

THE COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR THE YEAR ENDED JUNE 30, 2008
CHESTERFIELD COUNTY, VIRGINIA

COUNTY OF CHESTERFIELD, VIRGINIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2008

Prepared by
Accounting Department
Mary Lou Lyle, CPA, Director

Chesterfield County, Virginia

MISSION

Providing a FIRST CHOICE Community through Excellence in Public Service

VISION

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

GUIDING PRINCIPLES AND VALUES

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

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

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

County of Chesterfield, Virginia
Directory of Officials
June 30, 2008

Primary Government Officials

BOARD OF SUPERVISORS

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

CONSTITUTIONAL OFFICERS

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

ADMINISTRATIVE OFFICERS

James J. L. Stegmaier County Administrator
Rebecca T. Dickson..... Deputy County Administrator, Human Services
William E. Johnson, III Deputy County Administrator, Management Services
Millard D. "Pete" Stith, Jr..... Deputy County Administrator, Community Development
Steven L. Micas County Attorney

School Board Component Unit Officials

SCHOOL BOARD

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

ADMINISTRATIVE OFFICERS

Dr. Marcus J. Newsome Superintendent
Dr. Lyle Evans..... Assistant Superintendent, Human Resources and Facilities
Dr. Dale Kalkofen Assistant Superintendent, Instruction
Kathryn S. Kitchen..... Assistant Superintendent, Business and Finance
Dr. Edward Pruden..... Assistant Superintendent, Instructional Administration
Debra Q. Marlow..... Director, Community Relations

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INTRODUCTORY SECTION





Chesterfield County, Virginia

James J. L. Stegmaier, County Administrator

9901 Lori Road – P.O. Box 40 – Chesterfield, VA 23832-0040

Phone: (804) 748-1211 – Fax: (804) 717-6297 – Internet: chesterfield.gov

BOARD OF SUPERVISORS

ARTHUR S. WARREN, CHAIRMAN

Clover Hill District

DANIEL A. GECKER, VICE CHAIRMAN

Midlothian District

DOROTHY JAECKLE

Bermuda District

JAMES M. "Jim" HOLLAND

Dale District

MARLEEN K. DURFEE

Matoaca District

November 17, 2008

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

Members of the Board:

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of Chesterfield County (the County) for the fiscal year ended June 30, 2008. State law requires that local governments have all their accounts and records, including accounts and records of their constitutional officers, audited annually as of June 30 by an independent certified public accountant and that an audited financial report is submitted on or before November 30 to the Auditor of Public Accounts of the Commonwealth of Virginia (APA). This report has been prepared by the Accounting Department in accordance with the standards of financial reporting as prescribed by the Governmental Accounting Standards Board (GASB), the Financial 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 government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with U. S. generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

KPMG LLP, a firm of licensed certified public accountants, audited the County's basic financial statements. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the County for the fiscal year ended June 30, 2008, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the County's basic financial statements for the fiscal year ended June 30, 2008, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

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

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

Profile of the Government

The County is located in east-central Virginia, adjacent to the City of Richmond, and is a growing suburban, residential area, with concurrent commercial growth and industrial development. The County encompasses a land area of approximately 446 square miles with a population of approximately 311,000. A large portion of the land in the County, especially in the southwestern area, remains rural. The County is empowered to levy a property tax on both real and personal properties located within its boundaries.

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

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

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

The biennial budget serves as the foundation for the County's financial planning and control; however, the Board cannot adopt a two-year appropriations resolution. The biennium begins on July 1st of even-numbered years and the second year of the biennium begins on July 1st of odd-numbered years. 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. In the first year of the biennium, the first year's expenditures are appropriated and the second year's expenditures are approved. In the second year of the biennium, the Board amends what was planned for the second year and appropriates funds at the amended level. The appropriated budget is at the function level for the General Fund and at the fund level for the Comprehensive Services Fund. The County Administrator is authorized to amend appropriations by transferring any unencumbered balance or portion thereof from one classification of expenditure to another within the same department or appropriation category and may transfer up to \$50,000 from the unencumbered appropriated balance of one appropriation category to another appropriation category.

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

Factors Affecting Economic Condition

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

Local economy

Economic activity in the County is closely associated with that of the Richmond metropolitan area. Historically, Chesterfield has been able to attract a highly skilled labor force to the quality jobs being created in the County. The amount of commercial and industrial construction underway, as well as commitments to expand or locate in the County, positions the County to prosper during healthy economic times and to weather downturns in the economy favorably when compared to other localities within the Richmond metropolitan area. The County's unemployment rate for 2007 averaged 2.6%, a decrease from the previous year. The County fared better than the 2007 unemployment rates of the Richmond/Petersburg metropolitan statistical area (MSA) of 3.1% and the Commonwealth of Virginia (Commonwealth) of 3.0%. Based on employment data for fiscal years 2001 through 2006, employment in the County has increased at an average annual rate of 2.0% since 2001, compared with 0.9% in the Richmond/Petersburg MSA and 1.2% in the Commonwealth.

Wage and Salary Employment⁽¹⁾ By Place of Work

			%		
	1996	2001	1996 - 2001 Change	2006	2001 - 2006 Change
Chesterfield County	95,538	107,408	12.4	118,393	10.2
Richmond/Petersburg MSA	517,795	572,731	10.6	597,459	4.3
Commonwealth of Virginia	3,063,041	3,424,110	11.8	3,623,910	5.8

⁽¹⁾ Nonagricultural employment

Source: Virginia Employment Commission, Labor Market Information Services, February 2008

The County recognizes the importance of expanding the business and industrial tax base to ease the burden on residential property owners and has made a commitment to promoting economic development. New economic activity for fiscal year 2008 included both commercial and industrial projects. The Department of Economic Development assisted both existing company expansions and new company locations. New and expanding businesses invested more than \$82.2 million and created 567 new jobs.

Watkins Centre is the County's newest, mixed use development. When fully completed, the complex will include retail stores, a high-end corporate and suburban office park and light industry. The healthy-lifestyle design also includes multimodal transportation, walking paths and abundant landscaping to make Watkins Centre area a place to live, work and shop. Village Bank and Trust Financial Corporation was the first company to move into the 640 acre development off Midlothian Turnpike and Route 288. The bank began moving into its \$14 million headquarters in August 2008. Once Watkins Centre is complete, this area will be a major employment center for the County and the region because of its strategic location and ease of access.

Base realignment efforts at Fort Lee (located in Petersburg, Virginia) are anticipated to bring more than \$1.9 billion in new investment to the area, with an expected 800 households relocating to the

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region. Additionally, Fort Lee employment is expected to increase by more than 4,100 jobs by 2011. In summary, the Fort Lee expansion is expected to contribute up to \$1.7 billion annually in regional economic activity each year through 2013.

Trainer Glass Company purchased and retrofitted a 100,000 square foot facility within the County. The glazing contractor fabricates and installs glass products and aluminum frame systems for commercial and industrial applications, focusing on building exteriors and tenant interiors. Total investment, including the purchase of the building and tenant retrofit and equipment, is approximately \$5.3 million. Approximately 25 jobs were created in addition to the 72 jobs that were transferred to this facility. Other recent announcements include Virginia Air Distributors, Inc. which plans an investment of \$5.5 million to operate a wholesale distribution center for heating, ventilation and air conditioning equipment. The Mazda Motor Corporation opened an engine and transmission remanufacturing facility in the County. The Japanese-owned operation includes a dealer training center and information call center. Mazda invested approximately \$1.6 million in leasehold improvements and equipment.

The transportation system in the County includes interstate, primary and secondary highways, a local airport and three railroads. Although the Commonwealth has traditionally funded most construction and all maintenance of highways in the County, the County has supplemented state funding to ensure construction of major projects through General Fund appropriations, bond referenda and the Commonwealth's matching program. A bond referendum in 2004 authorized \$40.0 million for transportation improvements of which \$19.7 million has been issued for various transportation projects. The Board continues to contemplate options to meet the growing need for road improvements and new road construction. These options include dedicated real estate tax revenue, dedicated business, professional and occupational license revenue, transportation service districts, community development authorities and future bond referenda. The County created the Powhite Parkway-Charter Colony Parkway Interchange Service District, the Watkins Centre Community Development Authority and the Lower Magnolia Green Community Development Authority for the purpose of funding transportation needs within the County. Creation of the Chippenham Place Community Development Authority, established for the purpose of funding infrastructure needs including some road improvements, was approved by the Board in June 2008.

Historically, taxable retail sales in the County have increased at rates greater than the increase in both the Richmond/Petersburg MSA and the Commonwealth. The average annual rate of change in the County over the period 1998-2007 was 5.0% compared to 4.5% and 5.6% for the Richmond/Petersburg MSA and the Commonwealth, respectively.

Taxable Retail Sales⁽¹⁾

(\$ in 000's)

Year	Chesterfield County	% Change	Richmond/ Petersburg MSA	% Change	Commonwealth of Virginia	% Change
1998	2,326,486	5.8	10,278,020	5.3	60,113,811	5.4
1999	2,433,377	4.6	10,632,192	3.4	64,068,575	6.6
2000	2,587,315	6.3	11,344,265	6.7	68,661,581	7.2
2001	2,623,909	1.4	11,158,573	-1.6	68,725,289	0.1
2002	2,713,035	3.4	11,392,015	2.1	70,645,313	2.8
2003	2,946,806	8.6	12,070,640	6.0	74,973,562	6.1
2004	3,083,206	4.6	13,146,796	8.9	81,291,117	8.3
2006	3,419,399	5.5	14,516,521	5.2	89,478,625	5.0
2007	3,593,576	5.1	15,198,975	4.7	92,043,249	2.9

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

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

The County continues to expand its revenue base by attracting an increasingly diversified pool of taxpayers and employers. In the current fiscal year, the top ten taxpayers accounted for 4.9% of the County's total assessed value tax base. This indicator compares favorably to 9.8% in fiscal year 1999.

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In the current fiscal year, the top ten employers accounted for 8.1% of total County employment. This indicator compares favorably to 10.7% in fiscal year 1999. The County's taxpayer and employment bases contain a broad range of industries including manufacturing, healthcare, retail sales and financial services. Detailed information regarding these statistics can be found on pages 145 and 151, respectively.

Long-term financial planning

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

The County annually prepares a Capital Improvement Program (CIP). This CIP serves as a planning tool for the efficient, effective, and equitable distribution of public improvements throughout the County. The projects included in the CIP address critical capital facility demands while adhering to established financial management policies. Each year, staff reviews project costs for accuracy and updates cost estimates based on current market conditions, projected materials costs, bid activity and discussions with professional cost estimators. The CIP anticipates that construction costs will continue to increase and has been adjusted for the potentially competitive labor market that the Fort Lee base realignment initiative may generate in this region over the next few years.

The FY2009-2014 CIP continues the priorities established in the November 2004 bond referendum where the citizens of the County overwhelmingly passed a \$341.7 million bond referendum for a variety of school, public safety, library, parks and recreation and road improvement projects. The fourth series of general obligation bonds were sold in April 2008 and the remaining series of bonds will be sold annually through 2011. The CIP includes projects to be financed through the referendum. The CIP totals \$818.1 million and is comprised of County improvements of \$333.0 million, school improvements of \$254.7 million and Utilities Department improvements of \$230.4 million.

This CIP represents a fiscally responsible approach in its reliance on long-term financing for general County improvement projects. Further, in keeping with the Board's financial policy regarding funding a portion of capital improvements with current revenues, this CIP exceeds the targeted current revenue funding levels for both County and School projects. The County has a goal of funding at least 20% of the general County projects and at least 10% of the School projects with current revenues. This CIP proposes current revenue funding levels (including cash proffers) of 43.5% for the County projects and 33.5% for School projects over the six-year planning period.

In response to the fiscal challenges inherent to the economic environment, the County adopts a prudent approach toward financial and debt management. The portion of the County's operating budget dedicated for repayment of debt is set by policy at 10% of general government expenditures. The FY2009-2014 CIP proposes an even lower percentage with the intention of maintaining a debt ratio closer to 8.2% 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 7.5% of total general fund expenditures to fund balance. This is a tenet of the Board's commitment to prudent financial planning because it eliminates the need for short-term borrowing, ensures that current obligations including debt payments can be met, and provides a cushion against the potential shock of any unexpected change in revenues.

The County's fiscally responsible financial policies, solid financial results and sound management were reaffirmed in 2008. The County's general obligation debt was rated AAA by all three major rating agencies when it entered the bond market to sell \$73.9 million of bonds approved in the 2004 referendum.

There will continue to be challenges in the years ahead as the nation is currently experiencing difficult economic times. Although the County anticipated this challenge and constrained growth in its FY2009 budget, the current economic slowdown has been longer and deeper than the Commonwealth anticipated. The County anticipates the Commonwealth will significantly reduce state funding to localities in the future. Real property tax revenues continue to be the County's main funding source. Projected growth in real estate revenue was analyzed during the development of the current biennial budget. There is evidence that future growth in real property assessments will be more indicative of the single digit growth experienced in the early nineties rather than the double digit growth experienced in recent years. However, projections indicate the possibility of a minimal decline in real property assessments in the near-term. There is also potential for erosion in the personal property tax base in the next assessment cycle due to the impact of increasing fuel prices and the challenging national economy on truck, SUV and van valuations.

Major initiatives

The County understands the importance of encouraging and promoting the right kind of development and redevelopment projects. In October 2004, the County was successful in purchasing Cloverleaf Mall as a major redevelopment initiative along the eastern Midlothian Turnpike corridor and subsequently purchased the ground lease associated with this property in August 2008. The County continues its work with Crosland LLC, one of the southeast's leading real estate, development and redevelopment companies, to redevelop the Cloverleaf Mall site. Crosland LLC has agreed to purchase the property from the County in four phases over the next five years. This redevelopment project, named Stonebridge, has already been a catalyst in revitalizing the eastern Midlothian Turnpike corridor and, once complete, will feature both commercial and residential development that will encourage further economic investment by the private sector in this area.

In the current fiscal year, the County implemented Statement Number 45 of the Governmental Accounting Standard Board (GASB 45) – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB 45 required the County to actuarially determine the value of other post employment benefits (OPEB) and recognize the costs of OPEB as they are incurred. Based on age and years of service, the County modified eligibility requirements and capped the maximum medical and dental benefits for certain groups of retirees to ensure the sustainability of the plan over time. As a part of the OPEB initiative, the County joined other Virginia localities by opting to participate in the Virginia Association of Counties/Virginia Municipal League pooled trust fund for the purpose of investing OPEB contributions. Participation in this trust will allow the County to administer OPEB in a cost effective manner and to maximize earnings on OPEB investments over time. During FY2008, the County paid 116.2% of the annual cost for its OPEB plan and, as of June 30, 2008, the actuarial accrued liability was \$90,114,298 with \$85,193,595 unfunded. The School Board paid 101.3% of the annual cost for its OPEB plan and, as of June 30, 2008, the actuarial accrued liability was \$183,704,370 with \$181,789,740 unfunded.

The Board also elected to include the Meadowville Technology Park interchange project in the FY2009-2014 CIP, which will greatly impact the marketability of the County. Providing improved access to one of five Virginia mega-sites will open nearly 1,300 acres to new private investments totaling nearly \$3.0 billion and 7,200 jobs at full build-out. The financial planning for this project includes local, state and federal funds and reflects support from the County's business community for the use of local business license tax revenues.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Chesterfield County for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2007. This was the twenty-seventh consecutive year that the County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current CAFR continues to meet the

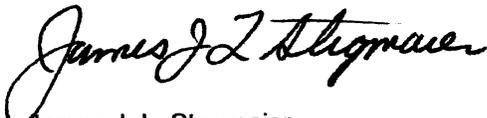
Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

The Budget and Management Department received an award for Distinguished Budget Presentation from GFOA for its biennial budget for the fiscal years beginning July 1, 2008, and ending June 30, 2010 for the twenty-fourth consecutive year. 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.

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 2006, NIGP reaccredited the Chesterfield County Purchasing Department with the Outstanding Agency Accreditation Achievement Award for demonstrating excellence in public purchasing. This accreditation is in effect through January 21, 2009, at which time the department will apply for re-accreditation. When certification was first obtained in 1999, Chesterfield County's Purchasing Department was the eighth agency overall and the first locality or state agency in Virginia to receive this award.

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

Respectfully submitted,



James J. L. Stegmaier
County Administrator



Mary Lou Lyle, CPA
Director of Accounting

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

County of Chesterfield
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

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



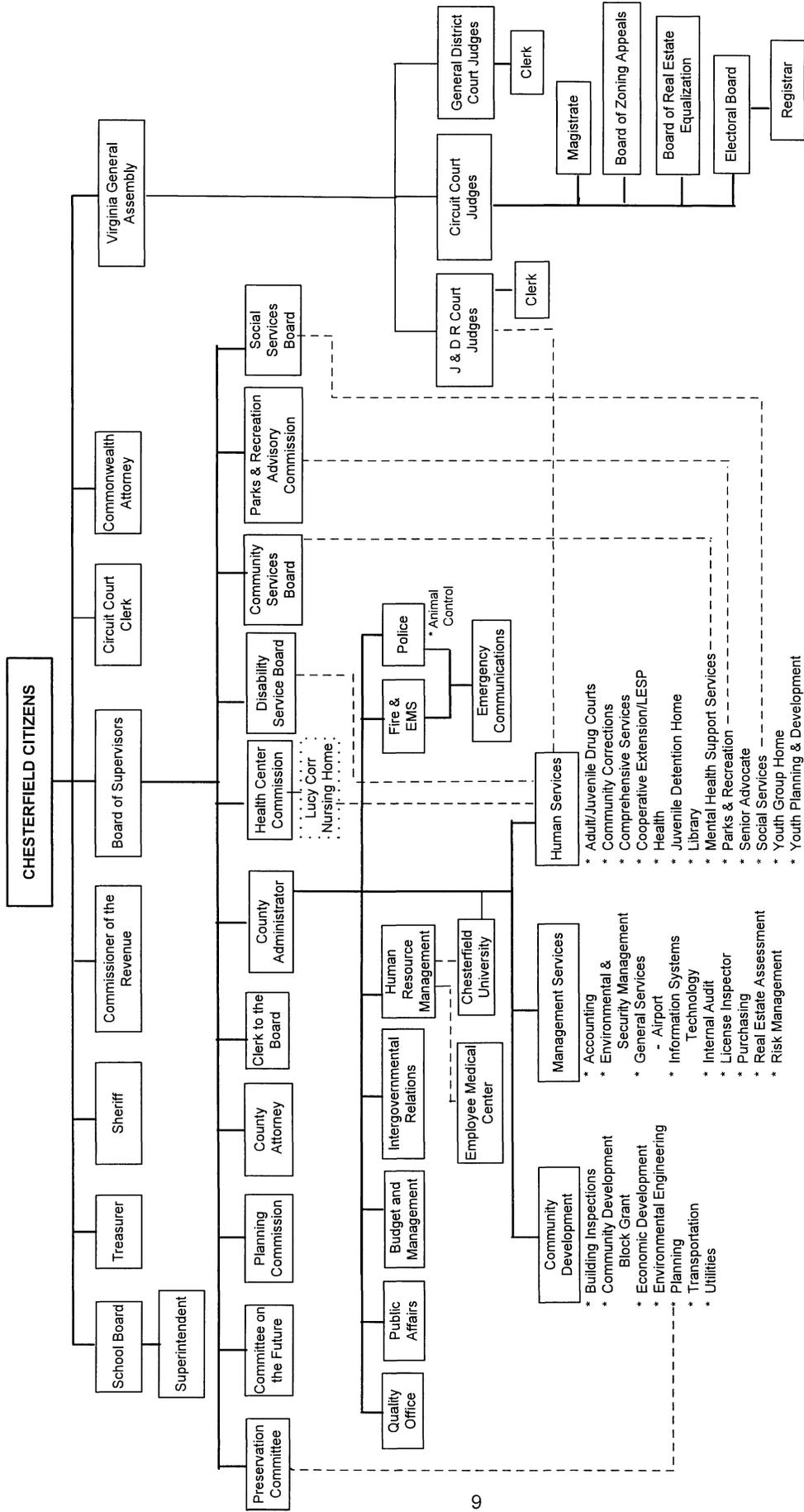
Clare S. Cox

President

Jeffrey R. Emer

Executive Director

COUNTY OF CHESTERFIELD, VIRGINIA ORGANIZATIONAL CHART





FINANCIAL SECTION



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

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Chesterfield (the County), as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these basic financial statements based on our audit. We did not audit the financial statements of the Economic Development Authority, a discretely presented component unit of the County, which represents 8.2% and 0.38%, respectively, of the total assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by another auditor whose report has been furnished to us, and our opinion on the basic financial statements insofar as they relate to the amounts included for the Economic Development Authority, is based solely on the reports of the other auditor.

