emergency Communications Center	29,548,094	71,740	63,857	-	29,412,497	-
Fire and EMS	95,659,994	3,049,656	41,419,058	1,221,342	49,969,938	-
Jail	31,935,331	19,950	31,145,693	-	769,688	-
Juvenile Detention Home	17,144,315	14,000	16,976,192	-	154,123	-
Juvenile Probation	41,884	-	-	-	41,884	-
Police	66,870,191	1,607,606	40,126,731	143,792	24,992,062	-
Sheriff	4,543,568	-	-	-	4,543,568	-
Youth Group Home	889,111	-	799,600	-	89,511	-
Total public safety	252,643,756	5,050,208	133,875,862	1,398,438	112,319,248	-
Public works:						
Buildings and Grounds	27,254,840	12,988,804	9,203,453	2,589,788	2,472,795	-
Environmental Engineering	40,759,214	1,100	355,951	-	1,987,815	38,414,348
Waste and Resource Recovery	10,654,577	800,254	688,185	7,934,259	1,231,879	-
Total public works	78,668,631	13,790,158	10,247,589	10,524,047	5,692,489	38,414,348
Health and welfare:						
Health	28,197	-	-	-	28,197	-
Mental Health Support Services	13,178,132	28,000	11,579,270	-	1,570,862	-
Social Services	18,929,700	297,200	17,340,572	-	1,291,928	-
Total health and welfare	32,136,029	325,200	28,919,842	-	2,890,987	-

(Continued)

County of Chesterfield, Virginia
Schedule of Capital Assets Used in the Operation of Governmental Funds
by Function and Activity
June 30, 2017

	<u>Total</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements other than Buildings</u>	<u>Machinery and Equipment</u>	<u>Infrastructure</u>
Parks, recreation and cultural:						
Library	\$ 48,365,201	\$ 3,235,457	\$ 41,935,597	\$ 65,603	\$ 3,128,544	\$ -
Parks and Recreation	<u>87,621,235</u>	<u>18,352,357</u>	<u>9,578,543</u>	<u>54,940,848</u>	<u>4,394,208</u>	<u>355,279</u>
Total parks, recreation and cultural	<u>135,986,436</u>	<u>21,587,814</u>	<u>51,514,140</u>	<u>55,006,451</u>	<u>7,522,752</u>	<u>355,279</u>
Education:						
School Board	<u>995,246,691</u>	<u>31,842,203</u>	<u>942,572,373</u>	<u>20,832,115</u>	<u>-</u>	<u>-</u>
Community development:						
Community Development	<u>28,456,385</u>	<u>7,368,104</u>	<u>18,712,365</u>	<u>-</u>	<u>2,375,916</u>	<u>-</u>
Total community development	<u>28,456,385</u>	<u>7,368,104</u>	<u>18,712,365</u>	<u>-</u>	<u>2,375,916</u>	<u>-</u>
 Total governmental funds' capital assets allocated by function	 1,625,404,424	 <u>\$ 81,325,360</u>	 <u>\$ 1,253,779,407</u>	 <u>\$ 88,041,850</u>	 <u>\$ 163,488,180</u>	 <u>\$ 38,769,627</u>
Construction in progress	<u>41,932,741</u>					
Total governmental funds' capital assets	<u>\$ 1,667,337,165</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, 2017

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>
General government:				
Accounting	\$ 34,806	\$ -	\$ 13,850	\$ 20,956
Board of Supervisors	7,933	-	-	7,933
Budget and Management	14,709	-	5,109	9,600
Commissioner of the Revenue	17,163	26,274	-	43,437
County Administration	1,126,244	-	6,211	1,120,033
General Services	9,308,002	2,237,059	-	11,545,061
Human Resource Management	51,965	-	-	51,965
Information Systems Technology	32,010,117	834,060	4,899,620	27,944,557
Internal Audit	313,695	-	-	313,695
Learning and Performance Center	17,460	107,644	-	125,104
License Inspector	-	35,393	-	35,393
Real Estate Assessments	567,113	-	8,042	559,071
Registrar	636,585	275,706	369,135	543,156
Treasurer	3,806,884	3,022,900	-	6,829,784
Total general government	<u>47,912,676</u>	<u>6,539,036</u>	<u>5,301,967</u>	<u>49,149,745</u>
Administration of justice:				
Circuit Court Clerk	325,340	5,304	-	330,644
Circuit Court Judges	270,016	-	-	270,016
Commonwealth's Attorney	135,011	-	-	135,011
Community Corrections	1,540,021	58,076	11,966	1,586,131
General District Court	33,428,005	-	-	33,428,005
Juvenile and Domestic Relations Court	17,412,144	-	45,200	17,366,944
Total administration of justice	<u>53,110,537</u>	<u>63,380</u>	<u>57,166</u>	<u>53,116,751</u>
Public safety:				
Animal Control	3,058,250	738,273	-	3,796,523
Building Inspections	2,214,745	-	-	2,214,745
Emergency Communications Center	29,743,757	73,668	269,331	29,548,094
Fire and EMS	95,025,510	2,871,714	2,237,230	95,659,994
Jail	31,952,431	-	17,100	31,935,331
Juvenile Detention Home	17,120,609	33,683	9,977	17,144,315
Juvenile Probation	41,884	-	-	41,884
Police	65,456,818	3,012,413	1,599,040	66,870,191
Sheriff	4,706,245	8,018	170,695	4,543,568
Youth Group Home	910,009	6,377	27,275	889,111
Total public safety	<u>250,230,258</u>	<u>6,744,146</u>	<u>4,330,648</u>	<u>252,643,756</u>
Public works:				
Buildings and Grounds	25,005,739	2,354,268	105,167	27,254,840
Environmental Engineering	39,991,933	767,281	-	40,759,214
Waste and Resource Recovery	10,654,577	-	-	10,654,577
Total public works	<u>75,652,249</u>	<u>3,121,549</u>	<u>105,167</u>	<u>78,668,631</u>

County of Chesterfield, Virginia
Schedule of Changes in Capital Assets Used in the Operation of Governmental Funds
by Function and Activity
For the Year Ended June 30, 2017

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>
Health and welfare:				
Health	\$ 28,197	\$ -	\$ -	\$ 28,197
Mental Health Support Services	13,169,584	36,329	27,781	13,178,132
Social Services	7,354,229	11,575,471	-	18,929,700
Total health and welfare	<u>20,552,010</u>	<u>11,611,800</u>	<u>27,781</u>	<u>32,136,029</u>
Parks, recreation and cultural:				
Library	48,022,950	393,979	51,728	48,365,201
Parks and Recreation	78,141,460	10,536,417	1,056,642	87,621,235
Total parks, recreation and cultural	<u>126,164,410</u>	<u>10,930,396</u>	<u>1,108,370</u>	<u>135,986,436</u>
Education:				
School Board	<u>974,505,070</u>	<u>20,900,607</u>	<u>158,986</u>	<u>995,246,691</u>
Community development:				
Community Development	28,684,230	-	227,845	28,456,385
Economic Development	20,406	-	20,406	-
Total community development	<u>28,704,636</u>	<u>-</u>	<u>248,251</u>	<u>28,456,385</u>
Construction in progress	<u>31,692,340</u>	<u>50,774,778</u>	<u>40,534,377</u>	<u>41,932,741</u>
Total governmental funds' capital assets	<u>\$ 1,608,524,186</u>	<u>\$ 110,685,692</u>	<u>\$ 51,872,713</u>	<u>\$ 1,667,337,165</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, 2017

Governmental funds' capital assets:

Land	\$ 81,325,360
Buildings	1,253,779,407
Improvements other than buildings	88,041,850
Machinery and equipment	163,488,180
Infrastructure	38,769,627
Construction in progress	41,932,741
Total governmental funds' capital assets	<u>\$ 1,667,337,165</u>

Investment in governmental funds' capital assets by source:

General obligation bonds	\$ 1,128,953,995
General government revenues	373,983,726
Federal and State grants	28,177,998
Capital lease purchases	62,525,144
Special Revenue Fund revenues	7,503,017
Contributions from public	66,193,285
Total investment in governmental funds' capital assets	<u>\$ 1,667,337,165</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, 2017

	Special Revenue Fund	
	School Operating	
ASSETS		
Cash and cash equivalents	\$ 17,073,576	
Accounts receivable	938,852	
Due from other governments	6,094,837	
Due from primary government	69,137,513	
Inventories	308,182	
Total assets	<u>\$ 93,552,960</u>	
LIABILITIES		
Accounts payable	\$ 7,347,637	
Accrued liabilities	41,681,997	
Retainages payable	3,835	
Unearned revenues	603,163	
Total liabilities	<u>49,636,632</u>	
FUND BALANCE		
Nonspendable	308,182	
Restricted	7,732,553	
Assigned	35,875,593	
Total fund balance	<u>43,916,328</u>	
Total liabilities and fund balance	<u>\$ 93,552,960</u>	
Reconciliation of total fund balances for governmental funds to total net position of governmental activities:		
Total fund balance for School Operating Fund		\$ 43,916,328
Amounts reported for the School Board's governmental activities in the Statement of Net Position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
		37,669,144
Deferred outflows of resources used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Deferred pension contributions	\$ 43,358,398	
Deferred pension investment experience	32,079,069	
Deferred pension assumptions	7,952,787	
Deferred pension proportionate share	4,890,000	
Deferred pension difference in expected and actual experience	<u>9,419,860</u>	97,700,114
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. This adjustment combines the net changes of the following balances:		
Capital lease obligations	(8,573,701)	
Compensated absences	(18,244,491)	
Judgments and claims	(9,348,530)	
Net pension liabilities	(617,595,746)	
Other postemployment benefits obligation - asset	3,601,689	
Interest payable	<u>(61,358)</u>	<u>(650,222,137)</u>
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds:		
Deferred pension assumptions	(11,227,447)	
Deferred pension proportionate share	(3,971,000)	
Deferred pension difference in expected and actual experience	<u>(17,709,750)</u>	<u>(32,908,197)</u>
Total net position of the School Board's governmental activities		<u>\$ (503,844,748)</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, 2017