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

In our opinion, based on our audit and the reports of the other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof and the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund for the year then ended in conformity with U.S. generally accepted accounting principles.



As discussed in Note 13 to the basic financial statements, the County adopted the provisions of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions", effective July 1, 2007. As reflected in Note 12 to the basic financial statements, the County adopted the provisions of GASB Statement No. 50, "Pension Disclosures an Amendment of GASB Statements No. 25 and No. 27", effective July 1, 2007.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2008 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 14 through 26 and the Schedules of Funding Progress and Employers' Contributions on pages 97 and 98 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

KPMG LLP

November 17, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)

As management of Chesterfield County (County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal at the front of this report and the County's financial statements, which follow this analysis.

FINANCIAL HIGHLIGHTS

- ◆ The County's total net assets increased approximately \$98.4 million (7.0%). Net assets of the governmental-type activities increased \$54.4 million (8.6%) and net assets of the business-type activities increased \$44.0 million (5.7%).
- ◆ The County's unrestricted net assets increased approximately \$6.1 million (1.8%). Unrestricted net assets of the governmental-type activities decreased \$1.9 million (1.3%) and unrestricted net assets of the business-type activities increased \$8.0 million (4.4%).
- ◆ The County's program and general revenues (including taxes) of \$785.2 million for governmental-type activities (excluding transfers) exceeded expenses of \$732.9 million by \$52.3 million.
- ◆ In the County's business-type activities, revenues decreased 5.9% to \$110.2 million while expenses increased by 10.1% to \$64.1 million (excluding transfers).
- ◆ The total cost of the primary government's programs increased approximately \$28.3 million (3.7%) to \$797.0 million.
- ◆ The General Fund reported an ending fund balance amount of \$207.3 million, an increase of \$11.0 million (5.6%) in comparison with the prior year. Of the ending fund balance amount, \$70.7 million was unreserved and undesignated.
- ◆ The County's outstanding debt increased by \$53.6 million (9.1%). The County issued general obligation improvement bonds and certificates of participation in the amounts of \$73.9 million and \$22.2 million (excluding premiums), respectively. The issuance of new debt was offset to some extent by the retirement of principal on 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 independent auditors' report, management's discussion and analysis (this component), the financial statements, required supplementary information, and supplementary information. The financial statements include three categories of statements that present different views of the County:

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

The notes, a component of the financial statements, provide additional details for understanding the information presented in the CAFR. The notes are followed by a section of required supplementary information

that further explains and supports the pension plan information reported in the financial statements. The CAFR also includes a supplementary section containing combining schedules for the non-major governmental funds, the agency funds and the internal service funds, additional schedules and School Board component unit fund statements and schedules.

Government-wide Statements

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

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

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

- ◆ Governmental activities – Most of the County's basic services, such as police, fire, social services, parks and recreation, and general administration, are included in governmental activities. Property taxes and state and federal funding finance the majority of these activities' expenses.
- ◆ Business-type activities – Activities that are intended to recover all or a significant portion of their costs through user fee charges to external parties for goods or services are included in the business-type activities.
- ◆ Component units – The County includes four other entities in its report: School Board, Economic Development Authority of the County, Watkins Centre Community Development Authority and Health Center Commission. Although legally separate, these component units are presented in the County's CAFR because the County demonstrates financial accountability for them by providing operating, capital, debt funding or tax increment financing.

Fund Financial Statements

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

The County has three kinds of funds:

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

- ◆ Fiduciary funds – The County is responsible, as trustee, for the assets of various trust and agency funds that can be used only for the fiduciary beneficiaries. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets. These activities are excluded from the County's government-wide financial statements because the County cannot use fiduciary assets to finance its operations.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net assets. The County's assets exceeded liabilities by \$1.5 billion at the close of the most recent fiscal year. This represents a 7.0% increase over the prior year.

TABLE 1
Chesterfield County's Net Assets
June 30, 2008 and 2007
(in millions of dollars)

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u> <u>Primary Government</u>		<u>School Board</u> <u>Component Unit</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Assets								
Current and other assets	\$ 661.9	\$ 595.7	\$ 251.7	\$ 275.5	\$ 913.6	\$ 871.2	\$ 116.2	\$ 106.3
Capital assets	<u>919.8</u>	<u>850.1</u>	<u>655.8</u>	<u>592.7</u>	<u>1,575.6</u>	<u>1,442.8</u>	<u>17.6</u>	<u>14.1</u>
Total assets	<u>1,581.7</u>	<u>1,445.8</u>	<u>907.5</u>	<u>868.2</u>	<u>2,489.2</u>	<u>2,314.0</u>	<u>133.8</u>	<u>120.4</u>
Liabilities								
Long-term liabilities	619.2	558.5	63.8	67.1	683.0	625.6	25.9	23.8
Other liabilities	<u>278.3</u>	<u>257.5</u>	<u>26.2</u>	<u>27.6</u>	<u>304.5</u>	<u>285.1</u>	<u>40.3</u>	<u>38.0</u>
Total liabilities	<u>897.5</u>	<u>816.0</u>	<u>90.0</u>	<u>94.7</u>	<u>987.5</u>	<u>910.7</u>	<u>66.2</u>	<u>61.8</u>
Net assets								
Invested in capital assets, net of related debt	487.8	458.6	610.0	572.1	1,097.8	1,030.7	17.6	14.1
Restricted	50.3	23.2	17.2	19.1	67.5	42.3	25.2	22.0
Unrestricted	<u>146.1</u>	<u>148.0</u>	<u>190.3</u>	<u>182.3</u>	<u>336.4</u>	<u>330.3</u>	<u>24.8</u>	<u>22.5</u>
Total net assets	<u>\$ 684.2</u>	<u>\$ 629.8</u>	<u>\$ 817.5</u>	<u>\$ 773.5</u>	<u>\$ 1,501.7</u>	<u>\$ 1,403.3</u>	<u>\$ 67.6</u>	<u>\$ 58.6</u>

At the end of both the current and prior fiscal years, the County reported positive balances in all three categories of net assets, both for the primary government as a whole, as well as for its separate governmental and business-type activities. The largest portion (73.1%) of the County's net assets at June 30, 2008, is its investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure), 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 its capital assets is reported net of related debt, it should be noted that the resources required to repay the debt must be provided from other sources because capital assets are not generally liquidated for the purpose of retiring debt. An additional portion of the County's net assets (4.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance is referred to as unrestricted net assets (22.4%). Unrestricted net assets are available to meet the County's ongoing obligations to residents and creditors.

School Board component unit assets exceeded liabilities by \$67.6 million at the end of the current fiscal year. This represents an increase of \$9.0 million (15.4%) compared to the prior year (see Table 1). Net assets, invested in capital assets and net of related debt, increased by \$3.5 million because capital outlay for machinery and equipment exceeded depreciation expense during the year. The School Board reported unrestricted net assets of \$24.8 million, an increase of \$2.3 million.

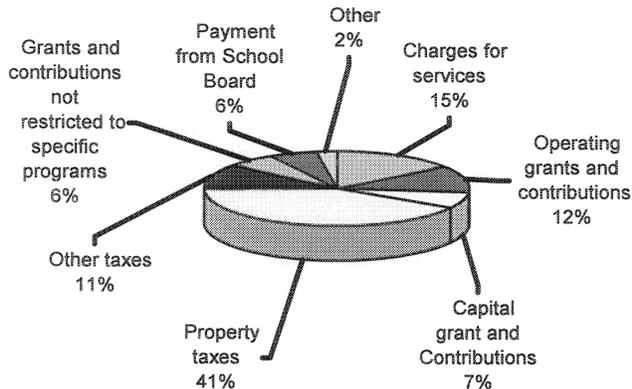
Changes in net assets. The County's total revenues (excluding transfers) increased over the prior year by \$23.1 million (2.6%) to \$895.4 million (see Table 2). The total cost of all programs increased by \$28.3 million (3.7%) to \$797.0 million (see Table 2).

TABLE 2
Changes in Chesterfield County's Net Assets
For the Years Ended June 30, 2008 and 2007
(in millions of dollars)

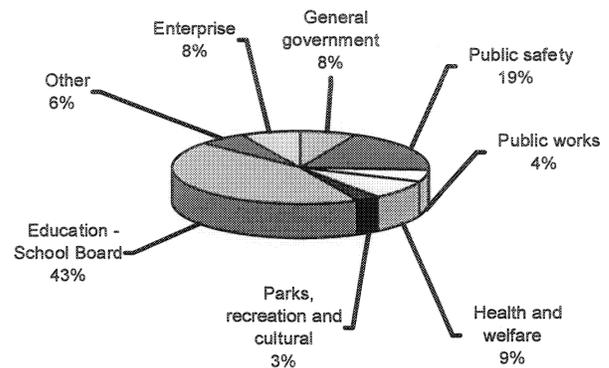
	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u> <u>Primary Government</u>		<u>School Board</u> <u>Component Unit</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues:								
Program revenues:								
Charges for services	\$ 71.5	\$ 63.7	\$ 62.8	\$ 60.0	\$ 134.3	\$ 123.7	\$ 18.9	\$ 17.9
Operating grants and contributions	103.5	101.6	-	-	103.5	101.6	84.5	84.5
Capital grants and contributions	22.4	23.6	40.1	49.7	62.5	73.3	-	-
General revenues:								
Property taxes	369.1	336.3	-	-	369.1	336.3	-	-
Other taxes	99.0	98.7	-	-	99.0	98.7	-	-
Payment from School Board	52.1	64.1	-	-	52.1	64.1	-	-
Payment from County	-	-	-	-	-	-	315.5	311.9
Grants and contributions not restricted to specific programs	52.8	53.3	-	-	52.8	53.3	177.8	170.3
Other	14.8	13.9	7.3	7.4	22.1	21.3	2.0	2.0
Total revenues	785.2	755.2	110.2	117.1	895.4	872.3	598.7	586.6
Expenses:								
General government	62.1	53.9	-	-	62.1	53.9	-	-
Administration of justice	9.5	9.6	-	-	9.5	9.6	-	-
Public safety	152.4	145.5	-	-	152.4	145.5	-	-
Public works	34.2	39.0	-	-	34.2	39.0	-	-
Health and welfare	72.5	67.5	-	-	72.5	67.5	-	-
Parks, recreation and cultural	25.0	22.5	-	-	25.0	22.5	-	-
Education - School Board	337.2	336.5	-	-	337.2	336.5	589.7	547.7
Community development	16.7	14.5	-	-	16.7	14.5	-	-
Interest on long-term debt	23.3	21.5	-	-	23.3	21.5	-	-
Airport	-	-	1.8	1.4	1.8	1.4	-	-
Water	-	-	33.9	30.0	33.9	30.0	-	-
Wastewater	-	-	28.4	26.8	28.4	26.8	-	-
Total expenses	732.9	710.5	64.1	58.2	797.0	768.7	589.7	547.7
Increase in net assets before transfers								
	52.3	44.7	46.1	58.9	98.4	103.6	9.0	38.9
Transfers	2.1	2.1	(2.1)	(2.1)	-	-	-	-
Increase in net assets	54.4	46.8	44.0	56.8	98.4	103.6	9.0	38.9
Net assets - July 1	629.8	583.0	773.5	716.7	1,403.3	1,299.7	58.6	19.7
Net assets - June 30	\$ 684.2	\$ 629.8	\$ 817.5	\$ 773.5	\$ 1,501.7	\$ 1,403.3	\$ 67.6	\$ 58.6

Approximately 41% of the County's revenues came from property taxes and approximately 11% came from other taxes. Another 25% of the total revenue came from grants and contributions. The remaining revenues are charges for services, payment from School Board, investment earnings and miscellaneous (see Figure A-1). The County's expenses cover a range of services with 71% related to public safety, health and welfare and education (see Figure A-2). Program revenues of the County's governmental activities covered 27% of its expenses.

**Figure A-1
Chesterfield County
Sources of Revenue for Fiscal Year 2008**



**Figure A-2
Chesterfield County
Functional Expenses for Fiscal Year 2008**



The School Board's total revenues increased compared to the prior year by \$12.1 million to \$598.7 million. The total expenses of all School programs and services increased over the prior year by 7.7% to \$589.7 million. Program revenues of School Board activities covered 17.5% of its expenses.

Governmental Activities

Governmental activities increased the County's net assets by \$54.4 million and accounted for 55.3% of the total growth in the net assets of the County. Revenues (excluding transfers) for governmental activities increased \$30.0 million (4.0%) and total expenses increased \$22.4 million (3.2%) when compared to the prior year. Key elements of these changes are as follows:

- ◆ Property tax revenues increased by \$32.8 million (9.8%) overall during the year. This increase is due to a 12.0% increase in the assessed valuation of taxable property over the preceding year. Real property's assessed valuation increased 13.4% over the last fiscal year and was partially offset by a reduction of the real estate tax rate in the second half of the fiscal year from \$0.97 to \$0.95 per \$100 of assessed value. The real estate rate in the first half of the prior fiscal year was \$1.04 per \$100 of assessed value and \$0.97 per \$100 of assessed value in the second half of the prior fiscal year. The calendar year (CY) 2008 assessments are based on CY2006 sales data. Of the real property assessed value increase, 15.1% is due to new residential construction, 5.4% is due to new commercial/industrial construction, and 79.5% is due to revaluation and changes of existing properties. Commercial and industrial property comprised 19.4% of the total real property taxable value. Personal property tax revenues increased due to a change in the tax base of 2.9%. The Commonwealth reimburses a portion of the tangible personal property tax levied based on a fixed relief amount. The fixed relief amount is capped at \$950 million in total for all localities in the state with the County's share capped at \$41.1 million. The state reimbursement for personal property tax relief allowed the County to provide a tax credit to taxpayers of 60% and 61% in the current and prior years, respectively. The Commonwealth requires localities to record revenue received for personal property tax relief as revenue from other governments rather than as property taxes.
- ◆ The payment from School Board decreased by \$12.0 million (18.7%) over the prior year. Payments related to refunding bonds issued by the County on behalf of the School Board decreased by \$18.7 million. Payments related to current fiscal year debt service payments made on behalf of the School Board increased by \$2.5 million. The remaining difference of \$4.2 million is attributable to an increase in miscellaneous transactions between the School Board and the County related primarily to funding of the School Capital Projects Fund

from School Board operations, the asset transfer of trailers from School Board operations to the primary government and other miscellaneous transactions.

- ◆ Charges for services increased by \$7.8 million (12.2%) over the prior year.
 - Permits, privilege fees and regulatory licenses decreased by approximately \$0.9 million due to decreases in building permits and planning review fees that were somewhat offset by an increase in the mass Division of Motor Vehicle (DMV) stop fees. The number of single family building permits issued in the current year declined 21.5% from 1,584 to 1,244 due to a slow down in construction activity in the region. Planning fees decreased \$0.4 million due to a 22.0% reduction in the volume of zoning cases reviewed. This was the first full year of operation of the mass DMV stop fee program. Due to automation enhancements in the current year, the County was able to perform DMV stops more efficiently through an electronic process rather than manually. As an enforcement tool, the County is able to put a hold on vehicle registrations with the DMV when personal property tax payments are delinquent. When the County subsequently collects delinquent personal property and motor vehicle licenses, it also collects the fee charged by the DMV to hold license renewal and remits this fee back to the Commonwealth.
 - Fines and forfeitures increased \$1.0 million due to an increase in asset forfeitures with a closure of a major forfeiture case in the amount \$0.6 million occurring in the current year.
 - Vehicle and communications charges increased \$2.1 million primarily due to an overall increase in fuel costs for pupil transportation by the School Board.
 - EMS transport revenues increased \$2.0 million primarily due to an increased number of transports from 9,963 to 12,595.
 - The remaining \$3.6 million increase is attributable to an aggregate of small increases in multiple governmental functions. Increased collections of delinquent property taxes resulted in increased collections of related Treasurer's administrative fees by \$0.3 million. The County received \$0.4 million in increased reimbursements from the Greater Richmond Convention Center Authority and the Riverside Regional Jail Authority. These reimbursements are based on the level of operating costs shared by each participating locality. In the current year, the County received a \$0.4 million reimbursement from its health care provider as result of a positive claims experience. The County received \$0.4 million as a reimbursement for costs it incurred when providing public safety support during the Hurricane Katrina relief effort in Mississippi and Louisiana in an earlier fiscal year. The County received an additional \$0.3 million reimbursement from the School Board related to expenses incurred for an additional nurse and maintaining the grounds for two additional elementary schools.
 - Revenues from operating and capital grants and contributions were relatively unchanged at \$125.9 million although there were significant offsetting differences between the public works and the public safety functions. In the current year, the County received \$6.7 million (43.1%) less in capital grants and contributions in the public works function than it did in the prior year. Most of this decrease is attributable to completion of the Route 360 widening project between Swift Creek and Winterpock Road where the County received less state funding in the current year. Also, in the current year, the County received \$6.6 million in state funding as a contribution towards the construction costs of the new County Jail that was substantially completed in fiscal year (FY) 2006.
- ◆ Overall, expenses of governmental activities increased by \$22.4 million (3.2%). On July 1, 2007, eligible County employees received a prorated 5.25% merit increase based on the length of time between their last anniversary dates and July 1st.
 - General government expenses increased by \$8.2 million (15.2%). In addition to the prorated merit increase, the County funded a \$3.1 million contribution (excluding the portion of the contribution considered to be a prepaid asset) to the County's OPEB plan in the current year. The Employee Health Center completed its first full year of operations and incurred an additional \$0.8 million in expenses over the prior year. Information systems technology spent an additional \$1.3 million in the current year and expenses include the prorated merit increase, the addition of five positions and increased costs associated with hardware and software maintenance contracts.
 - Public safety expenses increased \$6.9 million (4.7%) with the majority of the increase in the Fire, Police and Sheriff's departments. Fire department expenses increased \$2.6 million due to the prorated merit increase, special salary adjustments for firefighters and captains, two new positions, additional costs for telecommunications lines and increased fuel and vehicle maintenance costs. Police department expenses increased \$2.7 million primarily due to increased personnel costs, including the addition of ten new police officers and associated capital

requirements, filling 78 sworn vacancies in the current year compared to 40 in the prior year and increases in radio, fuel and vehicle maintenance costs. Sheriff's department expenses increased \$1.0 million due to the prorated merit increase and increased operating and maintenance costs for the jail facility. In addition, the Sheriff's department cut its vacancy rate in half with new hires in the current year.

- Public works expenses decreased \$4.8 million (12.3%) primarily due to the completion of the Route 360 widening project between Swift Creek and Winterpock Road in the current year. This decrease in expenses was partially offset by an increase of \$0.9 million in Building and Grounds expenses due to the prorated merit increase, the addition of five new positions, the addition of custodial contract services for the Community Development building and costs associated with mold remediation in two County buildings.
- Health and Welfare expenses increased by \$5.0 million (7.4%) with the largest increase in Mental Health Support Services which increased by \$3.0 million to meet consumer needs. These increases include: increases in psychiatric, group home and staffing for consumer workforce support services as well as the addition of two senior clinicians, two full-time case managers and a full-time residential counselor; growth in the day support program for the mentally retarded including the addition of a new service location; increased contractual costs for the Region IV Mental Health Crisis Stabilization and Substance Abuse Residential Crisis Stabilization program; increased supply costs for the new Cartridge Connections workforce program; and increased transportation costs including the addition of a part-time van driver and increased fuel and vehicle maintenance costs.

Business-type Activities

Business-type activities increased the County's net assets by \$44.0 million, accounting for 44.7% of the total growth in the net assets of the County. Revenues for business-type activities decreased \$6.9 million (5.9%) and total expenses increased by \$5.9 million (10.1%) when compared to the prior year. Key elements contributing to these results are as follows:

- ◆ Charges for services for the water and wastewater operations increased \$2.8 million (4.7%) over the prior year. This change is mainly due to increases in the bi-monthly base customer and capacity rates and to small increases in the number of customers and in consumption by customers.
- ◆ Capital grants and contributions for business-type activities decreased overall by \$9.6 million (19.3%). Developer contributions of water and wastewater pipelines decreased by \$9.8 million (31.2%) which is indicative of the 30.2% decrease in the number of single family building permits issued in FY2007 of 2,269 compared to FY2006 of 1,584. Connection fees for water and wastewater operations decreased by \$1.7 million due to a decrease in the number of new customers connecting to the system over the prior year. Also, in the prior year, water operations received a \$1.1 million contribution from Powhatan County to fund the extension of a public water line along Midlothian Turnpike to the Powhatan County line. No comparable contribution was made in the current year. Capital grants and contributions for the Airport increased by \$3.5 million over the prior year primarily due to state and federal grant awards for reconstruction of the north apron and the runway rehabilitation project at the Airport facility.
- ◆ Expenses for business-type activities increased by \$5.9 million (10.1%). As noted earlier, the County funded a 5.25% prorated merit increase for employees. In addition, water operations incurred additional contractual costs related to the purchase of water due to a slight increase in the rate charged by the Appomattox River Water Authority and increased consumption.