	<u>Special Revenue Fund</u>
	<u>School Operating</u>
Revenues	
From local sources:	
Use of money and property	\$ 1,008,999
Charges for services	14,045,814
Donations	506,354
Miscellaneous	1,988,805
Payment from primary government	282,418,123
From other governments	<u>291,935,695</u>
Total revenues	<u>591,903,790</u>
Expenditures	
Current:	
Education	583,967,191
Debt service	4,315,931
Payment to primary government	<u>12,945,526</u>
Total expenditures	<u>601,228,648</u>
Deficiency of revenues under expenditures	(9,324,858)
Total fund balance, July 1, 2016	<u>53,241,186</u>
Total fund balance, June 30, 2017	<u>\$ 43,916,328</u>

(Continued)

County of Chesterfield, Virginia
Discretely Presented Component Unit - School Board
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund
For the Year Ended June 30, 2017

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

Net change in fund balance	\$ (9,324,858)
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Amounts reported for governmental activities in the Statement of Activities are different because:

The governmental fund reports capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:

Capitalized assets	\$ 9,826,489	
Depreciation	<u>(9,720,648)</u>	105,841

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

471,286

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:

Payments	4,092,459
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund, such as:

Compensated absences	1,022,501	
Judgments and claims	1,671,846	
Other postemployment benefits obligation	2,183,595	
Pension expense	2,840,346	
Interest payable	<u>46,702</u>	<u>7,764,990</u>

Change in net position of governmental activities	\$ <u>3,109,718</u>
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See accompanying independent auditors' report.

County of Chesterfield, Virginia
Discretely Presented Component Unit - School Board
School Operating Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues				
From local sources:				
Use of money and property	\$ 1,675,000	\$ 1,675,000	\$ 1,230,192	\$ (444,808)
Charges for services	14,844,900	14,853,141	14,652,365	(200,776)
Donations	556,000	597,666	506,354	(91,312)
Miscellaneous	1,259,700	1,331,830	1,988,805	656,975
Recovered costs	2,415,400	2,479,278	2,518,499	39,221
From the Commonwealth	252,093,800	255,075,647	253,943,096	(1,132,551)
From the federal government	36,758,500	42,274,758	37,992,599	(4,282,159)
Total revenues	<u>309,603,300</u>	<u>318,287,320</u>	<u>312,831,910</u>	<u>(5,455,410)</u>
Expenditures				
Current:				
Education:				
Instruction	440,649,423	453,174,252	444,083,344	9,090,908
Administration, attendance and health	23,149,923	23,701,840	21,653,823	2,048,017
Pupil transportation	36,842,290	37,913,939	34,718,652	3,195,287
Operations and maintenance	52,711,598	52,971,078	47,757,137	5,213,941
Technology	13,426,449	16,408,965	15,060,032	1,348,933
Food service	26,882,453	26,886,288	24,040,446	2,845,842
Debt service	47,900,900	48,012,490	45,185,599	2,826,891
Total expenditures	<u>641,563,036</u>	<u>659,068,852</u>	<u>632,499,033</u>	<u>26,569,819</u>
Deficiency of revenues under expenditures	<u>(331,959,736)</u>	<u>(340,781,532)</u>	<u>(319,667,123)</u>	<u>21,114,409</u>
Other financing sources (uses)				
Transfers in:				
General Fund	328,892,200	333,235,119	323,102,201	(10,132,918)
School Capital Projects Fund	74,000	74,203	74,203	-
Total transfers in	<u>328,966,200</u>	<u>333,309,322</u>	<u>323,176,404</u>	<u>(10,132,918)</u>
Transfers out:				
School Capital Projects Fund	(5,938,300)	(29,880,178)	(9,304,726)	20,575,452
Children's Services Fund	(2,897,900)	(3,640,800)	(3,640,800)	-
Total transfers out	<u>(8,836,200)</u>	<u>(33,520,978)</u>	<u>(12,945,526)</u>	<u>20,575,452</u>
Premium on bonds issued	-	111,387	111,387	-
Refunding bonds issued	-	-	14,735,206	14,735,206
Payment to refunded bonds escrow agent	-	-	(14,735,206)	(14,735,206)
Total other financing sources, net	<u>320,130,000</u>	<u>299,899,731</u>	<u>310,342,265</u>	<u>10,442,534</u>
Net change in fund balance	<u>(11,829,736)</u>	<u>(40,881,801)</u>	<u>(9,324,858)</u>	<u>31,556,943</u>
Fund balance, July 1, 2016	<u>53,241,186</u>	<u>53,241,186</u>	<u>53,241,186</u>	<u>-</u>
Fund balance, June 30, 2017	<u>\$ 41,411,450</u>	<u>\$ 12,359,385</u>	<u>\$ 43,916,328</u>	<u>\$ 31,556,943</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, 2017

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.	\$ 312,831,910
For budgetary purposes, intrafund reimbursements and recovered costs are accounted for as revenues and expenditures but are eliminated for financial reporting purposes.	(3,346,243)
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>282,418,123</u>
Total revenues on the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund.	<u>\$ 591,903,790</u>

Expenditures

Total expenditures on the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual.	\$ 632,499,033
For budgetary purposes, intrafund reimbursements and recovered costs are accounted for as revenues and expenditures but are eliminated for financial reporting purposes.	(3,346,243)
Budgetary transfers to the primary government are expenditures for financial reporting purposes.	12,945,526
Payments of debt "on behalf" of the School Board are eliminated for financial reporting purposes.	<u>(40,869,668)</u>
Total expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund.	<u>\$ 601,228,648</u>

Other financing sources (uses)

Total other financing sources on the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual.	\$ 310,342,265
Budgetary transfers from the primary government are revenues for financial reporting purposes.	(323,176,404)
Net proceeds from debt issued by the primary government "on behalf" of the School Board are eliminated for financial reporting purposes.	(111,387)
Budgetary transfers to the primary government are expenditures for financial reporting purposes.	<u>12,945,526</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, 2017

	<u>Pension Trust Fund</u>	<u>Agency Funds</u>
	<u>Supplemental Retirement Program Fund</u>	<u>School Activities Fund</u>
ASSETS		
Cash and cash equivalents with trustee	\$ 4,833,701	\$ 6,206,414
Investments with trustee	19,440,197	-
Interest receivable	4,828	-
Total assets	<u>24,278,726</u>	<u>\$ 6,206,414</u>
LIABILITIES		
Amounts held for others	<u>-</u>	<u>\$ 6,206,414</u>
NET POSITION		
Restricted for pension benefits	<u>\$ 24,278,726</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, 2017**

	<u>Pension Trust Fund</u>
	<u>Supplemental Retirement Program</u>
Additions	
Contributions	\$ 14,840,273
Investment earnings:	
Interest and dividends	349,115
Net increase in the fair value of investments	<u>1,605,105</u>
Net investment earnings	<u>1,954,220</u>
Total additions	<u>16,794,493</u>
 Deductions	
Benefit payments	12,270,641
Administrative expenses	<u>85,364</u>
Total deductions	<u>12,356,005</u>
 Increase in net position	 4,438,488
 Net position - July 1, 2016	 <u>19,840,238</u>
Net position - June 30, 2017	<u><u>\$ 24,278,726</u></u>

See accompanying independent auditors' report.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND NOTES

County of Chesterfield, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Granting Agency/Recipient State Agency/Grant Program/ (Grant ID)	CFDA#	Total Federal Expenditures
Department of Agriculture		
Pass-through payments:		
Department of Agriculture & Consumer Services:		
National School Lunch Program (16161VA347N2535)	10.555 ⁽¹⁾	\$ 1,243,865
Department of Education:		
National School Lunch Program (201616N109941) (201717N109941)	10.555 ⁽¹⁾	8,383,413
Department of Juvenile Justice:		
National School Lunch Program (Commodities)	10.555 ⁽¹⁾	82,166
Department of Education:		
School Breakfast Program (201616N109941) (201717N109941)	10.553	<u>2,564,822</u>
Total Child Nutrition Cluster - 10.553/10.555		\$ 12,274,266
Department of Education:		
Fresh Fruit and Vegetable Program (201615L160341) (201717L160341)	10.582	199,990
Department of Health:		
Child and Adult Care Food Program (59431)	10.558	23,753
Department of Social Services:		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (0010117)	10.561	<u>1,741,424</u>
Total Supplemental Nutrition Assistance Program Cluster - 10.561		<u>1,741,424</u>
Total Department of Agriculture		<u>14,239,433</u>
Department of Defense		
Direct payments:		
JROTC	12.xxx	<u>304,001</u>
Total Department of Defense		<u>304,001</u>
Department of Education		
Direct payments:		
Impact Aid	84.041	39,933
Pass-through payments:		
City of Richmond School Board:		
Adult Education - Basic Grants to States (V002A150047) (V002A160047)	84.002	341,905
Education for Homeless Children and Youth (No grant ID available)	84.196	16,070
⁽¹⁾ CFDA 10.555 Total \$9,809,444		

County of Chesterfield, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Granting Agency/Recipient State Agency/Grant Program/ (Grant ID)	CFDA#	Total Federal Expenditures
Department of Education (continued)		
Pass-through payments:		
Department of Education:		
Career and Technical Education - Basic Grants to States (V048A150046) (V048A160046)	84.048	\$ 685,919
English Language Acquisition State Grants (S365A160046) (S365A150046)	84.365	358,395
Supporting effective Instruction State Grants (formerly Improving Teacher Quality) (S367A140044) (S367A150044) (S367A160044)	84.367	1,058,284
Mathematics and Science Partnerships (S366B140047-60730-021)	84.366	14,089
Preschool Development Grants (S419B150010-40002-021) (S419B150010-16-40003-021)	84.419	1,803,929
Special Education Grants to States (021-APE60180-H027A150107) (H027A140107) (H027A150107) (H027A160107)	84.027	\$ 11,752,516
Special Education Preschool Grants (H173A140112) (H173A150112)	84.173	<u>202,690</u>
Total Special Ed Cluster - 84.027 and 84.173		11,955,206
Special Education - Grants for Infants and Families (H181A170017)	84.181	294,350
Teacher Quality Partnership Grants (to VCU to CCPS)	84.336	112,991
Title I Grants to Local Educational Agencies (S010A150046) (S010A160046)	84.010	6,220,912
Title I State Agency Program for Neglected and Delinquent Children and Youth (S013A150046-021-42948) (S013A160046)	84.013	79,334
Twenty-First Century Community Learning Centers (021-60565-S287C140047) (021-60565-S287C150047) (021-60565-S287C160047)	84.287	<u>1,101,991</u>
Total Department of Education		<u>24,083,308</u>

County of Chesterfield, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Granting Agency/Recipient State Agency/Grant Program/ (Grant ID)	CFDA#	Total Federal Expenditures
Department of Health and Human Services		
Direct payments:		
Head Start	93.600	\$ 1,382,602
(03CH3427-02-00)		
(03CH3427-03-00)		
(03CH3427-04-00)		
Pass-through payments:		
Department of Behavioral Health and Development Service:		
Block Grants for Community Mental Health Services	93.958	93,239
(50125)		
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	119,600
(No grant ID available)		
Block Grants for Prevention and Treatment of Substance Abuse	93.959	772,307
(50165)		
(50195)		
Department of Health:		
Assistance Programs for Chronic Disease Prevention and Control	93.945	6,218
(6NU5809004832-04-03)		
Department of Social Services:		
Temporary Assistance for Needy Families	93.558	\$ 1,402,685
(FAM-15-084-01)		
(400117)		
Total Temporary Assistance for Needy Families Cluster - 93.558		1,402,685
Adoption Assistance	93.659	1,010,962
(1120117)		
Chafee Education and Training Vouchers Program (ETV)	93.599	5,484
(9160116)		
Chafee Foster Care Independence Program	93.674	13,300
(9150117)		
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	201,666
(0760117)		
Total Child Care Development Fund Cluster - 93.596		201,666
Children's Health Insurance Program	93.767	74,571
(0540117)		
Foster Care Title IV-E	93.658	1,142,267
(1100117)		
Low-Income Home Energy Assistance	93.568	133,021
(0600417)		
Medical Assistance Program	93.778	2,270,557
(1200117)		
Total Medicaid Cluster - 93.778		2,270,557

County of Chesterfield, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Granting Agency/Recipient State Agency/Grant Program/ (Grant ID)	CFDA#	Total Federal Expenditures
Department of Health and Human Services (continued)		
Pass-through payments:		
Department of Social Services:		
Promoting Safe and Stable Families (950115)	93.556	\$ 114,184
Refugee and Entrant Assistance - State Administered Programs (0500117)	93.566	7,585
Adoption and Legal Guardianship Incentive Payments (1130114)	93.603	797
Department of Behavioral Health and Development Service:		
Social Services Block Grant (1000117)	93.667	1,014,536
Stephanie Tubbs Jones Child Welfare Services Program (0900116)	93.645	1,443
Total Department of Health and Human Services		9,767,024
Department of Homeland Security		
Pass-through payments:		
Department of Emergency Management:		
Emergency Management Performance Grants (7141)	97.042	48,788
Homeland Security Grant Program (6791) (6829) (7025) (15VA-HSGP-0344) (15VA-HSGP-0359&0337) (15VA-HSGP-0435)	97.067	270,809
Total Department of Homeland Security		319,597
Department of Housing and Urban Development		
Direct payments:		
Community Development Block Grants/Entitlement Grants (B13UC510004) (B14UC510004) (B15UC510004) (B16UC510004)	14.218 ⁽²⁾	1,191,140
Total Community Development Block Grants Entitlement Grants Cluster - 14.218		1,191,140

⁽²⁾Total Payments to Subrecipients CFDA #14.218 was \$339,841

County of Chesterfield, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Granting Agency/Recipient State Agency/Grant Program/ (Grant ID)	CFDA#	Total Federal Expenditures
Department of Housing and Urban Development (continued)		
Direct payments:		
Home Investment Partnerships Program	14.239 ⁽³⁾	\$ 405,645
(M08UC510212)		
(M10UC510212)		
(M12UC510212)		
(M13UC510212)		
(M14UC510212)		
(M15UC510212)		
(M16UC510212)		
Pass-through payments:		
Housing Development Authority:		
Section 8 Housing Choice Vouchers	14.871	<u>206,386</u>
(No grant ID available)		
Total Housing Voucher Cluster - 14.871		<u>206,386</u>
Total Department of Housing and Urban Development		<u>1,803,171</u>
Department of Justice		
Direct payments:		
Criminal and Juvenile Justice and Mental Health Collaboration		
Program	16.745	72,635
Drug Court Discretionary Grant Program	16.585	129,942
Edward Byrne Memorial Justice Assistance Grant Program	16.738	49,859
Equitable Sharing Program	16.922	147,377
Public Safety Partnership and Community Policing Grants	16.710	223,048
State Criminal Alien Assistance Program	16.606	73,427
Pass-through payments:		
Department of Criminal Justice Services:		
Crime Victim Assistance	16.575	461,836
(17-W8587VW15)		
Juvenile Justice and Delinquency Prevention	16.540	50,469
(116-A3226JJ13)		
Violence Against Women Formula Grants	16.588	125,636
(16-S9845VA15)		
(16-T9370VA15)		
(16-T9371VA15)		
(17-T9845VA16)		
(17-U9370VA16)		
(17-U9371VA16)		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	<u>14,520</u>
(17-A4027AD15)		
Total Department of Justice		<u>1,348,749</u>

⁽³⁾Total Payments to Subrecipients CFDA #14.239 was \$405,521

County of Chesterfield, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Granting Agency/Recipient State Agency/Grant Program/ (Grant ID)	CFDA#	Total Federal Expenditures
Department of the Interior		
Direct payments:		
National Wildlife Refuge Fund	15.659	\$ 6,498
Total Department of the Interior		6,498
Department of Transportation		
Direct payments:		
Airport Improvement Program	20.106	21,825
Pass-through payments:		
Department of Motor Vehicles:		
Alcohol Open Container Requirements (154AL-2016-56051-6251) (AL-2017-57008-6657)	20.607	166,963
State and Community Highway Safety (SC-2017-57009-6658) (SC-2016-56056-6256)	20.600	62,631
Total Highway Safety Cluster - 20.600		62,631
Department of Transportation:		
Highway Planning and Construction (97687) (101020) (101028) (102952) (105192) (106201) (107536) (107879) (108978) (109082) (109191) (109868)	20.205	\$ 4,379,631
Total Highway Planning and Construction Cluster - 20.205		4,379,631
Total Department of Transportation		4,631,050
Grand Total		\$ 56,502,831

County of Chesterfield, Virginia
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

1. General

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

2. Basis of Accounting

The accompanying Schedule is presented using the modified accrual basis of accounting for governmental funds, which is described in Note 1 to the County's basic financial statements. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

3. Relationship to Financial Statements

Federal expenditures are reported in the County's basic financial statements as follows:

<u>Fund</u>	<u>Federal Expenditures</u>
<u>Primary Government</u>	
Governmental Activities	
General Fund	\$ 10,043,180
County Capital Projects Fund	4,311,435
Non-major - Children's Services Fund	3,934,594
Non-major - Grants Fund	<u>183,690</u>
Total Governmental Activities	18,472,899
Business-type Activities	
Non-major - Airport Fund	<u>21,825</u>
Total Primary Government	18,494,724
<u>Component Unit</u>	
Governmental Activities	
School Operating Fund	<u>38,008,107</u>
Total	<u>\$ 56,502,831</u>

4. Use of Indirect Cost Rate

The County did not elect to use the 10% de minimus cost rate.