School Board Activities

The School Board's net assets increased by \$9.0 million (15.4%). Key elements of these changes are as follows:

- ◆ Revenues increased \$12.1 million (2.1%) to \$598.7 million. In the prior year, the County provided \$18.7 million to the School Board for the refunding of existing general obligation debt that was issued on behalf of the School Board and there was no refunding of debt in the current year. The County increased its funding of functional expenses by \$22.5 million due to a 4.0% salary increase to eligible employees, increased benefits costs, the opening of two new elementary schools, special programs, safety nets for students and textbook purchases. Grants and contributions not restricted to specific programs increased \$7.5 million (4.4%) due primarily to receiving additional state funding in the areas of basic state aid and lottery proceeds. Basic state

aid is based on a per pupil amount representing a basic operations cost for each school division. This projection is based on the number of instructional positions required by the Standards of Quality for Virginia, support costs (non-instructional positions) and other prevailing costs attributable to administration, instructional support, transportation, maintenance and fringe benefits. Basic state aid is then equalized using the composite index or ability to pay formula for each locality.

- ◆ Expenses increased by \$42.0 million (7.7%) mainly due to instructional and pupil transportation expenses. These increases included a 4.0% salary increase, increased benefit costs including a \$1.9 million contribution to the OPEB trust, increased textbook purchases and increased fuel costs for pupil transportation. The payment to the County decreased by \$12.0 million primarily due to a \$18.7 million decrease in bonds refunded in the current year as compared to the prior year which was offset by increases in payments to the School Capital Projects Fund to fund capital projects expenses.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental Funds

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

As the County completed the year, its governmental funds reported a combined fund balance of \$353.6 million, an increase of \$39.5 million from the previous year. \$139.0 million (39.3%) of this amount constitutes unreserved fund balance, of which \$62.4 million is available for governmental spending and \$76.6 million is designated by management for tentative spending plans. The remainder of fund balance is reserved to indicate that it is not available for new spending.

The General Fund is the operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$147.3 million and total fund balance was \$207.3 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 21.5% of total General Fund expenditures. Of unreserved fund balance, the undesignated amount of \$70.7 million represents 10.3% of total General Fund expenditures and exceeds the Board of Supervisors' target of 7.5%. Total fund balance represents 30.3% of General Fund expenditures.

Fund balance of the General Fund increased by \$11.0 million during the current fiscal year. Most key factors regarding this increase were discussed in the governmental activities section of this document. Other factors in this change are as follows:

- ◆ Real property tax revenues increased by \$28.1 million (10.5%) due to the increase in assessed value and the reduction in the tax rate described earlier on page 18. In addition, the County collected \$4.5 million in delinquent real property taxes, an increase of \$1.3 million over the prior year. Personal property taxes increased due to a tax base increase of 2.9% and as a result of the County collecting \$7.6 million in delinquent taxes, an increase of \$0.7 million over the prior year. Machinery and tools taxes decreased \$1.3 million (22.4%) due to a change in state code which no longer allows localities to collect taxes on idle machinery. Public service corporation taxes, which increased \$1.4 million (15.1%), are affected in large part by the Commonwealth's latest assessments to sales ratio for the County. Although this ratio dropped significantly in prior years due to the strong local market, it increased in the current year contributing to the County receiving more in public service corporation taxes. Including the personal property tax relief reimbursement from the Commonwealth, current year tax collections were 95.63% of the total tax levy, which is consistent with the prior fiscal year's current tax collections of 95.98%. The County has taken steps to accelerate collections of delinquent taxes through several means including the mass DMV stop fee program, which allows the County to place a hold on vehicle registrations with the DMV when personal property taxes are delinquent. In FY2007, the License Inspections department implemented an advanced technology registration enforcement program using Platehunter License Plate Readers (Platehunter). Platehunter is a tag reading device which identifies car owners in violation of local ordinances. The tag reader is able to scan numerous license plate numbers and instantaneously cross reference them to a database of known registration violators. The department added a second Platehunter unit early in FY2008 that features a long range camera. This camera allows inspectors to operate in high traffic areas and has been a contributing

factor in increased delinquent collections. To further increase effectiveness, the department plans to add two additional long range cameras in the next two fiscal years.

- ◆ Although the average yield on investment earnings decreased over the prior year, investment earnings and unrealized gain on investments increased by \$0.5 million (6.7%). This increase is due to a higher level of cash available for investment throughout the year as well as to an initiative that maximizes investment earnings by investing in higher yield short-term investment options whenever possible. The average yield on investments for the County in the current fiscal year was 4.26% compared to the three-month U. S. Treasury bill average of 2.91% and the iMoneyNet average of 3.63%. The average yield on investments in the prior fiscal year was 5.14%. Increases in fair value during the current year, however, do not necessarily represent trends that will continue; nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that the County intends to hold until maturity.

Overall, functional expenditures of the General Fund (excluding education and debt service) increased by \$24.6 million (8.8%) and included a 5.25% prorated merit increase for employees in all functional areas. Most key factors regarding these increases were discussed in the governmental activities section of this document. Other factors include:

- ◆ General government expenditures increased by \$7.5 million (19.3%) due to the merit increase and a \$4.5 million contribution the OPEB trust fund.
- ◆ Administration of Justice expenditures increased by \$1.0 million (14.2%). Expenditures for the Clerk of the District Court increased primarily due to the prorated merit increase, the funding of a new project manager position for information systems technology purposes, temporary help to address workload issues and expenditures associated with the management of legal records. In the current year, the County incurred costs to index legal records including land records, judgments, financing statements, partnerships, marriage licenses, wills, etc. In addition, the County leased the equipment necessary to scan and retrieve the indexed and imaged data to meet state archival requirements. Expenditures for the Commonwealth's Attorney's office increased primarily due to costs associated with personnel including the prorated merit increase, the addition of seven new Compensation Board positions and the assumption of two Project Exile positions.
- ◆ Parks, recreation and cultural expenditures increased \$2.3 million (11.9%). Expenditures for the Libraries increased \$1.0 million (12.9%) primarily due to the prorated merit increase, staffing plan increases and increased costs for materials and telecommunications lines. Expenditures for parks and recreation increased \$1.1 million primarily due to the prorated merit increase, increased grounds maintenance costs due to the addition of two new elementary schools, new positions and increases in fuel and vehicle maintenance charges.
- ◆ At year-end, the County's Capital Projects Fund had a total fund balance of \$98.5 million, of which \$22.9 million was reserved for encumbered contracts underway and \$75.6 million was reserved to pay future costs associated with County capital projects. The School Capital Projects Fund had a total fund balance of \$42.4 million, of which \$53.0 million was reserved for encumbered contracts underway leaving a \$10.6 million unreserved, undesignated deficit, which will be offset with the proceeds from debt scheduled to be issued in FY2009.

General Fund Budgetary Highlights

The overall difference between the original budget and the amended budget for revenues and other financing sources reflected a decrease of \$0.3 million (0.1%). The final amended budget for expenditures and other financing uses was greater than the original budget by \$57.6 million (8.4%). Some of the key budget adjustments are summarized as follows:

- ◆ The budget for personal property taxes decreased \$2.7 million to \$51.8 million based on conservative projections at the end of the third quarter for the collection of both delinquent and current personal property taxes. Actual results exceeded the projection by \$1.4 million.
- ◆ Adjustments were also made for state sales taxes and in the corresponding transfer to the School Operating Fund. The revised state sales tax estimate projected at the end of the third quarter was \$2.4 million. The amended budget exceeded final results by \$0.3 million.
- ◆ The general government budget for employee benefits was increased by \$2.2 million primarily due to a \$4.5 million budget increase for the post employment benefits contribution to the OPEB trust which was offset by a reallocation of a portion of the original employee benefits budget to departments to cover 1.25% of the prorated merit increase.

- ◆ The budget for transfers out increased by \$49.1 million. The budget transfers to the County Capital Projects Fund and the School Capital Projects Fund increased by \$38.8 million and \$10.3 million, respectively, mainly due to the appropriation of prior year construction reserves.

Actual revenues and other financing sources exceeded the amended budget by \$11.7 million (1.8%). A summary of some key differences is:

- ◆ The \$4.4 million positive variance in general property taxes was attributable to both the increased assessed values of real property as well as higher than anticipated collections of delinquent general property taxes. The delinquent collection of general property taxes increased \$2.1 million (20.4%) over the prior year.
- ◆ Other local taxes collected were less than the amended budget by \$3.4 million. Recordation taxes and motor vehicle licenses came in less than expected because of a downturn in both home sales and refinancing activity and lower than anticipated new car activity.
- ◆ Conservative budgeting resulted in a positive variance of \$5.5 million between the amended budget and actual results for the use of money.
- ◆ Other recovered costs exceeded the amended budget by \$3.4 million due to conservative budget practices related to the Riverside Regional Jail Authority and the Greater Richmond Convention Center Authority reimbursements. Generally, the County does not budget for one-time annual revenues of this type where the amount received cannot be consistently relied upon from year to year. These positive results were designated for use in future years' budgets.

Actual expenditures and other financing uses were \$80.4 million (10.8%) less than the amended budget amount. A summary of some key differences is:

- ◆ General government expenditures resulted in a \$7.6 million positive variance with the amended budget. Employee benefits contributed \$5.9 million to this variance and were primarily set aside to fund future active employee and retiree benefit costs.
- ◆ Public safety expenditures resulted in a \$5.2 million positive variance with the amended budget. A portion of this positive variance is the result of open encumbrances for police vehicles that were contracted in the current year but the vehicles were not delivered prior to year end.
- ◆ Debt service expenditures resulted in a \$5.3 million positive variance with the amended budget.
- ◆ Transfers out to other funds resulted in a \$53.7 million positive variance. The transfer to the County and School's Capital Projects Funds were \$42.7 million and \$7.9 million less, respectively, due to not spending all amounts budgeted for specific capital projects. Unspent construction transfers are reserved at the end of the current fiscal year and appropriated as a part of the amended budget in the next fiscal year.
- ◆ Nondepartmental expenditures resulted in a \$3.2 million positive variance with the amended budget due to not allocating new original budget appropriations as transfers to specific capital projects. Positive results from this category are designated for use in future years' budgets when they will be allocated to specific projects.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Overview

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

- ◆ The School Board can neither levy taxes nor incur debt under Virginia law. The County issues debt "on behalf" of the School Board, which is recorded as a liability of the County's governmental activities. In both the prior and current years, proceeds from debt issued to refund existing debt issued "on behalf" of the School Board were recorded in the County's General Fund and an amount equal to the proceeds received from refunding was then provided to School Board operations for the purpose of funding the retirement of existing debt.
- ◆ The County's charter states that title to all real property of the school system shall be vested in the County of Chesterfield. The County provides the School Capital Projects Fund with funding to purchase and/or construct real property (land, buildings, improvements other than buildings, and construction in progress) for use in school operations. Due to the charter, the value associated with the purchase and/or construction of

School Board real property is reported as capital assets in the governmental activities of the County. Depreciation and accumulated depreciation related to School Board real property is reported in the County's governmental activities within the appropriate government-wide statements.

- ◆ The County's budgeting process provides for the School Board component unit to receive funding from the County. The School Board is responsible for allocating funding to cover debt service related to "on behalf" debt and is presented as debt service on the School Board's Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual. However, for the Statement of Revenues, Expenditures, and Changes in Fund Balances, the School Board presents a payment to the primary government in an amount equal to debt service payments and payments to escrow agents.

Capital Assets

At the end of the fiscal year, the County had invested \$1.6 billion in a broad range of capital assets, including public safety buildings, park facilities, libraries, and water and wastewater facilities (see Table 3). This amount represents a net increase of \$132.8 million (9.2%) over the prior year. More detailed information about the County's capital assets is presented in Note 8 to the financial statements. The amount of capital assets (net of accumulated depreciation) used by the School Board in its operations was \$548.6 million of the total value of capital assets of the governmental activities.

TABLE 3
Chesterfield County's Capital Assets
June 30, 2008 and 2007
(net of depreciation, in millions of dollars)

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>		<u>Total</u>
	<u>Activities</u>		<u>Activities</u>				<u>Percentage</u>
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>Change</u>
							<u>2008-2007</u>
Non-depreciable assets:							
Land	\$ 50.5	\$ 50.3	\$ 3.2	\$ 3.2	\$ 53.7	\$ 53.5	0.4%
Assets held for resale	9.2	9.2	-	-	9.2	9.2	0.0%
Construction in progress	54.4	74.8	63.2	34.2	117.6	109.0	7.9%
Depreciable assets:							
Buildings	693.7	611.3	95.5	98.5	789.2	709.8	11.2%
Improvements other than buildings	21.9	21.4	27.8	18.4	49.7	39.8	24.9%
Machinery and equipment	64.7	58.2	466.1	438.4	530.8	496.6	6.9%
Infrastructure	25.4	24.9	-	-	25.4	24.9	2.0%
Total	<u>\$ 919.8</u>	<u>\$ 850.1</u>	<u>\$ 655.8</u>	<u>\$ 592.7</u>	<u>\$ 1,575.6</u>	<u>\$ 1,442.8</u>	9.2%

This year's major capital asset additions and increases in construction in progress (CIP) included:

- ◆ Completion of County projects
 - Financial management system, phase 1 – \$5.0 million
 - Fire service vehicle replacement project – \$3.2 million
- ◆ Additions to County construction in progress:
 - Fire logistics warehouse and equipment repair facility – \$2.4 million
 - Meadowdale Library – \$4.4 million
- ◆ Completion of School projects:
 - Elizabeth Scott Elementary School – \$18.7 million
 - Winterpock Elementary School – \$17.7 million
 - Tomahawk Creek Middle School – \$30.5 million
 - Elizabeth Davis Middle School – \$30.3 million
- ◆ Additions to School construction in progress:
 - New 360 West Elementary School – \$20.1 million

- ◆ Completion of Utilities projects:
 - Rayon Park wastewater lines – \$2.3 million
 - Bailey Bridge, phase III wastewater lines – \$11.1 million
- ◆ Additions to Utilities construction in progress:
 - Southwest corridor River Road waterline – \$8.0 million
 - Southwest corridor Chesdin West pump station – \$4.8 million
 - Southwest corridor River/River Way waterline – \$8.2 million
 - Southwest corridor River Road pump station – \$7.5 million
 - Proctor’s Creek wastewater treatment plant upgrade – \$15.6 million
 - Bailey Bridge, phase III wastewater lines – \$11.1 million
- ◆ Completion of Airport project:
 - Runway rehabilitation – \$6.7 million

The County’s FY2009 capital budget projects spending \$189.1 million for capital projects, which includes \$157.1 million for the primary government and \$32.0 million for the School Board. Principal projects for the primary government include renovation of the Lane B. Ramsey building and surrounding County facilities; expansion and renovation of the Smith-Wagner Building; construction of the Meadowville interchange; completion of the Reams Gordon library; construction of the Robious Road library; construction of the Otterdale water tank; construction of phase II of the southwest corridor river line; and wastewater treatment plant upgrades. School projects are principally for school building additions and improvements. The County plans to issue additional debt to finance portions of these and future projects as identified in the FY2009-2014 Capital Improvement Program.

Long-term Debt

At year-end, the County had \$643.1 million in bonds and leases outstanding, an increase of \$53.6 million (9.1%) compared to the prior year (see Table 4). More detailed information about the County’s long-term liabilities is presented in Note 9 to the financial statements.

TABLE 4
Chesterfield County's Outstanding Debt
June 30, 2008 and 2007
 (in millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2008-2007
	2008	2007	2008	2007	2008	2007	
General obligation bonds, net (backed by the County)	\$ 469.7	\$ 428.6	\$ -	\$ -	\$ 469.7	\$ 428.6	9.6%
Revenue bonds, net (backed by user fee revenues)	-	-	59.6	63.4	59.6	63.4	(6.0%)
State literary fund loans	0.1	0.7	-	-	0.1	0.7	(85.7%)
Support agreement	15.7	16.5	-	-	15.7	16.5	(4.8%)
Certificates of participation and capital leases	96.4	78.7	1.6	1.6	98.0	80.3	22.0%
Total	\$ 581.9	\$ 524.5	\$ 61.2	\$ 65.0	\$ 643.1	\$ 589.5	9.1%

The County issued new debt during the year totaling \$96.1 million in the form of general obligation bonds and revenue bonds. The County issued \$73.9 million in general obligation bonds to fund various projects including the Harrowgate Fire and Rescue Station, the Reams Gordon Library and various School projects. The County issued \$22.2 million in certificates of participation to fund the expansion and renovation of the Smith Wagner and Circuit/General District Court buildings, construction of an emergency vehicle operator course including an observation tower and the purchase of fire service vehicles. The amount of “on behalf” debt outstanding related to School Board activities is \$369.9 million of the total outstanding debt of the governmental activities.

A key debt policy established by the County's Board of Supervisors is the ratio of debt service costs to general government expenditures, which was 7.7% for the current year comparing favorably to the policy target of 10.0%.

The County's financial standing and management practices have resulted in the award of an Aaa bond rating from Moody's Investors Service, an AAA bond rating from Fitch Investors Service, Inc. and an AAA from Standard & Poor's Corporation for general obligation bonds.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The County's unemployment rate for 2007 averaged 2.6%, a decrease from the previous year's rate of 2.9%. The 2007 unemployment rate of 2.6% remained below the Commonwealth's 3.0% unemployment rate for the same period. The region has felt the downturn in residential real estate activity, though the weakness locally has not been as pronounced as in other areas in the country. Consumer spending in the region has also softened with the sales of big ticket items, such as automobiles, being particularly sluggish.

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

The County's investments, including Fiduciary Funds, are exposed to various investment risks such as interest rate, market and credit risks. Such risks, and the resulting investment security values, may be influenced by changes in economic conditions and market perceptions and expectations. Accordingly, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements. At June 30, 2008, due to constraints imposed by the safety objectives contained in the Investment Policy, there is minimal investment risk in the Primary Government Portfolio. The Fiduciary Funds are managed according to an investment policy with a long-term capital growth objective. The policy mitigates market volatility and fluctuations in market value through the diversification of investments.

The County developed a Biennial Financial Plan for fiscal years 2009 and 2010 that was adopted on April 9, 2008, whereby the resolution for the first year of the biennium contained appropriated first-year expenditures and approved second-year expenditures.

The FY2009 budget, totaling \$1.3 billion, represents an increase of 9.8% over the FY2008 budget. The FY2009 general fund budget includes 3,131 full-time positions, a net increase of 23 positions which is the lowest increase since FY1993. A total of 562 authorized full-time positions are budgeted for all other funds, a decrease of four positions compared to FY2008. The budget was adopted with a real estate tax rate of \$0.95 per \$100 of assessed value, a \$.02 reduction, providing continued relief to taxpayers from a growing tax burden due to rising assessments. Combined with the CY2007 \$.07 reduction, taxes paid in CY2008 will be nearly \$30 million less than what would have been paid with an unreduced real estate tax rate of \$1.04 per \$100 of assessed value. Market activity in CY2007 suggests much lower assessed value growth rates for real estate, and thus less growth in taxes paid in future periods. This budget anticipates the end of double digit growth in real estate assessed values.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our residents, taxpayers, customers, and 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, Chesterfield, Virginia 23832.