STATISTICAL SECTION

STATISTICAL SECTION

(Unaudited)

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

	<u>Pages</u>
Financial Trends	203-207
<i>These schedules contain trend information to help the reader understand how Chesterfield's financial performance and well-being have changed over time.</i>	
Revenue Capacity	208-212
<i>These schedules contain information to help the reader assess Chesterfield's most significant local revenue source, property tax.</i>	
Debt Capacity	213-215
<i>These schedules present information to help the reader assess the affordability of Chesterfield's current levels of outstanding debt and the ability to issue additional debt in the future.</i>	
Demographic and Economic Information	216-217
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which Chesterfield operates.</i>	
Operating Information	218-220
<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)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities ⁽¹⁾⁽⁶⁾										
Net investment in capital assets	\$ 487,741,373	\$ 530,702,086	\$ 552,032,799	\$ 574,885,562	\$ 599,754,295	\$ 627,400,224	\$ 645,911,815	\$ 655,698,497	\$ 689,654,404	\$ 735,341,966
Restricted	50,295,285	42,099,392	52,160,770	58,812,683	61,519,784	51,154,743	58,156,804	67,370,966	70,554,116	56,082,770
Unrestricted ⁽⁵⁾	143,352,794	149,288,745	160,465,007	187,964,641	188,996,281	185,082,324	12,913,401	31,322,429	87,873,727	139,226,239
Total governmental activities net position ⁽³⁾⁽⁴⁾	\$ 681,389,452	\$ 722,090,223	\$ 764,658,576	\$ 821,662,886	\$ 850,270,360	\$ 863,637,291	\$ 716,982,020	\$ 754,391,892	\$ 848,082,247	\$ 930,650,975
Business-type activities										
Net investment in capital assets ⁽²⁾	\$ 682,591,012	\$ 714,330,054	\$ 741,730,464	\$ 765,410,845	\$ 770,297,665	\$ 785,112,123	\$ 787,859,447	\$ 795,520,705	\$ 809,352,317	\$ 821,397,739
Restricted	17,242,966	25,002,197	25,417,498	15,637,228	15,815,265	16,559,193	15,838,389	16,053,703	9,237,200	9,423,700
Unrestricted ⁽²⁾⁽⁵⁾	117,696,445	114,292,930	117,421,774	130,992,671	140,426,616	159,659,711	178,869,952	204,092,283	236,886,193	280,272,023
Total business-type activities net position ⁽³⁾⁽⁴⁾	\$ 817,530,423	\$ 853,625,181	\$ 884,569,736	\$ 912,040,744	\$ 926,539,546	\$ 961,331,027	\$ 982,567,788	\$ 1,015,666,691	\$ 1,055,475,710	\$ 1,111,093,462
Primary government										
Net investment in capital assets	\$ 1,170,332,385	\$ 1,245,032,140	\$ 1,293,763,263	\$ 1,340,296,407	\$ 1,370,051,960	\$ 1,412,512,347	\$ 1,433,771,262	\$ 1,451,219,202	\$ 1,499,006,721	\$ 1,556,739,705
Restricted	67,538,251	67,101,589	77,578,268	74,449,911	77,335,049	67,713,936	73,995,193	83,424,669	79,791,316	65,506,470
Unrestricted ⁽⁵⁾	261,049,239	263,581,675	277,886,781	318,957,312	329,422,897	344,742,035	191,783,353	235,414,712	324,759,920	419,498,262
Total primary government net position ⁽³⁾⁽⁴⁾	\$ 1,498,919,875	\$ 1,575,715,404	\$ 1,649,228,312	\$ 1,733,703,630	\$ 1,776,809,906	\$ 1,824,968,318	\$ 1,699,549,808	\$ 1,770,058,583	\$ 1,903,557,957	\$ 2,041,744,437

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

(2) 2008 Net investment in capital assets and unrestricted net position were restated to reclass intangible assets as capital assets.

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

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

(5) Due to implementation of GASB Statement 65 in 2014, deferred bond issuance costs are no longer reported as an asset on the Statement of Net Position and total net position at the beginning of the year was restated.

(6) 2014 net position was restated to reflect the adoption of GASB Statement 68.

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities:										
General government	\$ 62,125,394	\$ 64,753,892	\$ 59,652,475	\$ 58,141,077	\$ 63,848,744	\$ 61,583,107	\$ 96,779,940	\$ 117,197,913	\$ 125,427,912	\$ 126,708,814
Administration of justice	9,433,583	10,165,647	9,689,658	9,838,076	10,074,871	9,672,405	11,684,376	10,653,019	11,101,741	10,896,810
Public safety	152,400,203	158,317,621	154,703,866	159,738,182	164,335,666	176,821,834	176,699,204	175,196,278	173,299,691	183,370,852
Public works	37,044,887	32,749,415	31,583,528	28,851,217	38,710,140	41,785,217	31,041,438	42,172,196	40,504,952	45,072,932
Health and welfare	72,490,313	73,645,385	70,707,991	72,416,110	72,359,200	73,067,353	74,100,466	76,361,327	80,438,889	84,390,086
Parks, recreation and cultural	25,048,041	26,279,170	23,871,068	21,531,768	24,969,646	22,970,560	23,224,544	23,582,693	24,321,945	26,351,945
Education - School Board	337,236,438	337,123,894	308,669,193	310,962,247	262,561,566	277,126,087	278,232,715	303,960,336	291,984,801	308,043,018
Community development	16,697,501	19,839,416	17,316,286	18,143,396	26,219,996	18,844,043	19,393,334	20,536,333	19,903,410	21,062,911
Interest on long-term debt	23,272,102	20,554,873	24,463,742	21,600,283	19,825,526	19,285,140	16,870,029	16,000,836	14,212,999	14,269,395
Total governmental activities expenses	735,748,462	743,429,313	700,657,807	701,222,356	682,905,355	701,155,746	728,026,046	785,660,931	781,195,981	820,166,763
Business-type activities:										
Water	33,897,447	34,499,851	36,788,760	36,717,857	37,959,144	40,454,185	38,375,432	38,754,527	40,998,118	40,873,429
Wastewater	28,359,324	28,938,778	28,892,927	30,679,018	36,165,218	41,534,715	39,090,012	38,114,324	39,897,750	39,030,892
Non-major funds	1,830,406	2,033,079	1,894,870	1,892,830	2,083,379	9,369,149	4,055,728	10,335,478	2,850,847	5,561,422
Total business-type activities expenses	64,087,177	65,471,708	67,576,557	69,289,705	76,207,741	91,358,049	81,521,172	87,204,329	83,746,715	85,465,743
Total primary government expenses	\$ 799,835,639	\$ 808,901,021	\$ 768,234,364	\$ 770,512,061	\$ 759,113,096	\$ 792,513,795	\$ 809,547,218	\$ 872,865,260	\$ 864,942,696	\$ 905,632,506
Program Revenues										
Governmental activities:										
Charges for services: ⁽⁵⁾										
General government	\$ 22,610,238	\$ 24,291,925	\$ 24,296,030	\$ 25,073,965	\$ 25,626,551	\$ 26,076,591	\$ 66,075,291	\$ 74,618,852	\$ 87,579,064	\$ 89,880,633
Public safety	15,189,151	15,444,515	13,374,815	14,615,801	14,839,567	16,973,314	16,485,692	18,371,561	18,657,124	19,565,438
Health and welfare	19,579,694	20,718,939	21,580,964	22,551,628	21,210,460	22,239,975	22,804,250	23,781,553	22,882,370	24,742,209
Other activities ⁽⁶⁾	14,099,296	11,831,679	11,385,840	13,727,131	14,101,549	14,594,343	14,743,719	17,153,696	16,427,067	20,830,090
Operating grants and contributions	103,539,529	96,145,925	90,963,621	94,216,649	96,081,067	96,078,901	98,916,691	102,888,009	124,992,376	119,088,730
Capital grants and contributions	22,402,657	8,057,210	7,117,695	19,507,591	19,066,565	23,441,463	21,062,977	25,298,534	22,966,675	33,389,320
Total governmental activities program revenues	197,420,565	176,491,193	168,718,965	189,692,765	190,925,759	199,404,587	240,088,620	262,112,205	293,504,676	307,496,420
Business-type activities:										
Charges for services:										
Water	33,171,182	33,557,269	35,294,123	34,918,515	35,354,772	38,354,424	38,445,173	42,259,584	43,582,483	47,735,250
Wastewater	28,844,584	31,135,811	32,991,772	34,197,043	35,363,104	37,315,136	38,392,347	41,235,104	43,742,327	46,868,841
Non-major funds	815,883	626,602	614,093	651,579	612,878	2,029,452	994,995	1,310,723	1,010,202	1,592,940
Operating grants and contributions	40,063,647	33,860,040	31,029,526	26,705,648	19,399,060	24,777,852	29,325,331	5,500,000	33,153,748	39,834,148
Capital grants and contributions										
Total business-type activities program revenues	102,895,296	99,179,722	99,929,514	96,472,785	90,729,814	102,476,864	107,157,846	118,554,775	121,488,760	136,031,179
Total primary government program revenues	\$ 300,315,861	\$ 275,670,915	\$ 268,648,479	\$ 286,165,550	\$ 281,655,573	\$ 301,881,451	\$ 347,246,466	\$ 380,666,980	\$ 414,993,436	\$ 443,527,599

(Continued)