FINANCIAL STATEMENTS

County of Chesterfield, Virginia
Statement of Net Assets
June 30, 2008

Exhibit I

Primary Government

	Governmental Activities	Business-type Activities	Total	Component Units	Total Reporting Entity
ASSETS					
Cash and cash equivalents	\$ 259,112,041	\$ 49,851,342	\$ 308,963,383	\$ 29,326,116	\$ 338,289,499
Investments	155,186,571	115,885,247	271,071,818	59,087,191	330,159,009
Receivables,					
net of allowance for uncollectibles	241,773,378	12,952,497	254,725,875	6,808,273	261,534,148
Due from component unit	293,638	-	293,638	-	293,638
Due from primary government	-	-	-	77,273,469	77,273,469
Internal balances	730,000	(730,000)	-	-	-
Inventories	690,867	912,574	1,603,441	1,461,913	3,065,354
Capacity rights and other prepaids	2,125,990	72,561,336	74,687,326	10,581,327	85,268,653
Bond issuance expenses,					
net of amortization	1,987,554	253,149	2,240,703	2,504,977	4,745,680
Capital assets, not being depreciated	114,094,555	66,469,328	180,563,883	28,075,934	208,639,817
Other capital assets, net of depreciation	805,667,230	589,379,033	1,395,046,263	38,983,439	1,434,029,702
Total assets	<u>1,581,661,824</u>	<u>907,534,506</u>	<u>2,489,196,330</u>	<u>254,102,639</u>	<u>2,743,298,969</u>
LIABILITIES					
Accounts payable	46,498,561	24,088,627	70,587,188	47,161,297	117,748,485
Due to component units	77,273,469	-	77,273,469	-	77,273,469
Due to primary government	-	-	-	293,638	293,638
Unearned revenues	154,554,042	-	154,554,042	217,988	154,772,030
Deposits and advances	-	26,106	26,106	2,333,360	2,359,466
Developers' connection fees refundable	-	1,872,513	1,872,513	-	1,872,513
Prepaid connection fees	-	280,800	280,800	-	280,800
Non-current liabilities:					
Due within one year	60,587,554	6,264,255	66,851,809	11,865,581	78,717,390
Due in more than one year	558,556,521	57,471,782	616,028,303	113,256,998	729,285,301
Total liabilities	<u>897,470,147</u>	<u>90,004,083</u>	<u>987,474,230</u>	<u>175,128,862</u>	<u>1,162,603,092</u>
NET ASSETS					
Invested in capital assets,					
net of related debt	487,741,373	610,029,676	1,097,771,049	23,434,987	1,121,206,036
Restricted for:					
Capital projects	39,874,746	-	39,874,746	-	39,874,746
Contractual agreement	450,000	26,106	476,106	-	476,106
Debt covenants	-	17,216,860	17,216,860	3,619,993	20,836,853
Grantor programs	5,231,598	-	5,231,598	528,189	5,759,787
Legislated programs	2,080,639	-	2,080,639	14,062,585	16,143,224
Other post employment benefits asset	1,327,473	-	1,327,473	176,161	1,503,634
Pension asset	-	-	-	10,379,212	10,379,212
Public safety programs	1,316,519	-	1,316,519	-	1,316,519
Expendable	9,310	-	9,310	-	9,310
Nonexpendable	5,000	-	5,000	-	5,000
Total restricted	50,295,285	17,242,966	67,538,251	28,766,140	96,304,391
Unrestricted	146,155,019	190,257,781	336,412,800	26,772,650	363,185,450
Total net assets	<u>\$ 684,191,677</u>	<u>\$ 817,530,423</u>	<u>\$ 1,501,722,100</u>	<u>\$ 78,973,777</u>	<u>\$ 1,580,695,877</u>

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

County of Chesterfield
Statement of Activities
For the Year Ended June 30, 2008

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets			Total Reporting Entity
	Expenses	Operating		Primary Government			
		Charges for Services	Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary government							
Governmental activities							
General government	\$ 62,125,394	\$ 22,610,238	\$ 1,690,318	\$ 1,305,444	\$ (36,519,394)	\$ (36,519,394)	\$ (36,519,394)
Administration of justice	9,433,583	1,729,823	5,077,413	-	(2,626,347)	(2,626,347)	(2,626,347)
Public safety	152,400,203	15,189,151	17,273,199	8,592,652	(111,345,201)	(111,345,201)	(111,345,201)
Public works	34,242,662	4,625,692	69,045	8,789,909	(20,758,016)	(20,758,016)	(20,758,016)
Health and welfare	72,490,313	19,579,694	27,808,551	-	(25,102,068)	(25,102,068)	(25,102,068)
Parks, recreation and cultural	25,048,041	3,713,425	250,891	846,207	(20,237,518)	(20,237,518)	(20,237,518)
Education - School Board	337,236,438	-	49,906,167	2,868,445	(284,461,826)	(284,461,826)	(284,461,826)
Community development	16,697,501	4,030,356	1,463,945	-	(11,203,200)	(11,203,200)	(11,203,200)
Interest on long-term debt	23,272,102	-	-	-	(23,272,102)	(23,272,102)	(23,272,102)
Total governmental activities	732,946,237	71,478,379	103,539,529	22,402,657	(535,525,672)	(535,525,672)	(535,525,672)
Business-type activities							
Water	33,897,447	33,171,182	-	18,388,765	-	17,662,500	17,662,500
Wastewater	28,359,324	28,844,584	-	15,442,541	-	15,927,801	15,927,801
Airport	1,830,406	815,883	-	6,232,341	-	5,217,818	5,217,818
Total business-type activities	64,087,177	62,831,649	-	40,063,647	-	38,808,119	38,808,119
Total primary government	\$ 797,033,414	\$ 134,310,028	\$ 103,539,529	\$ 62,466,304	(535,525,672)	(496,717,553)	(496,717,553)
Component units	\$ 615,187,278	\$ 38,971,183	\$ 85,026,832	\$ 30,793	-	(491,158,470)	(491,158,470)
General revenues:							
Taxes:							
Property taxes, levied for general purposes				368,792,917	-	368,792,917	368,792,917
Property taxes, levied for special purposes				318,644	-	318,644	318,644
Utility taxes				19,539,935	-	19,539,935	19,539,935
Sales taxes				40,736,677	-	40,736,677	40,736,677
Motor vehicle licenses				6,204,690	-	6,204,690	6,204,690
Business license taxes				17,499,296	-	17,499,296	17,499,296
Other				15,014,721	-	15,014,721	15,014,721
Payment from School Board				52,059,151	-	52,059,151	52,059,151
Payment from County of Chesterfield				-	-	-	317,135,266
Grants and contributions not restricted to specific programs				52,754,645	-	52,754,645	177,820,607
Investment earnings				14,571,536	7,297,951	21,869,487	230,575,252
Miscellaneous				298,620	-	298,620	23,396,457
Transfers				2,082,572	(2,082,572)	-	1,770,328
Total general revenues and transfers				589,873,404	5,215,379	595,088,783	1,093,043,334
Change in net assets				54,347,732	44,023,498	98,371,230	105,167,311
Net assets-July 1, 2007				629,843,945	773,506,925	1,403,350,870	1,475,528,566
Net assets-June 30, 2008				\$ 684,191,677	\$ 817,530,423	\$ 1,501,722,100	\$ 1,580,695,877

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

County of Chesterfield, Virginia
Balance Sheet
Governmental Funds
June 30, 2008

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	\$ 186,556,608	\$ 24,441,473	\$ 5,325,470	\$ 4,532,233	\$ 220,855,784
Cash, cash equivalents and investments with fiscal agents	46,568	23,907,885	-	-	23,954,453
Investments	53,665,511	53,382,438	48,138,622	-	155,186,571
Receivables, net of allowances for uncollectibles of \$9,066,684	181,490,297	149,149	-	3,904,873	185,544,319
Due from other funds	730,000	279	-	-	730,279
Due from component unit - Health Center Commission	293,638	-	-	-	293,638
Due from other governments	50,678,208	3,074,670	-	2,224,150	55,977,028
Total assets	<u>\$ 473,460,830</u>	<u>\$ 104,955,894</u>	<u>\$ 53,464,092</u>	<u>\$ 10,661,256</u>	<u>\$ 642,542,072</u>
LIABILITIES					
Accounts payable	\$ 4,719,372	\$ 4,603,997	\$ 7,464,653	\$ 1,531,467	\$ 18,319,489
Due to other funds	-	-	-	279	279
Due to component units:					
School Board	77,263,844	-	-	-	77,263,844
Economic Development Authority	9,625	-	-	-	9,625
Accrued liabilities	10,849,848	54,789	-	421,621	11,326,258
Retainages payable	-	1,084,663	3,557,651	1,162	4,643,476
Deferred revenues:					
Uncollected taxes	170,742,162	-	-	-	170,742,162
Other	2,154,388	-	-	3,415,384	5,569,772
Deposits payable	372,415	667,259	-	-	1,039,674
Total liabilities	<u>266,111,654</u>	<u>6,410,708</u>	<u>11,022,304</u>	<u>5,369,913</u>	<u>288,914,579</u>
FUND BALANCES					
Reserved	60,076,202	98,545,186	53,032,724	3,010,296	214,664,408
Unreserved:					
Designated	76,568,430	-	-	-	76,568,430
Undesignated reported in:					
General Fund	70,704,544	-	-	-	70,704,544
Capital Projects Fund	-	-	(10,590,936)	-	(10,590,936)
Special Revenue Funds	-	-	-	2,281,047	2,281,047
Total unreserved (deficit)	<u>147,272,974</u>	<u>-</u>	<u>(10,590,936)</u>	<u>2,281,047</u>	<u>138,963,085</u>
Total fund balances	<u>207,349,176</u>	<u>98,545,186</u>	<u>42,441,788</u>	<u>5,291,343</u>	<u>353,627,493</u>
Total liabilities and fund balances	<u>\$ 473,460,830</u>	<u>\$ 104,955,894</u>	<u>\$ 53,464,092</u>	<u>\$ 10,661,256</u>	

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

Capital assets, net of accumulated depreciation, and prepayment for future capital assets used in governmental activities are not financial resources and are not reported in the funds.	913,204,870	
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.	21,757,892	
Internal service funds are used by management to charge the costs of certain activities, such as insurance, vehicles and communications, and capital projects management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.	14,602,119	
Long-term obligations, including bonds payable, are not due and payable in the current period and are not reported in the funds.		
Bonds, leases and support agreement payable, net of unamortized premium and bond issuance costs	\$ (579,970,208)	
Judgments and claims	(6,509,078)	
Landfill	(1,373,744)	
Arbitrage	(1,816,256)	
Retirement plan obligations	(2,773,453)	
Other post employment benefits obligation	1,327,473	
Compensated absences	(18,050,256)	
Interest payable	(9,835,175)	(619,000,697)
Net assets of governmental activities		<u>\$ 684,191,677</u>

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, 2008

	<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	\$367,784,907	\$ -	\$ -	\$ -	\$ 367,784,907
Other local taxes	98,995,319	-	-	-	98,995,319
Permits, privilege fees and regulatory licenses	6,411,648	-	-	-	6,411,648
Fines and forfeitures	2,555,991	-	-	-	2,555,991
Use of money and property	9,436,800	3,923,927	1,498,163	7,359	14,866,249
Contributions from developers	-	6,246,899	-	-	6,246,899
Charges for services	27,890,431	1,018,764	-	3,687,275	32,596,470
Miscellaneous	1,538,868	197,111	24,571	587,574	2,348,124
Recovered costs	12,445,614	-	-	-	12,445,614
Donations	2,902,153	-	-	79,618	2,981,771
From component unit - School Board	43,604,488	506	5,894,706	1,790,200	51,289,900
From other governments	<u>140,315,941</u>	<u>12,355,117</u>	<u>859,082</u>	<u>14,711,597</u>	<u>168,241,737</u>
Total revenues	<u>713,882,160</u>	<u>23,742,324</u>	<u>8,276,522</u>	<u>20,863,623</u>	<u>766,764,629</u>
Expenditures					
Current:					
General government	46,365,935	-	-	-	46,365,935
Administration of justice	8,320,158	-	-	719,171	9,039,329
Public safety	134,453,780	-	-	11,470,803	145,924,583
Public works	19,953,276	-	-	43,010	19,996,286
Health and welfare	61,118,028	-	-	10,969,613	72,087,641
Parks, recreation and cultural	21,283,698	-	-	42,983	21,326,681
Education - School Board	314,603,869	-	-	-	314,603,869
Community development	13,265,185	-	-	1,701,585	14,966,770
Debt service:					
Retirement of principal	41,352,282	-	-	-	41,352,282
Interest	22,184,734	-	-	-	22,184,734
Other	550,556	-	-	-	550,556
Capital outlay	-	40,710,465	80,046,136	-	120,756,601
Total expenditures	<u>683,451,501</u>	<u>40,710,465</u>	<u>80,046,136</u>	<u>24,947,165</u>	<u>829,155,267</u>
Excess (deficiency) of revenues over (under) expenditures	<u>30,430,659</u>	<u>(16,968,141)</u>	<u>(71,769,614)</u>	<u>(4,083,542)</u>	<u>(62,390,638)</u>
Other financing sources (uses)					
Transfers in	3,884,687	14,356,238	5,977,523	6,308,474	30,526,922
Transfers out	(23,496,313)	(4,570,402)	-	(440,069)	(28,506,784)
Certificates of participation issued	-	22,220,000	-	-	22,220,000
Premium on certificates of participation issued	48,210	617,717	-	-	665,927
Bonds issued	-	16,011,020	57,908,980	-	73,920,000
Premium on bonds issued	110,213	636,980	2,318,020	-	3,065,213
Total other financing sources (uses), net	<u>(19,453,203)</u>	<u>49,271,553</u>	<u>66,204,523</u>	<u>5,868,405</u>	<u>101,891,278</u>
Net change in fund balances	10,977,456	32,303,412	(5,565,091)	1,784,863	39,500,640
Fund balances, July 1, 2007	<u>196,371,720</u>	<u>66,241,774</u>	<u>48,006,879</u>	<u>3,506,480</u>	<u>314,126,853</u>
Fund balances, June 30, 2008	<u>\$207,349,176</u>	<u>\$ 98,545,186</u>	<u>\$ 42,441,788</u>	<u>\$ 5,291,343</u>	<u>\$ 353,627,493</u>

(Continued)

County of Chesterfield, Virginia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

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. \$ 39,500,640

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. This is the amount by which capital outlays for capitalized assets (\$97,142,661) exceeded depreciation (\$27,877,617) in the current period. 69,265,044

In the Statement of Activities, only the gain on the sale of surplus assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the surplus assets sold. (933,929)

Donations of capital assets increase revenues in the Statement of Activities, but do not appear in the governmental funds because they are not financial resources. 2,004,693

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 2,274,766

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount by which proceeds (\$99,871,140) exceeded payments (\$41,352,282). (58,518,858)

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	\$ (980,172)	
Judgments and claims	(1,279,783)	
Retirement plan obligations	2,904	
Other post employment benefits obligation	1,327,473	
Accrued interest	(1,349,317)	
Amortization of bond premiums and issuance costs	2,233,234	
Amortization of deferred amount on refunding	<u>(913,497)</u>	(959,158)

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. 1,714,534

Change in net assets of governmental activities. \$ 54,347,732

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, 2008

	<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	\$ 366,024,200	\$ 363,368,312	\$ 367,784,907	\$ 4,416,595
Other local taxes	102,006,400	102,431,400	98,995,319	(3,436,081)
Permits, privilege fees and regulatory licenses	7,517,500	7,837,512	6,411,648	(1,425,864)
Fines and forfeitures	1,318,500	1,507,727	2,555,991	1,048,264
Use of money and property	3,857,600	3,918,938	9,436,800	5,517,862
Charges for services	27,373,400	27,863,306	27,890,431	27,125
Miscellaneous	830,500	1,266,700	1,538,868	272,168
Recovered costs	8,602,100	9,207,860	12,560,714	3,352,854
Donations	2,734,300	2,892,719	2,902,153	9,434
From other governments	<u>139,637,100</u>	<u>138,541,737</u>	<u>140,315,941</u>	<u>1,774,204</u>
Total revenues	<u>659,901,600</u>	<u>658,836,211</u>	<u>670,392,772</u>	<u>11,556,561</u>
Expenditures				
Current:				
General government	48,933,049	52,599,339	45,017,797	7,581,542
Administration of justice	8,108,900	8,558,406	8,345,538	212,868
Public safety	138,220,425	139,803,968	134,553,925	5,250,043
Public works	20,453,588	20,765,230	19,953,276	811,954
Health and welfare	63,303,192	64,279,926	61,764,856	2,515,070
Parks, recreation and cultural	21,810,040	22,055,555	21,283,698	771,857
Community development	13,258,779	14,219,631	13,265,185	954,446
Non-departmental	5,030,300	4,529,974	1,353,516	3,176,458
Debt service:				
Retirement of principal	24,370,300	25,092,300	12,530,077	12,562,223
Interest	-	-	7,600,396	(7,600,396)
Other	739,900	739,900	352,611	387,289
Total expenditures	<u>344,228,473</u>	<u>352,644,229</u>	<u>326,020,875</u>	<u>26,623,354</u>
Excess of revenues over expenditures	<u>315,673,127</u>	<u>306,191,982</u>	<u>344,371,897</u>	<u>38,179,915</u>
Other financing sources (uses)				
Transfers in	3,107,100	3,830,668	3,884,687	54,019
Transfers out	(341,962,100)	(391,096,820)	(337,354,158)	53,742,662
Premium on certificates of participation issued	-	-	48,210	48,210
Premium on bonds issued	-	-	26,820	26,820
Total other financing uses, net	<u>(338,855,000)</u>	<u>(387,266,152)</u>	<u>(333,394,441)</u>	<u>53,871,711</u>
Net change in fund balance	(23,181,873)	(81,074,170)	10,977,456	92,051,626
Fund balance, July 1, 2007	<u>196,371,720</u>	<u>196,371,720</u>	<u>196,371,720</u>	<u>-</u>
Fund balance, June 30, 2008	<u>\$ 173,189,847</u>	<u>\$ 115,297,550</u>	<u>\$ 207,349,176</u>	<u>\$ 92,051,626</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, 2008

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

Revenues

Total revenues on the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	\$ 670,392,772
Local funding of grant programs are transfers to other funds, rather than revenues, for financial reporting purposes.	(115,100)
Revenue is recorded to reimburse the primary government for debt service on debt issued "on behalf" of the School Board component unit for financial reporting purposes.	<u>43,604,488</u>
Total revenues of the General Fund on the Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds	<u>\$ 713,882,160</u>

Expenditures

Total expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	\$ 326,020,875
Local funding of grant programs are transfers to other funds, rather than expenditures, for financial reporting purposes.	(777,731)
Budgetary transfers to component units are expenditures for financial reporting purposes.	314,520,476
Proceeds from debt issued "on behalf" of the School Board component unit are considered expenditures for the primary government for financial reporting purposes.	83,393
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>43,604,488</u>
Total expenditures of the General Fund on the Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds	<u>\$ 683,451,501</u>

Other financing sources (uses)

Total other financing uses on the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	\$ (333,394,441)
Local funding of grant programs are transfers to other funds, rather than expenditures, for financial reporting purposes.	(662,631)
Budgetary transfers to component units are expenditures for financial reporting purposes.	314,520,476
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>83,393</u>
Total other financing uses of the General Fund on the Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds	<u>\$ (19,453,203)</u>

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

County of Chesterfield, Virginia
Statement of Net Assets
Proprietary Funds
June 30, 2008

Exhibit VI

	Business-type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	<u>Water</u>	<u>Wastewater</u>	<u>Non-major Airport</u>	<u>Total</u>	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 27,881,249	\$ 2,815,518	\$ 432,270	\$ 31,129,037	\$ 14,301,804
Investments	28,885,441	65,730,887	-	94,616,328	-
Receivables, net of allowances for uncollectibles of \$101,827:					
Accounts	5,864,391	4,583,007	287,627	10,735,025	252,031
Accrued interest	261,824	605,704	-	867,528	-
Special assessments	23,379	51,699	-	75,078	-
Total net receivables	<u>6,149,594</u>	<u>5,240,410</u>	<u>287,627</u>	<u>11,677,631</u>	<u>252,031</u>
Due from other governments	-	-	593,597	593,597	-
Inventories	912,574	-	-	912,574	690,867
Total current assets	<u>63,828,858</u>	<u>73,786,815</u>	<u>1,313,494</u>	<u>138,929,167</u>	<u>15,244,702</u>
Non-current assets:					
Capacity rights	69,232,785	3,328,551	-	72,561,336	-
Accrued interest receivable	-	158,571	-	158,571	-
Special assessments receivable	156,481	366,217	-	522,698	-
Restricted cash and cash equivalents:					
Cash and cash equivalents	-	-	11,580	11,580	-
Investments	4,116,600	3,403,984	-	7,520,584	-
Cash, cash equivalents and investments with trustees	<u>22,952,392</u>	<u>9,506,668</u>	<u>-</u>	<u>32,459,060</u>	<u>-</u>
Total restricted assets	<u>27,068,992</u>	<u>12,910,652</u>	<u>11,580</u>	<u>39,991,224</u>	<u>-</u>
Bond issuance expenses, net of amortization	237,552	15,597	-	253,149	-
Capital assets:					
Land	1,130,903	442,137	1,663,935	3,236,975	193,685
Buildings	35,716,406	104,586,603	6,926,675	147,229,684	2,031,982
Improvements other than buildings	5,455,340	17,336,043	24,135,401	46,926,784	281,318
Machinery and equipment	319,460,340	363,979,191	1,090,546	684,530,077	11,763,506
Construction in progress	<u>40,807,758</u>	<u>22,288,322</u>	<u>136,273</u>	<u>63,232,353</u>	<u>210,658</u>
Total capital assets	402,570,747	508,632,296	33,952,830	945,155,873	14,481,149
Less accumulated depreciation	<u>(105,921,343)</u>	<u>(172,014,073)</u>	<u>(11,372,096)</u>	<u>(289,307,512)</u>	<u>(7,125,717)</u>
Total capital assets, net of accumulated depreciation	<u>296,649,404</u>	<u>336,618,223</u>	<u>22,580,734</u>	<u>655,848,361</u>	<u>7,355,432</u>
Total non-current assets	<u>393,345,214</u>	<u>353,397,811</u>	<u>22,592,314</u>	<u>769,335,339</u>	<u>7,355,432</u>
Total assets	<u>457,174,072</u>	<u>427,184,626</u>	<u>23,905,808</u>	<u>908,264,506</u>	<u>22,600,134</u>

(Continued)

County of Chesterfield, Virginia
Statement of Net Assets
Proprietary Funds
June 30, 2008

Exhibit VI

	Business-type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	<u>Water</u>	<u>Wastewater</u>	<u>Non-major Airport</u>	<u>Total</u>	
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 3,071,858	\$ 4,935,856	\$ 25,346	\$ 8,033,060	\$ 939,267
Due to other funds	-	-	730,000	730,000	-
Accrued liabilities:					
Wages and benefits	457,728	428,974	11,988	898,690	395,222
Interest	3,445,450	6,901,247	9,945	10,356,642	-
Other	254,059	31,661	-	285,720	-
Total accrued liabilities	<u>4,157,237</u>	<u>7,361,882</u>	<u>21,933</u>	<u>11,541,052</u>	<u>395,222</u>
Compensated absences	517,560	207,903	13,862	739,325	283,205
Judgments and claims	69,165	112,547	5,088	186,800	1,178,544
Obligations under certificates of participation	-	-	91,182	91,182	-
Revenue bonds payable	<u>2,826,864</u>	<u>2,420,084</u>	<u>-</u>	<u>5,246,948</u>	<u>-</u>
Total current liabilities	<u>10,642,684</u>	<u>15,038,272</u>	<u>887,411</u>	<u>26,568,367</u>	<u>2,796,238</u>
Non-current liabilities:					
Liabilities payable from restricted assets:					
Principal installments with trustee	1,855,134	1,652,738	-	3,507,872	-
Accrued interest payable	1,220,603	1,788,778	-	3,009,381	-
Deposits and advances	6,026	8,500	11,580	26,106	-
Total liabilities payable from restricted assets	<u>3,081,763</u>	<u>3,450,016</u>	<u>11,580</u>	<u>6,543,359</u>	<u>-</u>
Developers' connection fees refundable	663,185	1,209,328	-	1,872,513	-
Retainages payable	1,175,781	33,683	295,670	1,505,134	-
Prepaid connection fees	-	280,800	-	280,800	-
Compensated absences	334,287	284,912	8,441	627,640	163,596
Judgments and claims	437,389	310,084	14,019	761,492	4,957,165
Retirement plan obligations	155,557	89,545	4,424	249,526	81,016
Obligations under certificates of participation	-	-	1,465,226	1,465,226	-
Revenue bonds payable, net of premiums, discounts and deferrals	<u>46,883,612</u>	<u>3,976,414</u>	<u>-</u>	<u>50,860,026</u>	<u>-</u>
Total non-current liabilities	<u>52,731,574</u>	<u>9,634,782</u>	<u>1,799,360</u>	<u>64,165,716</u>	<u>5,201,777</u>
Total liabilities	<u>63,374,258</u>	<u>24,673,054</u>	<u>2,686,771</u>	<u>90,734,083</u>	<u>7,998,015</u>
NET ASSETS					
Invested in capital assets, net of related debt	258,783,625	330,221,725	21,024,326	610,029,676	7,355,432
Restricted:					
Contractual agreements	6,026	8,500	11,580	26,106	-
Debt covenants	9,671,285	7,545,575	-	17,216,860	-
Total restricted	<u>9,677,311</u>	<u>7,554,075</u>	<u>11,580</u>	<u>17,242,966</u>	<u>-</u>
Unrestricted	<u>125,338,878</u>	<u>64,735,772</u>	<u>183,131</u>	<u>190,257,781</u>	<u>7,246,687</u>
Total net assets	<u>\$ 393,799,814</u>	<u>\$ 402,511,572</u>	<u>\$ 21,219,037</u>	<u>\$ 817,530,423</u>	<u>\$ 14,602,119</u>

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

County of Chesterfield, Virginia
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2008

Exhibit VII

	Business-type Activities				Governmental Activities Internal Service Funds
	Water	Wastewater	Non-major Airport	Total	
Operating revenues					
Charges for services, net of decrease in estimate for uncollectibles of \$8,215	\$ 29,679,350	\$ 28,841,325	\$ 69,479	\$ 58,590,154	\$ 27,154,366
Sale of supplies	712,491	-	-	712,491	-
Rental fees	2,731,349	-	580,200	3,311,549	-
Other	47,992	3,259	166,204	217,455	97,600
Total operating revenues	<u>33,171,182</u>	<u>28,844,584</u>	<u>815,883</u>	<u>62,831,649</u>	<u>27,251,966</u>
Operating expenses					
Salaries and wages	7,322,773	6,643,243	271,591	14,237,607	7,394,775
Contractual services	10,806,485	4,319,917	292,278	15,418,680	1,266,371
Capacity rights amortization	1,674,729	118,877	-	1,793,606	-
Materials and supplies	2,658,236	3,714,447	54,446	6,427,129	9,975,378
Heat, light and power	1,125,621	2,159,537	71,313	3,356,471	71,903
Rent	750	-	-	750	75,053
Depreciation	8,114,925	10,093,634	985,430	19,193,989	1,273,748
Repairs and maintenance	545,911	940,527	46,755	1,533,193	976,170
Insurance	-	-	-	-	3,867,135
Claims	-	-	-	-	1,112,452
Other	339,633	125,462	47,779	512,874	122,620
Total operating expenses	<u>32,589,063</u>	<u>28,115,644</u>	<u>1,769,592</u>	<u>62,474,299</u>	<u>26,135,605</u>
Operating income (loss)	<u>582,119</u>	<u>728,940</u>	<u>(953,709)</u>	<u>357,350</u>	<u>1,116,361</u>
Non-operating revenues (expenses)					
Interest and dividend income	3,714,232	3,583,719	-	7,297,951	456,539
Bond amortization and interest expense	(1,002,609)	(194,747)	(60,814)	(1,258,170)	-
Gain (loss) on disposal of capital assets	(50,640)	(48,933)	-	(99,573)	36,169
Other	(255,135)	-	-	(255,135)	-
Net non-operating revenues (expenses)	<u>2,405,848</u>	<u>3,340,039</u>	<u>(60,814)</u>	<u>5,685,073</u>	<u>492,708</u>
Income (loss) before contributions and transfers	2,987,967	4,068,979	(1,014,523)	6,042,423	1,609,069
Capital contributions	18,439,238	15,442,541	6,232,341	40,114,120	68,209
Transfers in	-	37,851	302,983	340,834	108,636
Transfers out	(2,455,508)	(18,371)	-	(2,473,879)	(71,380)
Change in net assets	18,971,697	19,531,000	5,520,801	44,023,498	1,714,534
Total net assets-July 1, 2007	<u>374,828,117</u>	<u>382,980,572</u>	<u>15,698,236</u>	<u>773,506,925</u>	<u>12,887,585</u>
Total net assets-June 30, 2008	<u>\$ 393,799,814</u>	<u>\$ 402,511,572</u>	<u>\$ 21,219,037</u>	<u>\$ 817,530,423</u>	<u>\$ 14,602,119</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, 2008

	Business-type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	<u>Water</u>	<u>Wastewater</u>	<u>Non-major</u> <u>Airport</u>	<u>Total</u>	
Cash flows from operating activities					
Receipts from customers	\$ 33,244,740	\$ 29,462,582	\$ 596,483	\$ 63,303,805	\$ 27,041,485
Payments to suppliers	(15,291,327)	(10,909,459)	(507,486)	(26,708,272)	(15,806,092)
Payments to employees	(7,408,862)	(6,717,285)	(274,217)	(14,400,364)	(7,408,096)
Claims recovered	-	-	-	-	1,055,309
Claims paid	-	-	-	-	(1,160,115)
Net cash provided by (used in) operating activities	<u>10,544,551</u>	<u>11,835,838</u>	<u>(185,220)</u>	<u>22,195,169</u>	<u>3,722,491</u>
Cash flows from non-capital financing activities					
Transfers in	(50,473)	37,851	302,983	290,361	108,228
Transfers out	<u>(2,455,508)</u>	<u>(2,500)</u>	<u>-</u>	<u>(2,458,008)</u>	<u>(11,600)</u>
Net cash provided by (used in) non-capital financing activities	<u>(2,505,981)</u>	<u>35,351</u>	<u>302,983</u>	<u>(2,167,647)</u>	<u>96,628</u>
Cash flows from capital and related financing activities					
Advance from General Fund	-	-	2,700,000	2,700,000	-
Repayment to General Fund	-	-	(2,500,000)	(2,500,000)	-
Purchase of capital assets	(34,784,265)	(15,612,083)	(5,943,718)	(56,340,066)	(1,393,648)
Purchase of capacity rights	(3,157,552)	-	-	(3,157,552)	-
Payments to developers for utility assets	(231,942)	(142,370)	-	(374,312)	-
Retainages paid to contractors	(635,797)	(38,628)	(297,164)	(971,589)	-
Proceeds from sale of capital assets	3,368	1,868	-	5,236	96,705
Capital contributions	8,190,310	4,238,340	6,271,949	18,700,599	-
Interest paid on bonds, certificates of participation and other liabilities	(3,187,968)	(2,700,450)	(61,385)	(5,949,803)	-
Principal paid on revenue bonds and certificates of participation	(1,268,863)	(2,541,535)	(91,183)	(3,901,581)	-
Payment of other debt expenses	<u>(54,707)</u>	<u>(3,473)</u>	<u>-</u>	<u>(58,180)</u>	<u>-</u>
Net cash provided by (used in) capital and related financing activities	<u>(35,127,416)</u>	<u>(16,798,331)</u>	<u>78,499</u>	<u>(51,847,248)</u>	<u>(1,296,943)</u>
Cash flows from investing activities					
Purchase of investments	(36,172,959)	(75,485,446)	-	(111,658,405)	-
Proceeds from sale of investments	33,466,834	68,043,179	-	101,510,013	-
Interest received	<u>3,736,103</u>	<u>3,781,396</u>	<u>-</u>	<u>7,517,499</u>	<u>456,539</u>
Net cash provided by (used in) investing activities	<u>1,029,978</u>	<u>(3,660,871)</u>	<u>-</u>	<u>(2,630,893)</u>	<u>456,539</u>
Net increase (decrease) in cash and cash equivalents	<u>(26,058,868)</u>	<u>(8,588,013)</u>	<u>196,262</u>	<u>(34,450,619)</u>	<u>2,978,715</u>

(Continued)

County of Chesterfield, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2008

	Business-type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	<u>Water</u>	<u>Wastewater</u>	<u>Non-major Airport</u>	<u>Total</u>	
Cash and cash equivalents, July 1, 2007:					
Cash and cash equivalents	\$ 22,783,372	\$ 11,788,421	\$ 238,903	\$ 34,810,696	\$ 11,323,089
Investments	30,261,893	61,624,017	-	91,885,910	-
Less: Investments with maturities greater than 90 days when purchased	(30,261,893)	(61,624,017)	-	(91,885,910)	-
Restricted cash and cash equivalents	3,700,291	17,000	8,685	3,725,976	-
Restricted cash, cash equivalents and investments with trustees	50,395,612	9,078,271	-	59,473,883	-
Less: Investments with maturities greater than 90 days when purchased	(3,194,134)	(6,397,860)	-	(9,591,994)	-
Total cash and cash equivalents, July 1, 2007	<u>73,685,141</u>	<u>14,485,832</u>	<u>247,588</u>	<u>88,418,561</u>	<u>11,323,089</u>
Cash and cash equivalents, June 30, 2008:					
Cash and cash equivalents	27,881,249	2,815,518	432,270	31,129,037	14,301,804
Investments	28,885,441	65,730,887	-	94,616,328	-
Less: Investments with maturities greater than 90 days when purchased	(28,885,441)	(69,134,871)	-	(98,020,312)	-
Restricted investments	4,116,600	3,403,984	11,580	7,532,164	-
Restricted cash, cash equivalents and investments with trustees	22,952,392	9,506,668	-	32,459,060	-
Less: Investments with maturities greater than 90 days when purchased	(7,323,968)	(6,424,367)	-	(13,748,335)	-
Total cash and cash equivalents, June 30, 2008	<u>\$ 47,626,273</u>	<u>\$ 5,897,819</u>	<u>\$ 443,850</u>	<u>\$ 53,967,942</u>	<u>\$ 14,301,804</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 582,119	\$ 728,940	\$ (953,709)	\$ 357,350	\$ 1,116,361
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	8,114,925	10,093,634	985,430	19,193,989	1,273,748
Amortization	1,674,729	118,877	-	1,793,606	-
Changes in assets and liabilities:					
Receivables, net	73,558	614,049	(222,295)	465,312	(210,482)
Inventories	(121,830)	-	-	(121,830)	(71,261)
Accounts and other payables	221,050	280,338	5,354	506,742	1,614,125
Net cash provided by (used in) operating activities	<u>\$ 10,544,551</u>	<u>\$ 11,835,838</u>	<u>\$ (185,220)</u>	<u>\$ 22,195,169</u>	<u>\$ 3,722,491</u>
Noncash transactions related to financing, capital and investing activities are as follows:					
Contributions of capital assets	\$ 10,339,556	\$ 11,243,914	\$ -	\$ 21,583,470	\$ 68,209
Issuance of developer contracts	96,713	343,022	-	439,735	-
Unrealized gain on investments	36,450	74,168	-	110,618	-

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

County of Chesterfield, Virginia
Statement of Fiduciary Net Assets
June 30, 2008

	<u>Pension Trust</u>	<u>OPEB Trust</u>	<u>OPEB Trust</u>	<u>Agency</u>
	County Supplemental Retirement System	Pooled Post Employment Benefits County	Pooled Post Employment Benefits Schools	
ASSETS				
Cash and cash equivalents	\$ 1,960,604	\$ 4,919,469	\$ 1,914,150	\$ 7,772,092
Accounts receivable	-	-	-	412,923
Due from other governments	-	-	-	26,000
Restricted assets:				
Cash and cash equivalents	-	-	-	9,147,722
Cash, cash equivalents, and investments with trustee	-	-	-	13,468,364
Interest receivable	-	1,234	480	164,000
Total restricted assets	<u>-</u>	<u>1,234</u>	<u>480</u>	<u>22,780,086</u>
Investments:				
Alternative investments	2,027,802	-	-	-
Corporate obligations	13,037,964	-	-	-
Government securities	<u>1,783,776</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments	<u>14,821,740</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 18,810,146</u>	<u>\$ 1,234</u>	<u>\$ 1,914,630</u>	<u>\$ 30,991,101</u>
LIABILITIES				
Accounts payable	\$ 12,350	\$ -	\$ -	\$ -
Amounts held for others	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,991,101</u>
Total liabilities	<u>\$ 12,350</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,991,101</u>
NET ASSETS				
Held in trust for pension benefits	<u>\$ 18,797,796</u>	<u>\$ 4,920,703</u>	<u>\$ 1,914,630</u>	

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

County of Chesterfield, Virginia
Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2008

	<u>Pension</u>	<u>OPEB Trust</u>	<u>OPEB Trust</u>
	<u>Trust</u>	<u>OPEB Trust</u>	<u>OPEB Trust</u>
	County	Pooled Post	Pooled Post
	Supplemental	Employment	Employment
	Retirement	Benefits	Benefits
	<u>System</u>	<u>County</u>	<u>Schools</u>
Additions:			
Contributions - employer	\$ 1,246,453	\$ 4,921,969	\$ 1,916,650
Investment earnings:			
Interest and dividends	405,609		
Accrued income	42,412	1,234	480
Net decrease in the fair value of investments	<u>(1,347,231)</u>	<u>-</u>	<u>-</u>
Total investment income (loss)	(899,210)	1,234	480
Less investment expenses	<u>(177,742)</u>	<u>-</u>	<u>-</u>
Net investment income (loss)	<u>(1,076,952)</u>	<u>1,234</u>	<u>480</u>
Total additions	<u>169,501</u>	<u>4,923,203</u>	<u>1,917,130</u>
Deductions:			
Benefit payments	794,661	-	-
Administrative expenses	<u>116,054</u>	<u>2,500</u>	<u>2,500</u>
Total deductions	<u>910,715</u>	<u>2,500</u>	<u>2,500</u>
Change in net assets	(741,214)	4,920,703	1,914,630
Net assets - July 1, 2007	<u>19,539,010</u>	<u>-</u>	<u>-</u>
Net assets - June 30, 2008	<u>\$ 18,797,796</u>	<u>\$ 4,920,703</u>	<u>\$ 1,914,630</u>

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

County of Chesterfield, Virginia
Statement of Net Assets
Component Units
June 30, 2008

	Watkins Centre				Total Component Units
	School Board	Economic Development Authority	Community Development Authority	Health Center Commission	
ASSETS					
Cash and cash equivalents	\$ 21,888,487	\$ 4,385,628	\$ 245,686	\$ 2,806,315	\$ 29,326,116
Investments	-	-	17,524,718	41,562,473	59,087,191
Receivables, net of allowance for uncollectibles of \$125,000	5,164,813	4,873	77,306	1,561,281	6,808,273
Due from primary government	77,263,844	9,625	-	-	77,273,469
Inventories	1,362,224	-	-	99,689	1,461,913
Other prepaid expenses	10,555,373	-	5,500	20,454	10,581,327
Bond issuance expenses, net of amortization	-	103,905	728,837	1,672,235	2,504,977
Capital assets, not being depreciated	-	15,741,966	-	12,333,968	28,075,934
Other capital assets, net of depreciation	17,599,514	482,150	-	20,901,775	38,983,439
Total assets	<u>133,834,255</u>	<u>20,728,147</u>	<u>18,582,047</u>	<u>80,958,190</u>	<u>254,102,639</u>
LIABILITIES					
Accounts payable and other liabilities	40,295,349	419,549	3,190,555	3,255,844	47,161,297
Due to primary government	-	-	-	293,638	293,638
Unearned revenues	52,958	-	-	165,030	217,988
Deposits and advances	-	-	-	2,333,360	2,333,360
Non-current liabilities:					
Due within one year	10,757,183	829,051	-	279,347	11,865,581
Due in more than one year	15,155,130	14,852,578	19,953,446	63,295,844	113,256,998
Total liabilities	<u>66,260,620</u>	<u>16,101,178</u>	<u>23,144,001</u>	<u>69,623,063</u>	<u>175,128,862</u>
NET ASSETS					
Invested in capital assets, net of related debt	17,599,514	3,104,312	-	2,731,161	23,434,987
Restricted for:					
Debt covenants	-	505,116	420,513	2,694,364	3,619,993
Grantor programs	528,189	-	-	-	528,189
Legislated programs	14,062,585	-	-	-	14,062,585
Other post employment benefits asset	176,161	-	-	-	176,161
Pension asset	10,379,212	-	-	-	10,379,212
Total restricted	25,146,147	505,116	420,513	2,694,364	28,766,140
Unrestricted (deficit)	24,827,974	1,017,541	(4,982,467)	5,909,602	26,772,650
Total net assets	<u>\$ 67,573,635</u>	<u>\$ 4,626,969</u>	<u>\$ (4,561,954)</u>	<u>\$ 11,335,127</u>	<u>\$ 78,973,777</u>

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

**County of Chesterfield, Virginia
Statement of Activities
Component Units
For the Year Ended June 30, 2008**

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets				
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	School Board	Economic Development Authority	Community Development Authority	Health Center Commission	Totals
School Board	\$ 589,782,415	\$ 84,490,818	\$ 30,793	\$ (486,339,159)	\$ -	\$ -	\$ -	\$ (486,339,159)
Economic Development Authority	1,163,909	15,850	-	-	(589,975)	-	-	(589,975)
Watkins Centre Community Development Authority	5,060,464	-	-	-	-	(5,060,464)	-	(5,060,464)
Health Center Commission	19,180,490	520,164	-	-	-	-	831,128	831,128
Total	\$ 615,187,278	\$ 38,971,183	\$ 30,793	\$ (486,339,159)	\$ (589,975)	\$ (5,060,464)	\$ 831,128	\$ (491,158,470)
General revenues:								
Payment from County of Chesterfield				315,469,677	1,665,589	-	-	317,135,266
Grants and contributions not restricted to specific programs				177,820,607	-	-	-	177,820,607
Investment earnings				542,772	137,706	498,510	347,982	1,526,970
Miscellaneous				1,471,708	-	-	-	1,471,708
Total general revenues				495,304,764	1,803,295	498,510	347,982	497,954,551
Change in net assets				8,965,605	1,213,320	(4,561,954)	1,179,110	6,796,081
Net assets-July 1, 2007				58,608,030	3,413,649	-	10,156,017	72,177,696
Net assets (deficit)-June 30, 2008				\$ 67,573,635	\$ 4,626,969	\$ (4,561,954)	\$ 11,335,127	\$ 78,973,777

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

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2008

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The County's financial statements have been prepared in accordance with GAAP and include:

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

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

1. The Chesterfield County Public School System (School Board) is responsible for elementary and secondary education within the County's jurisdiction. The five members of the School Board are elected for a four-year term. The members of the current School Board were elected in November 2007. The School Board functions independently of the County Board and County administration, but is fiscally dependent upon the County because the County Board approves the budget, levies the necessary taxes to finance operations and issues debt. The School Board can neither levy taxes nor incur bonded indebtedness under Virginia law. Fund financial statements of the School Board are included in the supplementary information section.
2. The Economic Development Authority (Authority) of the County of Chesterfield, previously known as the Industrial Development Authority, was created as a political subdivision of the Commonwealth of Virginia (The Commonwealth) by the County of Chesterfield, pursuant to the provisions of the Industrial Development and Revenue Bond Act, Chapter 49 of Title 15.2, Code of Virginia. This Act empowers the Authority, among other activities, to issue tax-exempt bonds to acquire, improve, maintain, equip, own, lease or dispose of properties by inducing manufacturing and industrial enterprises to locate or remain in the Commonwealth. The County Board appoints the seven directors of the Authority and provides financial support by making direct payments of debt service expenses on behalf of the Authority. Complete financial statements for the Authority may be obtained at Chesterfield County, Economic Development Department, 9401 Courthouse Road, Suite B, Chesterfield, Virginia 23832.
3. The Watkins Centre Community Development Authority (CDA) was created as a political subdivision of The Commonwealth by the County, pursuant to Sections 15.2-5152 of the Code of Virginia. The Authority 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

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mixed-use development that is expected to be developed in phases by different entities and to provide retail, commercial, office and hotel components. The County Board appoints the five members of the CDA board and has pledged a tax increment of certain real property and sales taxes collected within the CDA district as a revenue source for retiring debt issued by the CDA. The County's obligation is limited to the amount of collected tax increments as well as to any special assessments collected on the CDA's behalf. Complete financial statements for the Authority may be obtained by contacting the Chesterfield County Accounting Department, 9901 Lori Road, P.O. Box 40, Chesterfield, Virginia 23832.