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net (Expense)/Revenue										
Governmental activities	\$ (538,327,897)	\$ (566,938,120)	\$ (531,938,842)	\$ (511,529,591)	\$ (491,979,596)	\$ (501,751,159)	\$ (487,937,426)	\$ (523,548,726)	\$ (487,691,305)	\$ (512,670,343)
Business-type activities	38,808,119	33,708,014	32,352,957	27,183,080	14,522,073	11,118,815	25,636,674	31,350,446	37,742,045	50,565,436
Total primary government net expense	<u>\$ (499,519,778)</u>	<u>\$ (533,230,106)</u>	<u>\$ (499,585,885)</u>	<u>\$ (484,346,511)</u>	<u>\$ (477,457,523)</u>	<u>\$ (490,632,344)</u>	<u>\$ (462,300,752)</u>	<u>\$ (492,198,280)</u>	<u>\$ (449,949,260)</u>	<u>\$ (462,104,907)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes: ⁽¹⁾										
Property taxes, levied for general purposes	318,644	953,614	940,457	1,025,519	1,083,691	1,633,193	1,951,192	1,881,961	2,667,960	3,224,211
Property taxes, levied for special purposes	19,539,935	19,760,114	7,510,925	7,676,851	7,513,492	7,692,460	7,802,992	7,927,826	7,867,528	8,043,759
Utility taxes	40,736,677	38,465,858	37,775,437	39,951,936	40,411,325	42,293,047	42,924,462	44,938,389	45,306,831	47,915,376
Sales taxes	6,204,690	7,386,980	6,698,408	6,813,084	6,872,589	7,097,823	12,194,196	14,167,545	14,275,048	13,944,691
Motor vehicle licenses	17,499,296	16,949,861	15,163,683	16,139,259	17,332,709	17,250,726	18,351,123	19,756,323	20,742,026	20,580,987
Business license taxes	15,014,721	13,019,147	9,259,788	9,240,961	10,508,806	10,662,930	10,261,244	11,315,246	13,122,548	13,777,956
Other	52,059,151	74,630,044	55,662,221	61,378,052	10,243,723	7,988,893	5,375,603	10,293,109	9,427,230	-
Payment from School Board	52,754,645	51,746,112	66,053,783	66,236,099	65,404,091	65,943,441	66,119,764	65,959,716	65,104,169	65,462,954
Unrestricted grants and contributions ⁽²⁾	14,571,536	5,823,371	1,517,603	1,096,015	730,507	633,538	540,383	322,164	1,121,270	1,549,802
Investment earnings	298,620	1,425,727	713,621	607,932	6,239,952	814,327	15,663	859,804	603,354	260,951
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Special item - Meadowville Support Agreement	-	-	-	(8,345,000)	-	-	-	-	-	-
Transfers	2,082,572	1,528,448	3,126,266	700,079	608,273	(2,154,078)	(183,577)	(997,797)	(714,882)	(749,313)
Total governmental activities	<u>589,873,404</u>	<u>607,638,891</u>	<u>574,507,195</u>	<u>568,533,901</u>	<u>520,587,070</u>	<u>517,392,314</u>	<u>535,500,243</u>	<u>560,958,598</u>	<u>581,381,660</u>	<u>595,239,071</u>
Business-type activities:										
Investment earnings	7,297,951	3,915,192	1,717,864	988,007	585,002	264,515	463,468	750,660	1,352,092	974,328
Miscellaneous	-	-	-	-	-	-	3,866,638	-	-	3,328,675
Transfers	(2,082,572)	(1,528,448)	(3,126,266)	(700,079)	(608,273)	2,154,078	183,577	997,797	714,882	749,313
Total business-type activities	<u>5,215,379</u>	<u>2,386,744</u>	<u>(1,408,402)</u>	<u>287,928</u>	<u>(23,271)</u>	<u>2,418,593</u>	<u>4,513,683</u>	<u>1,748,457</u>	<u>2,066,974</u>	<u>5,052,316</u>
Total primary government	<u>\$ 595,088,783</u>	<u>\$ 610,025,635</u>	<u>\$ 573,098,793</u>	<u>\$ 568,821,829</u>	<u>\$ 520,563,799</u>	<u>\$ 519,810,907</u>	<u>\$ 540,013,926</u>	<u>\$ 562,707,055</u>	<u>\$ 583,448,634</u>	<u>\$ 600,291,387</u>
Change in Net Position ⁽³⁾⁽⁴⁾										
Governmental activities	\$ 51,545,507	\$ 40,700,771	\$ 42,568,353	\$ 57,004,310	\$ 28,607,474	\$ 15,641,155	\$ 47,562,817	\$ 37,409,872	\$ 93,690,355	\$ 82,568,728
Business-type activities	44,023,498	36,094,758	30,944,555	27,471,008	14,498,802	13,537,408	30,150,357	33,098,903	39,809,019	55,617,752
Total primary government	<u>\$ 95,569,005</u>	<u>\$ 76,795,529</u>	<u>\$ 73,512,908</u>	<u>\$ 84,475,318</u>	<u>\$ 43,106,276</u>	<u>\$ 29,178,563</u>	<u>\$ 77,713,174</u>	<u>\$ 70,508,775</u>	<u>\$ 133,499,374</u>	<u>\$ 138,186,480</u>

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

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

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

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

(5) The Healthcare Fund, an internal service fund reported in the general government function of governmental activities on the Statement of Net Position, was established in 2014 to reflect the operations of the County's self-funded healthcare functions.

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

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	\$ 60,076,202	\$ 67,004,317	\$ 68,057,843	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved:										
Designated	76,568,430	94,647,808	108,860,017	-	-	-	-	-	-	-
Undesignated	70,704,544	53,495,000	53,495,000	-	-	-	-	-	-	-
Total unreserved	147,272,974	148,142,808	162,355,017	-	-	-	-	-	-	-
Restricted	-	-	-	11,486,173	13,461,857	13,554,070	14,600,770	16,031,238	19,074,127	18,168,690
Committed	-	-	-	690,074	736,367	755,493	710,785	725,267	1,484,040	1,468,131
Assigned	-	-	-	182,374,682	190,269,268	186,350,588	198,068,805	197,476,873	233,819,201	263,559,665
Unassigned	-	-	-	53,495,000	53,495,000	53,495,000	55,000,000	58,000,000	58,668,400	60,004,400
Total General Fund	\$ 207,349,176	\$ 215,147,125	\$ 230,412,860	\$ 248,045,929	\$ 257,962,492	\$ 254,155,151	\$ 268,380,360	\$ 272,233,378	\$ 313,045,768	\$ 343,200,886
All Other Governmental Funds										
Reserved	\$ 154,588,206	\$ 161,454,879	\$ 128,379,230	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
School Capital Projects Fund ⁽¹⁾	(10,590,936)	-	-	-	-	-	-	-	-	-
Special Revenue Funds	2,281,047	2,782,267	3,118,649	-	-	-	-	-	-	-
Nonspendable	-	-	-	5,000	5,000	5,000	5,000	5,000	5,000	-
Restricted	-	-	-	120,021,503	137,170,899	112,858,827	95,619,953	78,588,171	149,020,985	205,384,023
Assigned, reported in:										
School Capital Projects Fund	-	-	-	215,000	215,000	215,671	153,848	228,029	150,352	-
Special Revenue Funds	-	-	-	6,086,966	5,989,380	6,332,718	4,609,034	6,049,972	5,432,814	10,813,637
Total all other governmental funds	\$ 146,278,317	\$ 164,237,146	\$ 131,497,879	\$ 126,328,469	\$ 143,380,279	\$ 119,412,216	\$ 100,387,835	\$ 84,871,172	\$ 154,609,151	\$ 216,197,660

⁽¹⁾ In fiscal year 2008, encumbrances were not funded at year end.