4. The Chesterfield County Health Center Commission (Health Center Commission) is responsible for operating a long-term care facility (Lucy Corr Village) in a professional and cost-effective manner providing high quality care for its residents. The County Board appoints the seven members of the Health Center Commission and has provided operating subsidies. Complete financial statements for the Health Center Commission may be obtained at the entity's administrative office at 6800 Lucy Corr Court, Chesterfield, Virginia 23832.

B. Government-wide and Fund Financial Statements

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

Government-wide financial statements consist of a Statement of Net Assets and a Statement of Activities and reflect a full economic resources measurement focus and the accrual basis of accounting. The Statement of Net Assets presents the assets, liabilities and net assets of the governmental and business-type activities by columns. In the Statement of Activities, both the gross and net cost per individual function are 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 focuses on the information about the County's major governmental and enterprise funds. The governmental funds' statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Proprietary funds' statements are prepared using the economic resources measurement focus and the accrual basis of accounting. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Fiduciary fund statements are used to report assets that are held in a trustee or agency capacity and consist of a Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets.

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

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

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

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

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

The County reports the following major governmental funds:

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

County Capital Projects Fund – The County Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities 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 or construction of major capital facilities used for school operations that are titled to the County.

The non-major governmental funds of the County are:

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

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

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

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

Enterprise Funds:

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

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

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

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

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Additionally, the County reports the following fund category:

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

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

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

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

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

The connection fee charged to connect to the County's water and wastewater system consists of a capital recovery charge and a meter installation charge. The capital recovery charge will be used to finance future capital improvements, whereas the meter installation charge recovers the cost of the meter and its installation. In accordance with industry practice, capital recovery charges of \$7,901,270 and \$4,099,571 in 2008, have been credited to capital contributions in the Water and Wastewater Enterprise Funds, respectively and the meter installation fee has 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 they are needed.

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Proprietary and similar fund types consider cash and all highly liquid investments, including restricted assets, with a maturity of three months or less when purchased are considered cash and cash equivalents.

2. Investment Policy

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

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3. Allowances for Uncollectibles

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

4. Inventories

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

5. Restricted Assets – Enterprise Funds

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

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. Changes in capacity rights are as follows:

	<u>Balance</u> <u>June 30, 2007</u>	<u>Current</u> <u>Additions</u>	<u>Current</u> <u>Amortization</u>	<u>Balance</u> <u>June 30, 2008</u>
Water Capacity Rights	\$ 67,749,962	\$ 3,157,552	\$ 1,674,729	\$ 69,232,785
Wastewater Capacity Rights	3,447,428	-	118,877	3,328,551

Water and Wastewater capacity rights are amortized using the straight-line depreciation method over 40 years.

7. Capital Assets

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

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

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

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

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

Interest costs of \$2,667,848 in the business-type activities of the primary government were capitalized during the fiscal year.

8. Compensated Absences

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

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

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

9. Retirement Plans

Retirement plan contributions, with the exception of the School Board Supplemental Retirement Program, are actuarially determined and consist of current service costs and amortization of prior service. The policy is to fund pension costs at actuarially determined rates. The County and School Board funded the Virginia Retirement System (VRS) Plan using the actuarially determined rate. The County made a contribution to its Supplemental Retirement Plan in 2008, which was equal to the annual required contribution. Retirement contributions for the School Board Supplemental Retirement Program are based on savings derived from employees electing to retire under the Plan. The School Board made a contribution to its Supplemental Retirement Program in 2008, which was more than the required contribution. The required supplementary information section presents required schedules of funding progress that includes multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

10. Other Postemployment Benefits Plans

Other postemployment benefits plan contributions are actuarially determined to project the present value of postemployment benefits for retired and active employees. The County and the School Board funded the

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plan using actuarially determined rates and made contributions to the irrevocable trusts greater than the annual required contributions. The required supplementary information section presents required schedules of funding progress that includes multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

11. Long-term Obligations

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

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period but no long-term liabilities. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Payments to an escrow agent to defease debt is reported as other financing uses while issuance costs and repayments of principal and interest are reported as debt service expenditures. Matured principal and interest payments are reported when due.

2. Stewardship, Compliance, and Accountability

A. Budgetary Accounting

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

- ◆ Prior to budget submission, department directors develop departmental performance plans which include objectives, performance measures, initiatives and work plans for the coming year.
- ◆ In early fall, the School Board and County departments receive an expenditure target. Budgets are prepared with work plans consistent with the resources available.
- ◆ Departments submit budgets and work plans to the County Administrator for review in December and January. Department's requests for additional funding must be accompanied by supporting statistical data and are negotiated. The County Administrator's recommended budget is prepared by early March. During this time, work sessions are held with the County Board to keep them informed of the status of the budget.
- ◆ No later than March 1, the School Board submits its proposed budget to the County Administrator.
- ◆ Prior to March 15, the County Administrator submits to the County Board a proposed operating budget for the County and School Board for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- ◆ A public hearing is conducted to obtain taxpayer comments. Constituent meetings around the County are also held to provide information to the citizens on the County Administrator's proposed budget.

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- ◆ Prior to May 1, the County Board adopts the budget by resolution and funds are appropriated generally at the function level for the General Fund, at the fund level for the Comprehensive Services Fund, and at the major expenditure category for the School Operating Fund of the School Board component unit, (state reporting requirements), through passage of an appropriation resolution. The categories for the School Operating Fund are: instruction, administration plus attendance and health, pupil transportation, operations and maintenance, food service and debt service. These are the levels of control at which expenditures may not legally exceed appropriation.
- ◆ The County utilizes a two-year appropriations resolution process. The resolution for the first year of the biennium contains appropriated first-year expenditures and approved second-year expenditures. For the second year of the biennium, any necessary amendments are made to the approved budget and the Board then adopts and appropriates the second-year spending plan.
- ◆ Formal budgetary integration is employed as a management control device during the year for all funds. Budgets are legally adopted annually for the County's General Fund, the Comprehensive Services Fund and the School Operating Fund. The budget resolution specifies that Trust and Agency disbursements must be for the purpose for which the fund was established.
- ◆ A budget is adopted for each grant or project in the Grants Fund or the County Capital Projects Fund when funds become available. In the School Capital Projects Fund, projects are appropriated in total when funds become available. The budget resolution specifies that the budget and appropriation for each grant or project continue until the expiration of the grant or completion of the project. All other appropriations lapse at year-end. The level of control at which expenditures may not legally exceed appropriations is at the individual grant or project level in the Grants Fund and County Capital Projects Fund and at the total appropriation level in the School Capital Projects Fund.
- ◆ Budgets for all funds are adopted on a budgetary basis. Budgeted amounts reflected in the basic financial statements are as originally adopted or 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 the 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 \$6.0 million; (4) transfer funds to departments for worker's compensation, supplemental retirement, and healthcare for retirees, 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 has the authority to make transfer amendments within major appropriation categories. The Superintendent and/or School Board are authorized to approve amendments 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

Fund balance-reserved represents that portion of fund balance not available for appropriation or expenditure.

Fund balance-designated represents amounts that the County Board or management has identified for future spending.

These reserved and designated amounts were composed of the following at June 30, 2008:

Primary Government

	General	County Capital	School Capital	Other
	Fund	Projects	Projects	Governmental
	Fund	Fund	Fund	Funds
Reserved:				
Construction	\$ 50,802,383	\$ 75,670,592	\$ -	\$ -
Encumbrances	2,897,412	22,874,594	53,032,724	-
Advance to Health Center Commission	293,638	-	-	-
Specific programs	<u>6,082,769</u>	<u>-</u>	<u>-</u>	<u>3,010,296</u>
Total fund balances - reserved	<u>\$ 60,076,202</u>	<u>\$ 98,545,186</u>	<u>\$ 53,032,724</u>	<u>\$ 3,010,296</u>

	General
	Fund
Designated:	
Debt service	\$ 16,969,204
County capital projects	7,037,041
Future expenditures	43,988,898
FY 2008-09 budget	8,319,117
Other	<u>254,170</u>
Total fund balances - designated	<u>\$ 76,568,430</u>

Component Unit - School Board

	School
	Operating
	Fund
Reserved:	
Construction	\$ 34,277,965
Inventories	1,362,224
Cafeteria operations	14,062,585
Encumbrances	2,430,088
Specific programs	<u>528,189</u>
Total fund balances - reserved	<u>\$ 52,661,051</u>
Designated:	
School capital projects	\$ 6,125,887
Future expenditures	400,000
FY 2008-09 budget	<u>6,144,123</u>
Total fund balances - designated	<u>\$ 12,670,010</u>

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

A. School Board

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

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

B. Economic Development Authority

On October 18, 2004, the Authority sold its Taxable Redevelopment Facility Note, Series 2004, on behalf of the County in an amount not to exceed \$10,000,000 to acquire the Cloverleaf Mall property ("Mall Property") for redevelopment by the County. As of June 30, 2008, \$9,225,000 was outstanding on the Note. The County made interest payments on the Note in the amount of \$406,648 during the fiscal year. On January 27, 2005, the Authority issued Variable Rate Revenue Bonds, Series 2005A, and Variable Rate Revenue Bonds, Taxable Series 2005B, in the amounts of \$6,490,000 and \$11,630,000, respectively. As of June 30, 2008, \$15,690,000 remained outstanding on the 2005 Revenue Bonds. These bonds were issued to finance the acquisition of real property for the development of the Meadowville Technology Park and to finance certain infrastructure improvements within the Park. Debt service related to these revenue bonds is payable solely from support payments made by the County, pursuant to an Amended and Restated Development Agreement, dated January 1, 2005, between the Authority and the County. The County made support payments in the amount of \$1,421,507 during the fiscal year.

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4. Deposits and Investments

A. Primary Government:

As of June 30, 2008, the carrying value of the County's deposits and investments, other than that of the County Supplemental Retirement System Pension Trust Fund and the County and School OPEB Funds with their respective credit ratings, was as follows:

<u>Asset Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Demand deposits	\$140,870,278	N/A
Commonwealth Local Government Investment Pool	150,770,388	AAAm
State Non-Arbitrage Program - Money Market Fund	131,255,093	AAAm
Federal Agricultural Mortgage Corporation	1,988,019	AAA
Federal Home Loan Bank	87,428,683	AAA
Federal Home Loan Mortgage Corporation	46,428,398	AAA
Federal National Mortgage Association	9,735,064	A-1+
Federal National Mortgage Corporation	33,944,018	AAA
Federal Farm Credit Bank	<u>8,003,438</u>	AAA
Total deposits and investments	<u>\$610,423,379</u>	

Credit Risk:

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

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

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

To ensure compliance with the restrictions and requirements created by the Federal Tax Reform Act of 1986 for general obligation and revenue tax exempt bonds issued, the County and School Board have invested bond proceeds with the State Non-Arbitrage Program (SNAP). SNAP is a professionally managed money market program which provides local governments with a method of pooling general obligation, revenue, 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 instruments permitted by Virginia statutes. SNAP is registered with the Securities and Exchange Commission. The fair value of the County's position in the pool is the same as the value of the pool shares.

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

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

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

Custodial Credit Risk:

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the depositor will not be able to recover the value of its investments or collateral securities that are in the possession of outside party. The entire balance of \$46,568 of the General Fund's cash, cash equivalents and investments with fiscal agents is invested in a money market fund that is uninsured and the fund deposits are partially collateralized with securities held by the pledging financial institution but not in the County's name. Of the \$32,459,060 balance of cash, cash equivalents and investment with trustees in the Enterprise Funds, \$5,595,253 was invested in a money market fund that is uninsured and the fund deposits are partially collateralized with securities held by the pledging financial institution but not in the County's name. Of the Greater Richmond Convention Center Authority's \$13,468,364 of cash equivalents and investments with trustee, \$2,488,299 is invested in a money market fund that is uninsured and the fund deposits are partially collateralized with securities held by the pledging financial institution but not in the Authority's name.

Concentration of Credit Risk:

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

Bankers' acceptances	25% maximum
Certificates of deposit – commercial banks	45% maximum
Certificates of deposit – savings and loan associations	\$100,000
Commercial paper	25% maximum
LGIP	\$150 million
Each federal agency	No maximum
Each repurchase agreement counterparty	10% maximum
U.S. Treasury	No maximum

County of Chesterfield, Virginia
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As of June 30, 2008, the portion of the County's portfolio, excluding demand deposits, LGIP and the SNAP Money Market Fund, that represents 5% or more of the total portfolio is as follows:

<u>Issuer</u>	<u>% of Portfolio</u>
Federal Home Loan Bank	46.6%
Federal Home Loan Mortgage Corporation	24.8%
Federal National Mortgage Association	5.2%
Federal National Mortgage Corporation	18.1%

Interest Rate Risk:

As a means of limiting exposure to fair value losses 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, 2008, the County, excluding Fiduciary funds, had the following investments and original maturities:

<u>Asset Type</u>	<u>Fair Value</u>	<u>Investment Maturity</u>		
		<u>6 Months</u>		
		<u>0 - 6 Months</u>	<u>- 1 Year</u>	<u>1 - 2 Years</u>
LGIP	\$ 150,770,388	\$ 150,770,388	\$ -	\$ -
State Non-Arbitrage Program - Money Market Fund	131,255,093	131,255,093	-	-
Federal Agricultural Mortgage Corporation	1,988,019	1,988,019	-	-
Federal Home Loan Bank	87,428,683	4,962,309	21,970,118 (a)	60,496,256 (b)
Federal Home Loan Mortgage Corporation	46,428,398	5,485,684	15,806,961 (c)	25,135,753 (d)
Federal National Mortgage Association	9,735,064	9,735,064	-	-
Federal National Mortgage Corporation	33,944,018	2,984,567	2,945,100	28,014,351 (e)
Federal Farm Credit Bank	8,003,438	1,005,938	-	6,997,500 (f)
Total	<u>\$ 469,553,101</u>	<u>\$ 308,187,062</u>	<u>\$ 40,722,179</u>	<u>\$ 120,643,860</u>

(a) These bonds have call dates ranging from September 24, 2008 to May 1, 2009

(b) These bonds have call dates ranging from July 2, 2008 to June 23, 2009

(c) These bonds have call dates of September 23, 2008 and October 9, 2008

(d) These bonds have call dates ranging from September 23, 2008 to December 10, 2008

(e) These bonds have call dates ranging from September 9, 2008 to May 5, 2009

(f) These bonds have call dates of September 29, 2008 and February 11, 2009

Chesterfield County Supplemental Retirement System:

As of June 30, 2008, the carrying value of the County Supplemental Retirement System Pension Trust Fund's (System) deposits and investments, with their respective credit ratings, was as follows:

<u>Asset Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Demand deposits	\$ 1,960,604	N/A
Common stocks and bonds	13,002,281	N/A
Alternative investments	2,027,802	N/A
U. S. Treasuries	280,787	AAA
Federal Home Loan Mortgage Corporation	543,586	AAA
Federal National Mortgage Association	957,186	AAA
Government National Mortgage Association	2,217	N/A
Mutual Fund - Fixed Income	<u>35,683</u>	Not Rated
Total deposits and investments	<u>\$ 18,810,146</u>	

County of Chesterfield, Virginia
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All credit ratings in the above table are ratings by Standard and Poor's. Deposits and investments not exposed to credit quality risk, as defined by GASB 40, are designated as "N/A" in the credit rating column in the above table.

Credit Risk:

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

Custodial Credit Risk:

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of outside party. Of the System's \$1,960,604 of cash and cash equivalents, \$1,453,703 is invested in a money market fund that is uninsured and the fund deposits are partially collateralized with securities held by the pledging financial institution but not in the County's name, \$479,920 is invested in money market funds that are uninsured and uncollateralized and \$2,027,802 is invested in alternative investments that are uninsured and uncollateralized.

Concentration of Credit Risk:

The Statement establishes limits on the 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 of June 30, 2008, excluding demand deposits and mutual funds, there were two investments which represented 5% or more of the System's portfolio:

Federal National Mortgage Association represented 5.7% and alternative investments represented 12.0% of the total portfolio.

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, 2008, the System had investments of \$267,332 (1.4% of total portfolio) in collateralized mortgage obligations. These securities are based on cash flows from interest and principal payments on underlying mortgages and therefore are sensitive to interest rate changes.

As of June 30, 2008, the System had the following investments and original maturities:

County of Chesterfield, Virginia
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<u>Asset Type</u>	<u>Fair Value</u>	<u>Investment Maturity</u>		
		<u>0 - 5 Years</u>	<u>5 - 10 Years</u>	<u>10 - 30 Years</u>
U. S. Treasuries	\$ 280,787	\$ 153,200	\$ -	\$ 127,587
Federal Home Loan Mortgage Corporation	543,586	102,906	-	440,680
Federal National Mortgage Association	957,186	-	149,461	807,725
Government National Mortgage Association	2,217	-	2,217	-
Mutual Funds - Fixed Income	35,683	35,683	-	-
Total	<u>\$ 1,819,459</u>	<u>\$ 291,789</u>	<u>\$ 151,678</u>	<u>\$ 1,375,992</u>

County and School Board OPEB Funds:

As of June 30, 2008, the carrying value of the County OPEB Fund's deposits held by the Trust and their respective credit rating was as follows:

<u>Asset Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Demand deposits \$	4,919,469	N/A

As of June 30, 2008, the carrying value of the School Board OPEB Fund's deposits held by the Trust and respective credit rating was as follows:

<u>Asset Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Demand deposits \$	1,914,150	N/A

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

In an effort to assist local governments in funding their OPEB liabilities, the Virginia Association of Counties and the Virginia Municipal League established the VACo/VML Pooled OPEB Trust (Trust). The Trust is an irrevocable trust offered to local governments and authorities and is governed by a Board of Trustees consisting of local officials of participants in the Trust. The Trust provides a diversified portfolio consisting of investments in various asset classes such as bonds, domestic equities, international equities and cash, the investment of which is governed by an investment policy that sets target allocations by asset class.

As of June 30, 2008, excluding the demand deposits, there were no investments. Accordingly, there is no credit risk, concentration of credit risk or interest rate risk. With respect to Custodial Credit Risk, custodial credit 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 an outside party. The entire balances of demand deposits in the County and School Board OPEB Funds are in a money market fund that is uninsured and uncollateralized.

B. Component Units:

1. School Board:

a. School Board Funds:

As of June 30, 2008, the carrying value of the School Board operating and agency fund's deposits with their respective credit rating was as follows:

<u>Asset Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Demand deposits	\$27,182,537	N/A

County of Chesterfield, Virginia
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School Board deposits are invested in accordance with the County's investment policy. As of June 30, 2008, excluding the demand deposits, there were no investments. Accordingly, there is no credit risk, concentration of credit risk or interest rate risk.

b. School Board Supplemental Retirement Program:

As of June 30, 2008, 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	\$ 895,014	N/A
Mutual Funds - Equity	7,257,713	Not Rated
Mutual Funds - Fixed Income	<u>7,663,581</u>	Not Rated
Total deposits and investments	<u>\$ 15,816,308</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. Of the Program's \$15,817,016 of cash equivalents and investments with trustee, \$895,722 is invested in a money market fund that is uninsured and uncollateralized.

Concentration of Credit Risk:

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

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

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

Cash equivalents – no more than 10% of the cash portfolio in certificates of deposit or bankers' acceptances issued by any single bank, no more than 5% in commercial paper with a single issuer, and no more than 5% in corporate bonds with a single issuer

County of Chesterfield, Virginia
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As of June 30, 2008, excluding mutual funds, there were no investments that represented 5% or more of the total portfolio.

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, 2008, the System had the following investments and maturities:

<u>Asset Type</u>	<u>Fair Value</u>	<u>Investment Maturity</u>		
		<u>0 - 5 Years</u>	<u>5 - 10 Years</u>	<u>10 - 15 Years</u>
Mutual Fund - Fixed Income	\$ 7,663,581	\$ -	\$ 7,663,581	\$ -

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

As of June 30, 2008, the carrying value of the EDA's deposits with their respective credit rating was as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Demand deposits	\$4,385,628	N/A

The County acts as fiscal agent for the EDA. However, the EDA is not subject to the County's investment policy. The EDA does not have a formal investment policy that addresses credit risk, concentration of credit risk or interest rate risk. As of June 30, 2008, excluding the demand deposits, there were no investments. Accordingly, there is no credit risk, concentration of credit risk or interest rate risk.

Custodial Credit Risk:

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the EDA will not be able to recover the value of its investments or collateral securities that are in the possession of outside party. Of the EDA's \$4,385,628 of demand deposits, \$3,358,706 is invested in a money market fund that is uninsured and the fund deposits are partially collateralized with securities held by the pledging financial institution's trust department but not in the EDA's name and \$66,048 is invested in a money market fund that is uninsured and uncollateralized.

3. Watkins Centre Community Development Authority:

As of June 30, 2008, the carrying value of the Watkins Centre CDA deposits and investments with their respective credit rating was as follows:

<u>Asset Type</u>	<u>Fair Value</u>	<u>Investment Maturity</u>			<u>Credit Rating</u>
		<u>Less than a Year</u>	<u>1 - 3 Years</u>	<u>Over 3 Years</u>	
Money market funds	\$ 245,686	\$ 245,686	\$ -	\$ -	AAAm
Guaranteed investment contracts (GIC)	17,524,718	-	15,724,718	1,800,000	N/A
Total deposits and investments	\$ 17,770,404	\$ 245,686	\$ 15,724,718	\$ 1,800,000	

Credit Risk:

As required by the Watkins Centre's indenture of trust between the Watkins Centre and U.S. Bank National Association, Virginia (the "Trustee"), the Watkins Centre's permitted investments are subject to provisions of Chapter 45, Title 2.2, Code of Virginia, as amended, entitled "Investment of Public Funds Act." Statutes authorize the Watkins Centre to invest in: indebtedness unconditionally guaranteed by

County of Chesterfield, Virginia
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the Commonwealth of Virginia; government obligations and certificates; savings accounts or time deposits in any bank that is secured by the Virginia Security for Public Deposits Act; obligations of the International Bank for Reconstruction and Development, Asian Development Bank and African Development Bank; certain obligations of any state in the United States on which the full faith and credit of such state is pledged; certain bankers' acceptances; and certain money market mutual funds.

The indenture requires that commercial paper have a short-term debt rating of no less than "A-1" (or its equivalent) from at least two of the three leading rating agencies (Moody's, S&P and Fitch). Certificates of deposit and negotiable bank deposit notes of domestic banks and domestic offices of foreign banks maturing in one year or less must have a rating of at least "A-1" by S&P and "P-1" by Moody's. Notes having a maturity of greater than one year and not exceeding five years must have a rating of at least "AA" by S&P and "Aa" by Moody's.

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

Concentration of Credit Risk:

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

Interest Rate Risk:

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

Custodial Credit Risk:

Custodial credit risk is the risk that in the event of the failure of the counterparty, the Watkins Centre will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Any investment held by an outside party will be held as agent for the benefit of the Trustee as fiduciary for the Watkins Centre and not for the bank serving as Trustee in its commercial capacity. The entire amount of the cash and cash equivalents balance of \$245,686 is invested in a money market fund that is uninsured and the fund deposits are partially collateralized with securities held by the pledging financial institution but not in the Watkins Centre's name.

4. Health Center Commission (HCC):

As of June 30, 2008, the carrying value of the HCC's deposits with their respective credit ratings were as follows:

<u>Asset Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Maturity</u>
Demand deposits	\$ 1,830,509	N/A	N/A
LGIP	8,371,500	AAA	July 1, 2008
Other	74,041	N/A	N/A
	<u>\$10,276,050</u>		

As of June 30, 2008, the carrying value of the HCC's assets whose use is limited were as follows:

<u>Asset Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Maturity</u>
Demand deposits	\$ 888,784	N/A	N/A
Accrued Interest	87,022	N/A	N/A
Guaranteed investment contracts	33,116,932	N/A	1 – 5 years
	<u>\$34,092,738</u>		

County of Chesterfield, Virginia
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Credit Risk:

The HCC's investment policy (the Policy) complies with the Code of Virginia and other applicable law, including regulations, that permit investments in U.S. government obligations, municipal obligations, prime quality commercial paper, and certain corporate notes, bankers' acceptances, repurchase agreements, negotiable certificates of deposit, bank deposit notes, mutual funds that invest exclusively in securities specifically permitted under the Policy, and the LGIP.

The Policy establishes limitations on the holdings of non-U.S. government obligations. The maximum percentage of the portfolio (book value at the date of acquisition) permitted in the LGIP is 100%.

As required by state statute, the Policy requires that commercial paper have a short-term debt rating of no less than "A-1" (or its equivalent) from at least two of the following: Moody's Investor Service, Standard & Poor's, and Fitch Investor's Service. Corporate notes must have a minimum of "Aa" long-term debt rating by Moody's Investor Service and a minimum of "AA" long-term debt rating by Standard & Poor's. Negotiable Certificates of Deposit and bank deposit notes maturing in less than one year must have a short-term debt rating of at least "A-1" by Standard & Poor's and "P-1" by Moody's Investor Service. Notes having a maturity of greater than one year must be rated "AA" by Standard & Poor's and "Aa" by Moody's Investor Service.

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

As of June 30, 2008, 99% of the HCC's deposits was invested in the LGIP account.

Concentration of Credit Risk:

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

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

Interest Rate Risk:

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

Custodial Credit Risk:

The Policy requires that all investment securities purchased by the HCC or held as collateral on deposits or investments shall be held by the HCC or by a third-party custodial agent who may not otherwise be a counterparty to the investment transaction. As of June 30, 2008, all of the HCC's investments are held in a bank's trust department in the HCC's name.

County of Chesterfield, Virginia
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5. Receivables

A. Receivables at June 30, 2008, were as follows:

Governmental Activities	General Fund	County Capital Projects Fund	Other Governmental Funds	Internal Service Funds	Total
Taxes	\$ 181,352,602	\$ -	\$ -	\$ -	\$ 181,352,602
Accounts	7,442,440	2,007	5,516,913	252,031	13,213,391
Interest	149,899	147,142	-	-	297,041
Commonwealth of Virginia	50,672,690	3,074,670	1,634,472	-	55,381,832
Federal government	<u>5,518</u>	<u>-</u>	<u>589,678</u>	<u>-</u>	<u>595,196</u>
Gross receivables	239,623,149	3,223,819	7,741,063	252,031	250,840,062
Less: Allowance for uncollectibles	<u>(7,454,644)</u>	<u>-</u>	<u>(1,612,040)</u>	<u>-</u>	<u>(9,066,684)</u>
Net receivables	<u>\$ 232,168,505</u>	<u>\$ 3,223,819</u>	<u>\$ 6,129,023</u>	<u>\$ 252,031</u>	<u>\$ 241,773,378</u>

Business-type Activities	Water Fund	Wastewater Fund	Non-major Airport Fund	Total
Accounts	\$ 5,919,730	\$ 4,629,495	\$ 287,627	\$ 10,836,852
Interest	261,824	764,275	-	1,026,099
Special assessments	179,860	417,916	-	597,776
Commonwealth of Virginia	-	-	126,267	126,267
Federal government	<u>-</u>	<u>-</u>	<u>467,330</u>	<u>467,330</u>
Gross receivables	6,361,414	5,811,686	881,224	13,054,324
Less: Allowance for uncollectibles	<u>(55,339)</u>	<u>(46,488)</u>	<u>-</u>	<u>(101,827)</u>
Net receivables	<u>\$ 6,306,075</u>	<u>\$ 5,765,198</u>	<u>\$ 881,224</u>	<u>\$ 12,952,497</u>

Component Units	School Board	Economic Development Authority	Watkins Centre CDA	Health Center Commission	Total
Accounts	\$ 529,346	\$ -	\$ -	\$ 1,686,281	\$ 2,215,627
Interest	-	4,873	77,306	-	82,179
Commonwealth of Virginia	140,879	-	-	-	140,879
Federal government	<u>4,494,588</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,494,588</u>
Gross receivables	5,164,813	4,873	77,306	1,686,281	6,933,273
Less: Allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>(125,000)</u>	<u>(125,000)</u>
Net receivables	<u>\$ 5,164,813</u>	<u>\$ 4,873</u>	<u>\$ 77,306</u>	<u>\$ 1,561,281</u>	<u>\$ 6,808,273</u>

Special assessments of \$156,481 and \$366,217, respectively in the Water and Wastewater funds in addition to \$158,571 of accrued interest on those special assessments in the Wastewater fund are the only receivables not expected to be collected within one year.

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B. 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, 2008, are levied for fiscal year 2008 and installments due on December 5, 2008 are levied for fiscal year 2009.

Personal property taxes, which do not create a lien on property, are due on June 5th and levied for fiscal year 2008 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. The Commonwealth requires localities to record the revenue from PPTRA as received from other governments, not as property taxes.

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6. Payables

Payables at June 30, 2008, were as follows:

A. Governmental Activities

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>School Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Internal Service Funds</u>	<u>Total</u>
Vendors	\$ 4,719,372	\$ 4,603,997	\$ 7,464,653	\$ 1,531,467	\$ 939,267	\$ 19,258,756
Wages and benefits	10,849,848	54,789	-	421,621	395,222	11,721,480
Retainages	-	1,084,663	3,557,651	1,162	-	4,643,476
Other	372,415	667,259	-	-	-	1,039,674
Total	<u>\$ 15,941,635</u>	<u>\$ 6,410,708</u>	<u>\$ 11,022,304</u>	<u>\$ 1,954,250</u>	<u>\$ 1,334,489</u>	36,663,386
					Accrued interest	<u>9,835,175</u>
					Total per Government-wide	<u>\$ 46,498,561</u>

B. Business-type Activities

	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Non-major Airport Fund</u>	<u>Total</u>
Vendors	\$ 3,071,858	\$ 4,935,856	\$ 25,346	\$ 8,033,060
Wages and benefits	457,728	428,974	11,988	898,690
Accrued interest	4,666,053	8,690,025	9,945	13,366,023
Retainages	1,175,781	33,683	295,670	1,505,134
Other	254,059	31,661	-	285,720
Total	<u>\$ 9,625,479</u>	<u>\$ 14,120,199</u>	<u>\$ 342,949</u>	<u>\$ 24,088,627</u>

C. Component Units

	<u>School Board</u>	<u>Economic Development Authority</u>	<u>Watkins Centre CDA</u>	<u>Health Center Commission</u>	<u>Total</u>
Vendors	\$ 8,458,314	\$ 364,786	\$ 2,478,547	\$ 1,935,183	\$ 13,236,830
Wages and benefits	31,737,035	-	-	1,002,721	32,739,756
Accrued interest	-	26,377	354,000	317,940	698,317
Retainages	-	28,386	358,008	-	386,394
Other	100,000	-	-	-	100,000
Total	<u>\$ 40,295,349</u>	<u>\$ 419,549</u>	<u>\$ 3,190,555</u>	<u>\$ 3,255,844</u>	<u>\$ 47,161,297</u>

For the business-type activities, retainages of \$452,737 in the Water Fund and \$559,963 in the Wastewater Fund are being held by trustees and not reflected in the accompanying financial statements.

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2008

7. Interfund Transactions

Interfund receivable and payable balances at June 30, 2008, were as follows:

Fund	Interfund Receivables	Interfund Payables
A. Interfund Receivables/Payables Other Funds		
Governmental Activities:		
General Fund	\$ 730,000	\$ -
County Capital Projects Fund	279	-
Non-major -Grants Fund	-	279
Total governmental activities	730,279	279
Business-type Activities:		
Non-major Airport Fund	-	730,000
Total primary government	\$ 730,279	\$ 730,279
B. Receivables/Payables Primary Government and Component Units		
Primary Government:		
General Fund:		
School Board	\$ -	\$ 77,263,844
Economic Development Authority	-	9,625
Health Center Commission	293,638	-
Total primary government	293,638	77,273,469
Component Units:		
School Board - General Fund	77,263,844	
Economic Development Authority - General Fund	9,625	-
Health Center Commission - General Fund	-	293,638
Total component units	77,273,469	293,638
Total	\$ 78,297,386	\$ 78,297,386

During fiscal year 2001, the County made an advance to the Health Center Commission to provide funding for accounts payable balances and to support ongoing operations. Of the remaining \$293,638 advance, \$100,000 is due in fiscal year 2009.

Other 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.

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 2008 were as follows:

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2008

Transfers In:

A. Governmental Activities

General Fund - County Capital Projects Fund	\$ 1,013,269	
Grants Fund	402,218	
Water Fund	2,455,100	
Wastewater Fund	2,500	
Vehicle and Communications Maintenance Fund	11,600	\$ 3,884,687
County Capital Projects Fund - General Fund		14,356,238
School Capital Projects Fund - General Fund	2,420,390	
County Capital Projects Fund	3,557,133	5,977,523
Grants Fund - General Fund		3,133,374
Comprehensive Services Fund - General Fund		3,175,100

B. Business-type Activities

Wastewater Fund - Grants Fund		37,851
Airport Fund - General Fund		302,983
Vehicle and Communications Maintenance Fund - General Fund	99,443	
Water Fund	408	99,851
Risk Management Fund - General Fund		8,785

Total transfers in \$ 30,976,392

Transfers Out:

A. Governmental Activities

General Fund - County Capital Projects Fund	\$ 14,356,238	
School Capital Projects Fund	2,420,390	
Grants Fund	3,133,374	
Comprehensive Services Fund	3,175,100	
Airport	302,983	
Vehicle and Communications Maintenance Fund	99,443	
Risk Management Fund	8,785	\$ 23,496,313
County Capital Projects Fund - General Fund	1,013,269	
School Capital Projects Fund	3,557,133	4,570,402
Grants Fund - General Fund	402,218	
Wastewater Fund	37,851	440,069

B. Business-type Activities

Water Fund - General Fund	2,455,100	
Vehicle and Communications Maintenance Fund	408	2,455,508
Wastewater Fund - General Fund	2,500	
Vehicle and Communications Maintenance Fund	15,871	18,371
Vehicle and Communications Maintenance Fund - General Fund		71,380

Total transfers out		31,052,043
Difference		\$ (75,651)

In the fund financial statements, total transfers in of \$30,976,392 are less than total transfers out of \$31,052,043 because of the treatment for transfers of capital assets between proprietary funds and governmental funds. No amounts were reported in the governmental funds as the amounts did not involve the transfer of financial resources, however, the proprietary funds reported transfers in of capital assets as capital contributions and transfers out of capital assets as transfers.

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2008

8. Capital and Intangible Assets

A. Governmental Activities

Capital asset activity for the year ended June 30, 2008, was as follows:

	<u>Balance</u> <u>July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2008</u>
Capital assets, not being depreciated:				
Land	\$ 50,244,221	\$ 482,863	\$ 235,126	\$ 50,491,958
Asset held for resale	9,225,000	-	-	9,225,000
Construction in progress	<u>74,863,967</u>	<u>92,031,664</u>	<u>112,518,034</u>	<u>54,377,597</u>
Total assets, not being depreciated	<u>134,333,188</u>	<u>92,514,527</u>	<u>112,753,160</u>	<u>114,094,555</u>
Capital assets, being depreciated:				
Buildings	845,032,987	100,538,539	90,781	945,480,745
Improvements other than buildings	49,167,290	2,151,497	-	51,318,787
Machinery and equipment	118,726,128	16,289,871	3,255,138	131,760,861
Infrastructure	<u>30,778,295</u>	<u>921,069</u>	<u>-</u>	<u>31,699,364</u>
Total at historical cost	<u>1,043,704,700</u>	<u>119,900,976</u>	<u>3,345,919</u>	<u>1,160,259,757</u>
Less accumulated depreciation for:				
Buildings	233,716,376	18,004,148	2,875	251,717,649
Improvements other than buildings	27,786,445	1,682,239	-	29,468,684
Machinery and equipment	60,512,925	9,068,467	2,487,316	67,094,076
Infrastructure	<u>5,865,849</u>	<u>446,269</u>	<u>-</u>	<u>6,312,118</u>
Total accumulated depreciation	<u>327,881,595</u>	<u>29,201,123</u>	<u>2,490,191</u>	<u>354,592,527</u>
Total capital assets, being depreciated, net	<u>715,823,105</u>	<u>90,699,853</u>	<u>855,728</u>	<u>805,667,230</u>
Governmental activities capital assets, net	<u>\$ 850,156,293</u>	<u>\$ 183,214,380</u>	<u>\$ 113,608,888</u>	<u>\$ 919,761,785</u>

Transfers in with a cost basis of \$154,575 and accumulated depreciation of \$49,758 are reported as increases.