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

Table IV

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
General property taxes	\$ 367,784,907	\$ 375,887,861	\$ 370,358,546	\$ 370,513,296	\$ 358,569,311	\$ 360,929,869	\$ 371,300,388	\$ 387,980,769	\$ 403,863,868	\$ 422,283,775
Other local taxes ⁽¹⁾	98,995,319	95,581,960	76,551,062	80,008,276	82,831,721	85,392,248	92,145,704	98,580,358	102,101,705	105,016,089
Permits, fees and licenses	6,411,648	4,542,125	3,984,902	3,586,770	3,864,896	5,208,451	4,760,670	6,821,163	6,764,863	7,425,213
Fines and forfeitures	2,555,991	2,097,014	2,119,362	2,296,228	2,301,977	2,278,991	3,204,800	2,496,443	1,811,841	2,171,101
Use of money and property	14,866,249	6,344,978	2,055,073	1,652,694	1,351,053	1,313,194	1,262,769	866,562	1,818,019	2,280,980
Charges for services	32,596,470	34,623,544	34,833,624	38,623,262	36,850,784	38,355,482	37,172,314	39,271,152	41,805,240	46,833,619
Donations and miscellaneous	11,576,794	7,782,805	6,499,504	8,559,883	16,211,413	12,774,759	19,100,597	11,069,175	10,402,779	14,766,966
Recovered costs	12,445,614	15,339,867	13,760,783	13,140,128	11,371,267	12,239,642	12,155,299	12,440,763	12,988,894	10,892,720
From component unit - School Board	51,289,900	74,630,044	55,662,221	61,378,052	10,243,723	7,988,893	5,375,603	10,293,109	9,427,230	12,945,526
From component unit - Other ⁽²⁾	-	-	-	-	2,769,593	-	-	552,324	-	-
From other governments ⁽¹⁾	168,241,737	149,519,290	157,456,277	168,557,560	169,439,273	173,418,402	177,141,197	184,495,752	195,931,063	191,395,432
Total revenues	766,764,629	766,349,488	723,281,354	748,316,149	695,805,011	699,899,931	723,619,341	754,867,570	786,915,502	816,001,421
Expenditures										
General government	46,365,935	45,833,201	43,215,375	42,636,365	46,315,295	44,647,030	46,364,334	45,747,255	46,519,517	47,014,959
Administration of justice	9,039,329	8,966,363	8,756,089	9,152,233	9,195,838	9,278,278	9,448,941	9,511,417	10,195,274	9,739,559
Public safety	145,924,583	150,999,210	151,122,446	156,223,287	156,149,460	168,719,717	172,409,410	174,546,991	177,339,678	180,405,571
Public works	19,996,286	19,849,499	18,365,860	17,330,421	18,329,261	19,045,092	16,660,840	16,707,503	17,329,618	18,210,063
Health and welfare	72,087,641	72,934,960	69,919,248	72,668,435	71,807,826	72,032,431	73,968,332	76,045,471	81,622,971	83,973,130
Parks, recreation and cultural	21,326,681	21,505,518	19,681,201	22,374,211	18,012,985	18,126,307	18,635,571	18,352,707	19,258,487	20,747,230
Education - School Board	314,603,869	316,956,577	286,137,953	286,952,462	237,812,405	250,493,166	251,029,300	271,952,519	268,106,031	282,418,123
Community development	14,966,770	18,177,218	15,893,983	16,956,080	25,316,409	17,854,792	18,567,487	20,104,987	19,727,695	20,882,779
Debt service:										
Principal	41,352,282	43,910,171	44,075,601	45,453,298	43,650,523	44,454,795	45,917,114	49,466,021	41,579,430	42,473,914
Interest	22,184,734	23,992,255	23,841,263	23,687,589	22,493,861	21,155,270	20,734,214	18,269,647	17,730,591	17,730,105
Other	550,556	565,906	85,997	667,429	1,318,521	261,685	427,758	110,342	1,275,819	683,442
Capital outlay	120,756,601	99,877,943	62,797,936	59,272,863	66,143,705	80,530,541	73,868,935	69,836,981	76,490,074	93,304,435
Total expenditures	829,155,267	823,568,821	743,892,952	753,374,673	716,546,089	746,599,104	748,032,236	770,651,841	777,182,185	817,583,310
Excess of expenditures over (under) revenues	(62,390,638)	(57,219,333)	(20,611,598)	(5,058,524)	(20,741,078)	(46,699,173)	(24,412,895)	(15,784,271)	9,733,317	(1,581,889)
Other Financing Sources (Uses)										
Transfers in	30,526,922	32,521,513	26,765,458	21,388,162	22,438,998	27,079,327	24,769,872	30,229,920	24,801,835	28,874,860
Transfers out	(28,506,784)	(30,981,265)	(23,627,392)	(20,625,300)	(21,433,578)	(29,169,767)	(24,824,689)	(31,214,517)	(25,194,469)	(34,467,073)
Certificates of participation issued	22,885,927	7,371,199	-	-	-	-	-	-	-	-
Bonds issued	76,985,213	74,043,219	-	16,822,749	40,385,607	21,014,209	16,157,318	-	100,910,386	98,917,642
Refunding bonds and certificates of participation issued	-	22,425,825	-	7,399,075	82,654,235	-	51,645,470	-	134,941,531	20,224,000
Payments to escrow agent	-	(22,404,380)	-	(7,462,503)	(82,086,894)	-	(51,587,953)	-	(134,642,231)	(20,223,913)
Sale of redevelopment asset	-	-	-	-	5,751,083	-	3,453,705	5,105,223	-	-
Total other financing sources, net	101,891,278	82,976,111	3,138,066	17,522,183	47,709,451	18,923,769	19,613,723	4,120,626	100,817,052	93,325,516
Net change in fund balances	\$ 39,500,640	\$ 25,756,778	\$ (17,473,532)	\$ 12,463,659	\$ 26,968,373	\$ (27,775,404)	\$ (4,799,172)	\$ (11,663,645)	\$ 110,550,369	\$ 91,743,627
Debt service as a percentage of noncapital expenditures	8.75%	9.20%	9.71%	9.70%	9.74%	9.46%	9.57%	9.18%	8.14%	7.98%

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)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Real property taxes	\$ 295,937,075	\$ 310,906,883	\$ 303,352,142	\$ 295,381,760	\$ 285,653,410	\$ 282,586,919	\$ 289,899,514	\$ 302,662,551	\$ 313,731,924	\$ 325,839,487
Property taxes for special purposes	318,644	953,614	1,357,751	2,196,240	2,632,222	2,970,251	3,184,749	3,331,972	3,865,636	5,336,834
Personal property taxes ⁽¹⁾	94,275,917	87,280,037	86,882,112	93,145,764	90,652,518	95,133,946	98,447,249	102,263,777	106,926,822	109,572,215
Real and personal public service corporation taxes	10,772,082	11,462,397	12,475,064	12,646,051	12,612,667	13,243,578	12,709,368	12,681,584	12,861,027	13,885,590
Machinery and tools taxes	4,369,496	4,333,848	4,339,276	4,281,381	4,725,416	4,769,060	4,773,224	4,912,750	4,564,090	5,372,984
Local sales and use tax ⁽²⁾	40,736,677	38,465,858	37,918,258	40,138,121	40,604,124	42,688,309	43,536,148	45,413,418	46,094,554	48,668,697
Business license taxes	17,499,296	16,949,861	15,163,683	16,139,258	17,332,709	17,250,726	18,351,123	19,756,323	20,742,026	20,580,987
Consumer utility tax ⁽³⁾	19,539,935	7,499,495	7,510,925	7,676,851	7,513,492	7,692,460	7,802,992	7,927,826	7,867,528	8,043,759
Motor vehicle licenses	6,204,690	7,386,980	6,698,408	6,813,084	6,872,589	7,097,823	12,194,196	14,167,545	14,275,048	13,944,691
Recordation tax	6,096,549	4,306,611	3,905,500	3,479,084	4,048,619	4,630,333	4,209,707	4,715,219	5,655,737	5,892,181
Transient occupancy tax	4,468,629	3,960,301	3,503,222	3,727,095	4,081,220	4,202,868	4,072,726	4,463,850	4,931,324	5,186,616
Cable franchise fees ⁽⁴⁾	3,227,272	3,332,022	-	-	-	-	-	-	-	-
Other taxes ^{(3) (4)}	4,418,519	16,677,576	4,895,315	5,960,726	5,792,299	5,147,892	5,357,144	5,356,360	5,541,905	6,067,871
Total	\$ 507,864,781	\$ 513,515,483	\$ 488,001,656	\$ 491,585,415	\$ 482,521,285	\$ 487,414,165	\$ 504,538,140	\$ 527,653,175	\$ 547,057,621	\$ 568,391,912

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

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

⁽³⁾ 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.

⁽⁴⁾ Includes penalties and interest on property taxes.

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

Fiscal Year	Assessed Values					Total
	Real Estate ⁽²⁾		Personal property	Machinery and tools	Public service	
	Residential	Commercial/ Industrial				
2008	\$ 26,476,217,323	\$ 6,286,058,061	\$ 3,499,786,465	\$ 435,488,170	\$ 1,114,518,126	\$ 37,812,068,145
2009	26,444,495,499	6,538,019,297	3,147,719,082	438,809,420	1,198,254,238	37,767,297,536
2010	25,404,972,139	6,199,204,274	3,047,498,874	435,428,490	1,294,938,309	36,382,042,086
2011	24,371,644,507	6,209,724,943	3,167,813,011	436,491,890	1,323,381,861	35,509,056,212
2012	23,297,692,124	6,377,907,210	3,291,845,888	471,584,010	1,314,798,015	34,753,827,247
2013	23,270,154,936	6,549,579,765	3,483,680,323	477,379,120	1,388,250,675	35,169,044,819
2014	24,137,868,679	6,750,914,605	3,495,271,898	478,934,270	1,326,654,615	36,189,644,067
2015	25,216,056,226	6,978,880,525	3,678,673,795	492,208,390	1,306,718,575	37,672,537,511
2016	26,301,749,013	7,275,677,327	3,825,378,513	464,611,380	1,346,367,453	39,213,783,686
2017	27,654,285,819	7,404,623,041	3,990,515,453	524,819,940	1,450,194,577	41,024,438,830

Source: County Assessor's Office

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

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

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

Fiscal Year	Real estate ⁽⁵⁾	Personal Property							Total ⁽⁶⁾ direct tax rate	
		Airplanes	Motor vehicles clean special fuels	Motor ⁽¹⁾ vehicles of voluntary personnel	Wild or exotic animals	Special equipped motor vehicles physically handicap	Vehicle ⁽²⁾ trailer and semi-trailer	All ⁽³⁾ others		Machinery and tools
2008	\$ 0.97/0.95 ⁽⁴⁾	\$ 0.50	\$ 3.24	\$ 0.96	\$ 0.01	\$ 0.01	\$ 0.96	\$ 3.60	\$ 1.00	\$ 1.20
2009	0.95	0.50	3.24	0.96	0.01	0.01	0.96	3.60	1.00	1.17
2010	0.95	0.50	3.24	0.96	0.01	0.01	0.96	3.60	1.00	1.17
2011	0.95	0.50	3.24	0.96	0.01	0.01	0.96	3.60	1.00	1.19
2012	0.95	0.50	3.24	0.96	0.01	0.01	0.96	3.60	1.00	1.20
2013	0.95	0.50	3.24	0.96	0.01	0.01	0.96	3.60	1.00	1.21
2014	0.95/0.96 ⁽⁴⁾	0.50	3.24	0.96	0.01	0.01	0.96	3.60	1.00	1.21
2015	0.96	0.50	3.24	0.96	0.01	0.01	0.96	3.60	1.00	1.22
2016	0.96	0.50	3.24	0.96	0.01	0.01	0.96	3.60	1.00	1.22
2017	0.96	0.50	3.24	0.96	0.01	0.01	0.96	3.60	1.00	1.22

Source: Chesterfield County Accounting Department

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

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

	2017			2008		
	<u>Taxpayer</u>	<u>Assessed value⁽¹⁾</u>	<u>Percentage of total assessed valuation</u>	<u>Assessed value⁽¹⁾</u>	<u>Percentage of total assessed valuation</u>	<u>Rank</u>
	Dominion Virginia Power	\$ 1,031,126,195	2.51 %	\$ 686,684,839	1.82 %	1
	Verizon Communications	197,195,450	0.48	216,107,971	0.57	3
	E. I. duPont De Nemours and Company	176,890,740	0.43	272,901,810	0.72	2
	Bon Secours St. Francis Medical Center	139,509,100	0.34	100,911,700	0.27	7
	RPI Chesterfield, LLC	128,039,600	0.31			
	Philip Morris USA	100,216,060	0.24	108,793,160	0.29	6
	Columbia Gas of Virginia, Inc.	97,882,441	0.24	58,263,719	0.15	10
	PFI VPN Portfolio Fee Owner, LLC	86,556,900	0.21			
	Zaremba Metropolitan Mid LLC	83,473,300	0.20			
	Capital One, NA	83,411,400	0.20			
	C. J. W. Medical Center			64,591,100	0.17	9
	Brandywine Operating Partnership			143,711,200	0.38	4
	Macerich Partnership			124,386,800	0.33	5
	Wal-Mart Stores, Inc.			65,179,900	0.17	8
		<u>\$ 2,124,301,186</u>	<u>5.16%</u>	<u>\$ 1,841,532,199</u>	<u>4.87%</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
2008	\$ 411,660,361	\$ (2,979,393)	\$ 408,680,968	\$ 393,666,244	95.63 %	\$ 13,354,118	\$ 407,020,362	99.59 %
2009	418,267,041	(2,586,887)	415,680,154	400,440,812	95.74	13,575,264	414,016,076	99.60
2010	413,886,463	(3,146,845)	410,739,618	395,328,026	95.52	13,905,272	409,233,298	99.63
2011	405,337,481	(3,225,128)	402,112,353	386,437,915	95.34	12,646,256	399,084,171	99.25
2012	399,214,675	(2,546,047)	396,668,628	380,070,636	95.20	12,572,376	392,643,012	98.99
2013	401,085,271	(2,479,808)	398,605,463	381,522,800	95.12	12,222,507	393,745,307	98.78
2014	409,264,558	(1,960,891)	407,303,667	391,757,210	95.72	11,650,602	403,407,812	99.04
2015	426,586,417	(1,673,149)	424,913,268	408,501,369	95.76	11,080,626	419,581,995	98.75
2016	444,012,047	(1,533,094)	442,478,953	424,981,948	95.71	10,636,476	435,618,424	98.45
2017	461,670,403	-	461,670,403	438,733,745	95.03	-	438,733,745	95.03

Source: Chesterfield County Treasurer's Office

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

Table X

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	Other ⁽¹⁾	Support Agreement	Public facility lease revenue bonds	Certificates of participation ⁽²⁾	Capital leases	Revenue bonds ⁽³⁾	Certificates of participation	Total primary government	Percentage of personal income	Population	Debt per capita
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	4.71 %	311,000	\$ 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	5.48	314,000	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	5.00	316,000	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	4.57	318,000	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	4.28	319,000	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	4.04	323,000	1,866
2014	411,873,615	-	17,205,000	5,070,833	59,505,802	573,493	78,486,034	1,014,588	573,729,365	3.72	328,000	1,749
2015	371,651,300	-	15,890,000	4,169,249	48,468,654	424,086	74,452,824	901,665	515,957,778	3.17	332,000	1,554
2016	423,290,121	30,422,731	14,560,000	3,292,722	29,079,233	263,624	63,872,739	742,019	565,523,189	N/A	336,000	1,683
2017	472,910,798	36,586,858	13,220,000	2,441,134	25,039,681	90,613	57,155,952	654,194	608,099,230	N/A	339,000	1,794

⁽¹⁾ Includes state library loans, subfund revenue bonds and revenue bonds.

⁽²⁾ Includes a taxable redevelopment facility note.

⁽³⁾ Included subfund revenue bonds.

Note:

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

Population and personal income data are found on Table XIII.

N/A = not available

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

<u>Fiscal year</u>	<u>General obligation bonds outstanding</u>	<u>Estimated population⁽¹⁾</u>	<u>Per capita</u>	<u>Assessed value of taxable property⁽²⁾</u>	<u>Ratio to assessed value</u>
2008	\$469,725,315	311,000	\$1,475	\$37,812,068,145	1.24%
2009	505,891,876	314,000	1,567	37,767,297,536	1.34
2010	466,949,639	316,000	1,439	36,382,042,086	1.28
2011	443,933,544	318,000	1,359	35,509,056,212	1.25
2012	445,807,265	319,000	1,339	34,753,827,247	1.28
2013	427,213,319	323,000	1,263	35,169,044,819	1.21
2014	411,873,615	328,000	1,174	36,189,644,067	1.14
2015	371,651,300	332,000	1,050	37,672,537,511	0.99
2016	423,290,121	336,000	1,260	39,213,783,686	1.08
2017	472,910,798	339,000	1,395	41,024,438,830	1.15

Source:

(1) Population - Chesterfield County Planning Department estimates.

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

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

Water and Sewer Revenue Bonds									
Fiscal Year	Gross revenues⁽¹⁾	Less operating expenses⁽²⁾	Net revenues available for debt service	Debt Service		Coverage			
				Principal	Interest				
2008	\$ 81,314,558	\$ 40,712,319	\$ 40,602,239	\$ 3,810,398	\$ 5,888,418	419	%		
2009	81,850,504	41,245,910	40,604,594	5,261,821	6,079,815	358			
2010	78,143,427	40,437,936	37,705,491	5,256,452	7,776,051	289			
2011	78,585,637	40,861,691	37,723,946	8,159,642	10,479,723	202			
2012	80,633,543	43,998,256	36,635,287	3,540,000	3,372,880	530			
2013	86,156,434	45,591,945	40,564,489	3,685,000	3,242,180	586			
2014	96,431,708	43,675,137	52,756,571	3,805,000	3,115,606	762			
2015	97,137,443	43,572,048	53,565,395	3,935,000	2,979,931	775			
2016	105,244,822	45,358,971	59,885,851	4,080,000	2,844,330	865			
2017	114,862,024	45,900,887	68,961,137	4,855,000	2,130,832	987			

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

⁽²⁾ Net of depreciation and amortization.

Note:

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

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

Water and Sewer Revenue Bonds									
Fiscal Year	Gross revenues⁽¹⁾	Less operating expenses⁽²⁾	Net revenues available for debt service	Debt Service		Coverage			
				Principal	Interest				
2008	\$ 81,314,558	\$ 40,712,319	\$ 40,602,239	\$ 3,810,398	\$ 5,888,418	419	%		
2009	81,850,504	41,245,910	40,604,594	5,261,821	6,079,815	358			
2010	78,143,427	40,437,936	37,705,491	5,256,452	7,776,051	289			
2011	78,585,637	40,861,691	37,723,946	8,159,642	10,479,723	202			
2012	80,633,543	43,998,256	36,635,287	3,540,000	3,372,880	530			
2013	86,156,434	45,591,945	40,564,489	3,685,000	3,242,180	586			
2014	96,431,708	43,675,137	52,756,571	3,805,000	3,115,606	762			
2015	97,137,443	43,572,048	53,565,395	3,935,000	2,979,931	775			
2016	105,244,822	45,358,971	59,885,851	4,080,000	2,844,330	865			
2017	114,862,024	46,368,663	68,493,361	4,855,000	2,130,832	980			

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

⁽²⁾ Net of depreciation and amortization.

Note:

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

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

	2017 ⁽¹⁾		2008 ⁽²⁾		Percentage of total civilian labor force
	Employee Class Size	Rank ⁽⁴⁾	Employees	Rank	
Amazon Com KYDC Inc.	1000 and over	1			
HCA Virginia Health System/ C.J.W. Medical Center	1000 and over	1	1,400	5	0.81%
United Parcel Service	1000 and over	1	2,000	2	1.15
E.I. duPont De Nemours Company	1000 and over	1	2,508	1	1.44
Wal-Mart Stores Inc.	1000 and over	1	1,555	3	0.90
Kroger	1000 and over	1			
Anteon Corporation	1000 and over	1			
Hill Phoenix	1000 and over	1	900	9	0.52
Bon Secours Richmond Health System/ St. Francis Medical Center	1000 and over	1	850	10	0.49
Capital One Financial Corporation	500 to 999	10	1,237	6	0.71
Ukrops Supermarkets, Inc.			1,426	4	0.82
Vangent			1,200	7	0.69
Advantastaff			996	8	0.57
duPont Teijin Films					
Estimated total	18,750		14,072		8.10%
Total civilian labor force ⁽³⁾	186,807		173,684		

Source: (1) Virginia Employment Commission Community Profile for Chesterfield County updated 9/28/17

(2) Chesterfield County Economic Development Department reported as of January 2008

(3) Percentages are based on the midpoint of the employment range

(4) Rankings are based on the midpoint of the employment range

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

<u>Function</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Governmental activities										
General government	501	519	490	476	479	467	459	467	478	478
Administration of justice	161	160	156	154	157	159	156	150	158	159
Public safety:										
Fire	460	463	462	461	474	471	469	466	488	495
Police	568	567	593	575	573	600	595	601	608	621
Sheriff	245	244	235	222	246	238	253	250	269	256
Other	200	201	198	190	187	184	184	198	200	196
Total public safety	1,473	1,475	1,488	1,448	1,480	1,493	1,501	1,515	1,565	1,568
Public works	169	159	152	147	147	138	138	136	140	142
Health and welfare	566	580	547	554	553	557	574	570	576	544
Parks, recreation and cultural	184	187	179	161	165	162	165	164	162	179
Community development	90	91	84	74	74	75	71	75	73	77
Total governmental activities	3,144	3,171	3,096	3,014	3,055	3,051	3,064	3,077	3,151	3,147
Business-type activities ⁽¹⁾										
Water	151	153	148	151	152	151	148	149	150	152
Wastewater	129	129	130	128	128	126	124	129	129	122
Airport	4	5	5	4	5	3	3	3	3	3
Total business-type activities	284	287	283	283	285	280	275	281	282	277
Grand total	3,428	3,458	3,379	3,297	3,340	3,331	3,339	3,358	3,433	3,424
Number of County employees per 1,000 population	11.0	11.0	10.7	10.4	10.5	10.3	10.2	10.1	10.2	10.1

Source: Chesterfield County Accounting Department

(1) Economic Development Authority has no employees.

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police ⁽¹⁾										
Police Activities ⁽²⁾	415,521	485,401	591,749	672,668	726,521	725,962	730,179	693,517	677,212	683,042
IBR Group A Incidents/Part 1 Offenses	17,414	17,224	17,145	17,079	17,173	16,182	16,242	16,044	16,432	16,588
IBR Group A Clearance Rate/Uniform Clearance Rate	44%	46%	48%	50%	51%	51%	53%	50%	51%	48%
Average Response Time for Priority 1 (life threatening calls)	3.62 min.	3.55 min.	3.23 min.	3.48 min.	3.41 min.	3.65 min.	3.93 min.	3.79 min.	3.57 min.	3.57 min.
Fire and EMS										
Emergency operations dispatches	32,737	32,946	32,924	34,314	36,856	36,245	36,881	38,184	39,756	41,725
Emergency medical ambulance dispatches	24,835	25,354	25,784	26,143	27,846	28,322	28,319	29,122	29,731	32,515
Fire engine medical support calls	13,871	13,459	12,792	11,351	11,901	11,833	11,218	11,107	11,178	13,491
Firefighter staffed ambulance calls	19,777	20,220	20,804	22,967	22,776	23,648	24,789	24,372	25,598	27,633
Building inspections conducted	4,793	4,575	3,459	3,438	3,083	2,857	3,092	2,675	3,277	3,190
Construction plans reviewed	1,663	2,065	1,408	943	974	890	911	1,100	1,150	1,222
Library ^{(4) (7)}										
Total circulation ⁽⁵⁾	3,932,984	3,474,052	3,292,105	2,825,447	3,936,793	4,043,135	5,081,592	6,472,601	5,348,564	5,674,592
Number of visitors ⁽⁸⁾	1,736,740	1,877,105	1,858,961	1,465,236	1,345,052	4,639,926	3,927,804	3,661,350	3,214,190	3,242,218
Number of reference and general assistance questions ^{(8) (10)}	591,203	625,521	603,058	416,031	404,500	3,683,524	3,355,392	10,180,296	10,280,044	13,654,770
Number of public access computer sessions ^{(3) (6)}	N/A	548,332	557,588	444,636	376,970	449,030	565,293	698,891	440,464	622,933
Elections										
Registered voters	202,640	209,078	207,273	210,946	216,135	220,162	222,826	220,903	228,605	234,134
Utilities										
Water customers serviced	99,921	100,054	100,668	101,147	102,000	103,132	104,447	105,847	107,212	108,949
Wastewater customers serviced	83,948	84,067	84,566	85,010	85,843	86,893	88,122	89,406	90,660	92,223
Parks and Recreation										
Number of park visitors	3,919,823	4,061,315	4,670,192	4,710,680	4,212,834	4,674,494	N/A ⁽⁹⁾	5,335,987	5,810,922	6,383,686
Cost per visitor	\$ 0.22	\$ 0.27	\$ 0.20	\$ 0.18	\$ 0.25	\$ 0.24	N/A ⁽⁹⁾	\$ 0.27	\$ 0.22	\$ 0.15

Source: County Departments providing the service

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

(2) Prior to fiscal year 2008, this category was labeled calls and assignments but now is all inclusive of the officer activities. Beginning in fiscal year 2013 this category was renamed from Police Initiated Activities to Police Activities to include assists. Fiscal years 2010, 2011 and 2012 counts were updated in fiscal year 2013 to reflect consistent reporting. Beginning in fiscal year 2017, this category included written warnings.

(3) Automated counts for all of the public computer work stations became available after implementation of the Internet Management System in fiscal year 2009.

(4) Beginning on July 1, 2011, libraries were open one less day per week. Library hours were restored in September 2016.

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

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

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

(8) The Bon Air Library was closed for renovations for half of fiscal year 2014.

(9) Visitor counts are not available for fiscal year 2014.

(10) Beginning in fiscal year 2015, adjustments were made to the method of capturing customer initiated metrics.

N/A = Not available

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Airport										
Number of airplane hangars	110	110	110	110	110	110	110	110	110	110
Police										
Number of stations	4	4	4	4	4	4	4	4	4	5
Fire Protection										
Number of fire companies	21	21	21	21	21	21	21	22	22	22
Library										
Number of facilities	9	9	9	9	9	9	9	9	10	10
Utilities										
Water line in system (miles)	1,750	1,823	1,839	1,857	1,871	1,889	1,902	1,920	1,946	1,971
Wastewater line in system (miles)	1,898	1,926	1,945	1,962	1,970	1,984	2,000	2,022	2,044	2,077
Parks and Recreation										
Number of parks	44	45	45	46	51	52	52	52	54	56
Park acreage	4,009	4,387	4,412	4,494	4,532	4,535	4,535	4,561	4,625	4,863
Number of athletic complexes maintained	11	11	11	11	11	11	11	11	11	12

Source: County Departments providing the service

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

COMPLIANCE SECTION

**Report of Independent Auditor on Internal Control over Financial Reporting and on
Compliance with Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Chesterfield, Virginia (the "County"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 31, 2017. Our report recognizes that the County implemented two new accounting standards effective July 1, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Richmond, Virginia
October 31, 2017

Report of Independent Auditor on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited the County of Chesterfield, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County of Chesterfield, Virginia's (the "County") major federal programs for the year ended June 30, 2017. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

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, 2017.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Richmond, Virginia
October 31, 2017

County of Chesterfield, Virginia

Schedule of Findings and Questioned Costs

Year Ended June 30, 2017

A. Summary of Auditor's Results

1. The type of report issued on the basic financial statements: **Unmodified opinion**
2. Significant deficiencies in internal control disclosed by the audit of the financial statements: **None reported**
3. Material weaknesses in internal control disclosed by the audit of financial statements: **None**
4. Noncompliance, which is material to the financial statements: **None**
5. Significant deficiencies in internal control over major programs: **None reported**
6. Material weaknesses in internal control over major programs: **None**
7. The type of report issued on compliance for major programs: **Unmodified opinion**
8. Any audit findings which are required to be reported under the Uniform Guidance: **No**
9. The programs tested as major programs were:

<u>CFDA Number</u>	<u>Name of Federal Program and Cluster</u>
10.553 and 10.555	Child Nutrition Cluster
20.205	Highway Planning and Construction Cluster
84.010	Title I, Part A
93.778	Medical Assistance Program – Medicaid Cluster

10. Dollar threshold used to distinguish between type A and type B programs: **\$1,695,084**
11. County of Chesterfield does not qualify as a low-risk auditee under Section 530 of Uniform Guidance

B. Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*:

None reported

C. Findings and Questioned Costs Relating to Federal Awards:

None reported

D. Status of Prior Year Findings

2016-001: Material Weakness and Material Noncompliance – Eligibility – not repeated

2016-002: Social Services System Access – not repeated

2016-003: Social Services Special Welfare – not repeated

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

ACCOUNTING DEPARTMENT EMPLOYEES

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

Cover: Chesterfield County Historic Courthouse

Photo taken and provided by Catherine Wilson



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Chesterfield County, Chesterfield, Virginia

As of June 30, 2017

REFERENCE NUMBER	FISCAL YEAR	AUDIT FINDING	CORRECTIVE ACTION
2016-001	2016	<p>2016-001: Material Weakness and Material Noncompliance – Eligibility</p> <p>Program: Medical Assistance Program (CFDA Number 93.778 – US. Department of Health and Human Services – Virginia Department of Social Services; Federal Award Number: 1200116; Federal Award Year: 2016)</p> <p>Condition: Of the twenty-five (25) participants selected for testing, our review noted the following exceptions:</p> <ul style="list-style-type: none"> • Three (3) participant case files did not contain evidence that the annual eligibility redetermination had been performed. • One (1) participant case file did not have the required annual redetermination completed within 12 months. • One (1) participant case file did not include evidence that the participants' Social Security Number or citizenship was verified. • Twenty-five (25) of twenty-five (25) participant files available for review retained no physical evidence (e.g. Case Reading Sheet) of required supervisory review. 	<p>Corrective Action Taken:</p> <ul style="list-style-type: none"> • The case monitoring plan was implemented on November 1, 2016. Supervisors have utilized the state's Rushmore System, and they reviewed a total of 166 Medicaid cases for the period 11/1/16 – 3/31/17. • The Agency Training Supervisor conducted Medicaid refresher training for eligibility workers and supervisors on January 31, 2017. • The agency contracted temporary staff to file information in case records. This task was completed on January 13, 2017. • We continue to offer overtime to eliminate the backlog and ensure timely processing of reviews. • The leadership team continues to use available state reports to monitor weekly progress of Medicaid reviews. They are also addressing performance issues with staff.