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

Governmental activities capital assets, net of accumulated depreciation at June 30, 2008, are comprised of the following:

General capital assets, net	\$ 912,406,353
Internal service funds capital assets, net	<u>7,355,432</u>
Total	<u>\$ 919,761,785</u>

Depreciation expense was charged to the following functions:

General government	\$ 1,377,608
Administration of justice	776,607
Public safety	7,901,052
Public works	1,192,886
Health and welfare	387,886
Parks, recreation and cultural	1,918,807
Education - School Board	13,878,940
Community development	443,831
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	<u>1,273,748</u>
Total depreciation expense	<u>\$ 29,151,365</u>

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2008

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

<u>Function</u>	<u>Authorization</u>	<u>Expended to June 30, 2008</u>	<u>Committed at June 30, 2008</u>
General government	\$ 16,678,427	\$ 4,244,377	\$ 12,434,050
Administration of justice	8,584,375	650,984	7,933,391
Public safety	21,015,586	4,285,904	16,729,682
Public works	288,000	152,027	135,973
Health and welfare	22,427,597	1,188,754	21,238,843
Parks, recreation and cultural	36,632,967	13,300,380	23,332,587
Education - School Board	111,981,451	29,039,472	82,941,979
Community development	<u>2,693,753</u>	<u>1,515,699</u>	<u>1,178,054</u>
Total construction in progress	<u>\$ 220,302,156</u>	<u>\$ 54,377,597</u>	<u>\$ 165,924,559</u>

B. Business-type Activities

Capital and intangible asset activity for the year ended June 30, 2008, was as follows:

<u>Water Fund</u>	<u>Balance July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2008</u>
Intangible assets:				
Capacity rights	\$ 67,749,962	\$ 3,157,552	\$ 1,674,729	\$ 69,232,785
Capital assets, not being depreciated:				
Land	\$ 1,130,903	\$ -	\$ -	\$ 1,130,903
Construction in progress	<u>11,128,178</u>	<u>34,603,713</u>	<u>4,924,133</u>	<u>40,807,758</u>
Total assets, not being depreciated	<u>12,259,081</u>	<u>34,603,713</u>	<u>4,924,133</u>	<u>41,938,661</u>
Capital assets, being depreciated:				
Buildings	35,716,406	-	-	35,716,406
Improvements other than buildings	5,455,340	-	-	5,455,340
Machinery and equipment	<u>304,944,294</u>	<u>14,804,295</u>	<u>288,249</u>	<u>319,460,340</u>
Totals at historical cost	<u>346,116,040</u>	<u>14,804,295</u>	<u>288,249</u>	<u>360,632,086</u>
Less accumulated depreciation for:				
Buildings	12,088,208	963,200	-	13,051,408
Improvements other than buildings	2,625,805	172,549	-	2,798,354
Machinery and equipment	<u>83,324,905</u>	<u>6,980,918</u>	<u>234,242</u>	<u>90,071,581</u>
Total accumulated depreciation	<u>98,038,918</u>	<u>8,116,667</u>	<u>234,242</u>	<u>105,921,343</u>
Total capital assets, being depreciated, net	<u>248,077,122</u>	<u>6,687,628</u>	<u>54,007</u>	<u>254,710,743</u>
Water capital assets, net	<u>\$ 260,336,203</u>	<u>\$ 41,291,341</u>	<u>\$ 4,978,140</u>	<u>\$ 296,649,404</u>

Transfers in with a cost basis of \$52,214 and accumulated depreciation of \$1,742 are reported as increases

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2008

Wastewater Fund	Balance			Balance
	July 1, 2007	Increases	Decreases	June 30, 2008
Intangible assets:				
Capacity rights	\$ 3,447,428	\$ -	\$ 118,877	\$ 3,328,551
Capital assets, not being depreciated:				
Land	\$ 442,137	\$ -	\$ -	\$ 442,137
Construction in progress	18,700,453	17,945,506	14,357,637	22,288,322
Total assets, not being depreciated	<u>19,142,590</u>	<u>17,945,506</u>	<u>14,357,637</u>	<u>22,730,459</u>
Capital assets, being depreciated:				
Buildings	104,172,251	414,352	-	104,586,603
Improvements other than buildings	17,336,043	-	-	17,336,043
Machinery and equipment	336,516,129	27,583,315	120,253	363,979,191
Totals at historical cost	<u>458,024,423</u>	<u>27,997,667</u>	<u>120,253</u>	<u>485,901,837</u>
Less accumulated depreciation for:				
Buildings	34,411,114	2,295,643	-	36,706,757
Improvements other than buildings	7,198,501	319,117	-	7,517,618
Machinery and equipment	120,364,405	7,478,874	53,581	127,789,698
Total accumulated depreciation	<u>161,974,020</u>	<u>10,093,634</u>	<u>53,581</u>	<u>172,014,073</u>
Total capital assets, being depreciated, net	<u>296,050,403</u>	<u>17,904,033</u>	<u>66,672</u>	<u>313,887,764</u>
Wastewater capital assets, net	<u>\$ 315,192,993</u>	<u>\$ 35,849,539</u>	<u>\$ 14,424,309</u>	<u>\$ 336,618,223</u>
Non-major Airport Fund				
Capital assets, not being depreciated:				
Land	\$ 1,663,935	\$ -	\$ -	\$ 1,663,935
Construction in progress	4,371,855	6,414,627	10,650,209	136,273
Total assets, not being depreciated	<u>6,035,790</u>	<u>6,414,627</u>	<u>10,650,209</u>	<u>1,800,208</u>
Capital assets, being depreciated:				
Buildings	6,926,675	-	-	6,926,675
Improvements other than buildings	13,485,188	10,650,213	-	24,135,401
Machinery and equipment	1,127,532	-	36,986	1,090,546
Totals at historical cost	<u>21,539,395</u>	<u>10,650,213</u>	<u>36,986</u>	<u>32,152,622</u>
Less accumulated depreciation for:				
Buildings	1,792,425	140,613	-	1,933,038
Improvements other than buildings	8,093,336	770,583	-	8,863,919
Machinery and equipment	537,891	74,234	36,986	575,139
Total accumulated depreciation	<u>10,423,652</u>	<u>985,430</u>	<u>36,986</u>	<u>11,372,096</u>
Total capital assets, being depreciated, net	<u>11,115,743</u>	<u>9,664,783</u>	<u>-</u>	<u>20,780,526</u>
Airport capital assets, net	<u>\$ 17,151,533</u>	<u>\$ 16,079,410</u>	<u>\$ 10,650,209</u>	<u>\$ 22,580,734</u>
Business-type activities capital assets, net	<u>\$ 592,680,729</u>	<u>\$ 93,220,290</u>	<u>\$ 30,052,658</u>	<u>\$ 655,848,361</u>

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

Water	\$ 1,674,729
Wastewater	118,877
Total amortization expense	<u>\$ 1,793,606</u>
Water	\$ 8,114,925
Wastewater	10,093,634
Airport	985,430
Total depreciation expense	<u>\$ 19,193,989</u>

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2008

C. Component Units

Capital asset activity for the year ended June 30, 2008, for the School Board was as follows:

	<u>Balance</u> <u>July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2008</u>
Capital assets, being depreciated:				
Machinery and equipment				
Historical cost	\$ 55,386,511	\$ 8,268,605	\$ 5,377,963	\$ 58,277,153
Less accumulated depreciation	<u>41,302,935</u>	<u>4,711,448</u>	<u>5,336,744</u>	<u>40,677,639</u>
School Board capital assets, net	<u>\$ 14,083,576</u>	<u>\$ 3,557,157</u>	<u>\$ 41,219</u>	<u>\$ 17,599,514</u>

Current year depreciation on capital assets of the School Board was \$4,711,448.

Capital asset activity for the year ended June 30, 2008, for the Economic Development Authority was as follows:

	<u>Balance</u> <u>July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2008</u>
Capital assets, not being depreciated:				
Land	\$ 15,118,752	\$ -	\$ -	\$ 15,118,752
Land improvements	14,500	-	-	14,500
Construction in progress	<u>157,768</u>	<u>450,946</u>	<u>-</u>	<u>608,714</u>
Total assets, not being depreciated	<u>15,291,020</u>	<u>450,946</u>	<u>-</u>	<u>15,741,966</u>
Capital assets, being depreciated:				
Improvements other than buildings	512,925	-	-	512,925
Less accumulated depreciation	<u>10,258</u>	<u>20,517</u>	<u>-</u>	<u>30,775</u>
Total capital assets, being depreciated, net	<u>502,667</u>	<u>(20,517)</u>	<u>-</u>	<u>482,150</u>
EDA Capital assets, net	<u>\$ 15,793,687</u>	<u>\$ 430,429</u>	<u>\$ -</u>	<u>\$ 16,224,116</u>

Current year depreciation on capital assets of the Economic Development Authority was \$20,517.

Capital asset activity for the year ended June 30, 2008, for the Health Center Commission was as follows:

	<u>Balance</u> <u>July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2008</u>
Capital assets, not being depreciated:				
Land	\$ 112,579	\$ -	\$ -	\$ 112,579
Construction in progress	<u>4,449,607</u>	<u>8,620,417</u>	<u>848,635</u>	<u>12,221,389</u>
Total assets, not being depreciated	<u>4,562,186</u>	<u>8,620,417</u>	<u>848,635</u>	<u>12,333,968</u>
Capital assets, being depreciated:				
Buildings	28,663,503	1,067,992	-	29,731,495
Improvements other than buildings	2,183,715	57,957	-	2,241,672
Machinery and equipment	<u>4,962,018</u>	<u>135,454</u>	<u>-</u>	<u>5,097,472</u>
Total at historical cost	<u>35,809,236</u>	<u>1,261,403</u>	<u>-</u>	<u>37,070,639</u>
Less accumulated depreciation for:				
Buildings	11,086,848	919,940	-	12,006,788
Improvements other than buildings	630,741	65,671	-	696,412
Machinery and equipment	<u>3,145,108</u>	<u>320,556</u>	<u>-</u>	<u>3,465,664</u>
Total accumulated depreciation	<u>14,862,697</u>	<u>1,306,167</u>	<u>-</u>	<u>16,168,864</u>
Total capital assets, being depreciated, net	<u>20,946,539</u>	<u>(44,764)</u>	<u>-</u>	<u>20,901,775</u>
HCC Capital assets, net	<u>\$ 25,508,725</u>	<u>\$ 8,575,653</u>	<u>\$ 848,635</u>	<u>\$ 33,235,743</u>

Current year depreciation on capital assets of the Health Center Commission was \$1,306,167.

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2008

9. Long-term Obligations

A. General Obligation Bonds and State Literary Fund Loans

Chesterfield County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities of the primary government and including those used by the School Board component unit. State literary fund loans are approved for school capital projects. The 2004 voter-approved bond referendum authorized \$341,745,000 in bonds to be issued in five major project categories. \$113,660,000 of this authorization remained at June 30, 2008. General obligation bonds are direct obligations and pledge the full faith and credit of the County. The general obligation bonds and state literary fund loans are payable from the General Fund. At June 30, 2008, the amount outstanding of general obligation bonds and state literary fund loans were as follows:

	Original Issue Amount	Interest Rates	Annual Principal Requirements	Total Outstanding
General Obligation Bonds				
1995A School, due 2016	\$ 15,160,000	5.60 - 5.975 %	\$755,000	\$ 6,040,000
1995C School, due 2016	26,175,000	5.10	1,305,000 - 1,310,000	10,455,000
1998 General Improvement & Refunding, due 2012	79,485,000	4.40 - 4.70	1,440,000 - 1,525,000	5,925,000
1999 General Improvement & Refunding, due 2017	75,625,000	4.00 - 4.50	525,000 - 4,645,000	21,510,000
2000 General Improvement, due 2010	38,050,000	5.20 - 6.00	1,905,000	3,810,000
2001 General Improvement, due 2011	60,355,000	4.00 - 4.25	3,020,000	9,060,000
2002 General Improvement, due 2015	23,280,000	4.00 - 5.00	1,165,000	8,155,000
2002B School, due 2023	23,950,000	4.10 - 5.10	1,195,000 - 1,200,000	17,950,000
2003 General Refunding, due 2011	32,450,000	3.00 - 4.125	1,545,000 - 4,260,000	8,630,000
2003B School Refunding, due 2014	4,580,000	6.225 - 6.30	415,000 - 420,000	2,505,000
2004 School, due 2025	56,825,000	2.75 - 5.00	2,840,000 - 2,845,000	48,290,000
2004 General Refunding, due 2020	60,110,000	4.00 - 5.00	1,800,000 - 8,180,000	57,130,000
2005 General Improvement & Refunding, due 2025	36,775,000	2.75 - 5.00	910,000 - 5,505,000	34,955,000
2006 General Improvement, due 2026	64,305,000	4.00 - 5.00	3,215,000	57,870,000
2007 General Improvement & Refunding, due 2027	96,215,000	4.00 - 5.00	3,630,000 - 9,130,000	92,415,000
2008 General Improvement, due 2028	73,920,000	3.50 - 5.00	2,660,000 - 3,755,000	<u>73,920,000</u>
Total general obligation bonds				458,620,000
Add: Premium				16,268,033
Less: Deferred amount on refunding				<u>5,162,718</u>
Net general obligation bonds				<u>\$ 469,725,315</u>
State Literary Fund Loans	\$ 26,475,319	3.00%	\$55,218 - \$63,000	<u>\$ 118,218</u>

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2008

Annual debt service requirements to maturity for general obligation bonds and state literary fund loans are as follows:

Year Ending	General Obligation Bonds			State Literary Fund Loans		
	June 30	Principal	Interest	Total	Principal	Interest
2009	\$ 36,740,000	\$ 19,874,979	\$ 56,614,979	\$ 63,000	\$ 3,547	\$ 66,547
2010	36,310,000	19,265,175	55,575,175	55,218	1,657	56,875
2011	34,950,000	17,631,631	52,581,631	-	-	-
2012	33,230,000	16,120,272	49,350,272	-	-	-
2013	31,730,000	14,593,333	46,323,333	-	-	-
2014-2018	139,470,000	52,177,958	191,647,958	-	-	-
2019-2023	95,785,000	23,380,375	119,165,375	-	-	-
2024-2028	50,405,000	5,664,750	56,069,750	-	-	-
Total	\$ 458,620,000	\$ 168,708,473	\$ 627,328,473	\$ 118,218	\$ 5,204	\$ 123,422

B. Revenue Bonds

The County issued bonds to finance construction projects for the Water and Wastewater enterprise funds and the Health Center Commission issued bonds to finance construction projects. Revenue bonds outstanding at June 30, 2008, are as follows:

	Original Issue Amount	Interest Rates	Annual Principal Requirements	Amount Outstanding
Primary Government				
Business-type activities:				
1992 Water and Sewer Refunding, due 2011	\$19,705,000	6.375%	\$430,000 - \$485,000	\$ 1,370,000
1992A Water and Sewer Refunding, due 2011	39,903,968	6.45 - 6.50	2,016,452 - 3,084,642	7,267,914
2002 Water and Sewer Refunding, due 2011	8,610,000	3.50 - 4.00	1,120,000 - 1,205,000	3,485,000
2007 Water and Sewer, due 2028	47,315,000	4.00 - 5.00	1,545,000 - 3,400,000	47,315,000
Total revenue bonds				59,437,914
Add: Premium				232,025
Less: Discounts				11,965
Deferred amount on refunding				43,128
Net revenue bonds				<u>\$ 59,614,846</u>

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

	Water	Wastewater	Total
Total revenue bonds	\$ 51,351,928	\$8,085,986	\$ 59,437,914
Net revenue bonds	\$ 51,565,610	\$8,049,236	\$ 59,614,846

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Component Unit	<u>Original Issue Amount</u>	<u>Interest Rates</u>	<u>Annual Principal Requirements</u>	<u>Amount Outstanding</u>
Health Center Commission				
2005 Mortgage revenue and refunding bonds, due 2040	\$ 27,285,000	3.875 - 5.625%	\$370,000 - \$1,670,000	\$ 26,485,000
2008 Mortgage revenue bonds, due 2040	38,940,000	variable	445,000 - 13,000,000	<u>38,940,000</u>
Total revenue bonds				\$ 65,425,000
Less: Discount				715,801
Deferred amount on refunding				<u>1,134,008</u>
Net mortgage revenue and refunding bonds				<u>\$ 63,575,191</u>

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

Year Ending	<u>Primary Government</u>			<u>Component Unit</u>		
	<u>Enterprise Funds</u>			<u>Health Center Commission</u>		
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 5,261,821	\$ 6,079,816	\$ 11,341,637	\$ 370,000	\$ 3,641,869	\$ 4,011,869
2010	5,256,451	6,081,375	11,337,826	385,000	3,560,761	3,945,761
2011	6,474,642	8,732,748	15,207,390	400,000	3,544,811	3,944,811
2012	1,770,000	1,703,430	3,473,430	420,000	3,528,961	3,948,961
2013	1,845,000	1,631,130	3,476,130	13,435,000	3,184,338	16,619,338
2014-2018	10,410,000	6,963,350	17,373,350	4,950,000	13,864,500	18,814,500
2019-2023	12,740,000	4,629,609	17,369,609	6,390,000	12,412,882	18,802,882
2024-2028	15,680,000	1,690,671	17,370,671	8,450,000	10,352,120	18,802,120
2029-2033	-	-	-	11,290,000	7,504,156	18,794,156
2034-2038	-	-	-	15,205,000	3,595,830	18,800,830
2039-2040	-	-	-	4,130,000	150,672	4,280,672
Total	<u>\$ 59,437,914</u>	<u>\$ 37,512,129</u>	<u>\$ 96,950,043</u>	<u>\$ 65,425,000</u>	<u>\$ 65,340,900</u>	<u>\$ 130,765,900</u>

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

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

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

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

Under an agreement dated March 1, 2003, the County leases the real property together with the new County Jail and all other buildings, structures, improvements and equipment located thereon. Certificates of Participation Series 2003B and 2004A evidencing owners' interest in the lease payments made by the

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County to the lessor were issued to finance acquisition, construction, installation, furnishing and equipping the new jail.

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

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

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

In the Taxable Redevelopment Facility Note dated October 18, 2004, the County leases real property incorporating the Cloverleaf Mall property. The County intends to transfer the property for long-term redevelopment to private sector interests and to retire the note with proceeds from the sale. The County is reporting an asset held for resale 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 Lease Revenue Bonds, the Certificates of Participation and the Taxable Redevelopment Facility Note as and when due. At the expiration of the lease terms, title to the assets will vest in the County if the County has made all lease payments required under the Agreements.

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Amounts outstanding as of June 30, 2008, on the Public Facility Lease, the Certificates of Participation and the Taxable Redevelopment Note are as follows:

	<u>Original Issue</u>	<u>Interest</u>	<u>Annual</u> <u>Principal</u>	<u>Amount</u>
Governmental Activities	<u>Amount</u>	<u>Rates</u>	<u>Requirements</u>	<u>Outstanding</u>
1999 Public Facility Lease, due 2020	\$ 16,100,000	4.20 - 4.75%	\$ 805,000	\$ 9,660,000
2001 Certificates of Participation, due 2022	13,310,000	4.00 - 4.625	539,250 - 889,250	7,919,500
2003A Certificates of Participation, due 2022	3,070,000	2.75 - 4.20	170,000 - 175,000	2,390,000
2003B Certificates of Participation, due 2024	3,030,000	2.75 - 4.40	150,000 - 155,000	2,430,000
2004A Certificates of Participation, due 2024	14,980,000	3.00 - 4.20	785,000 - 790,000	12,610,000
2004B Certificates of Participation, due 2025	5,982,795	3.00 - 4.20	295,288 - 299,568	5,084,092
2004 Taxable Redevelopment Facility Note	9,225,000	Variable*	9,225,000	9,225,000
2005A Certificates of Participation, due 2016	4,300,000	3.75	430,000	3,440,000
2005B Certificates of Participation, due 2025	8,500,000	3.75 - 4.25	450,000	7,590,000
2005C Certificates of Participation, due 2016	1,245,000	3.75	120,000 - 125,000	995,000
2006A Certificates of Participation, due 2016	3,565,000	4.25	355,000 - 360,000	2,845,000
2006B Certificates of Participation, due 2025	8,395,000	4.25 - 4.50	440,000 - 445,000	7,505,000
2007 Certificates of Participation, due 2028	22,220,000	4.25 - 5.00	950,000 - 1,170,000	<u>22,220,000</u>
Total governmental activities				93,913,592
Add: Premium				<u>1,000,832</u>
Net governmental activities				<u>\$ 94,914,424</u>
Business-type Activities				
2001 Certificates of Participation, due 2022	\$ 415,000	4.00 - 4.625%	\$ 20,750	\$ 290,500
2004B Certificates of Participation, due 2025	1,007,205	3.00 - 4.20	49,712 - 50,432	855,908
2005B Certificates of Participation, due 2025	450,000	3.75 - 4.25	20,000 - 25,000	<u>410,000</u>
Net business-type activities				<u>1,556,408</u>
Total certificates of participation				<u>\$ 96,470,832</u>

* The interest rate will be the LIBOR Market Index Rate plus 0.35%, as that rate may change from day to day. "LIBOR Market Index Rate", for any day, is the rate for 1 month U. S. dollar deposits as reported on Telerate page 3750 as of 11:00 a.m., London time, on such day, or if such day is not a London business day, then the immediately preceding London business day (or if not so reported, then as determined by Bank from another recognized source or inter-bank quotation). At June 30, 2008, the 1 month LIBOR rate was 2.4625%.

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

Year Ending	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
June 30						
2009	\$ 6,088,818	\$ 3,860,723	\$ 9,949,541	\$ 91,182	\$ 58,125	\$ 149,307
2010	14,963,818	3,308,012	18,271,830	91,182	55,032	146,214
2011	5,733,818	2,975,259	8,709,077	91,182	51,939	143,121
2012	5,723,818	2,753,470	8,477,288	96,182	48,753	144,935
2013	5,723,818	2,527,914	8,251,732	96,182	45,333	141,515
2014-2018	26,744,087	9,204,896	35,948,983	480,913	172,439	653,352
2019-2023	20,884,839	4,032,265	24,917,104	460,161	77,007	537,168
2024-2028	8,050,576	715,874	8,766,450	149,424	6,301	155,725
Total	<u>\$ 93,913,592</u>	<u>\$ 29,378,413</u>	<u>\$ 123,292,005</u>	<u>\$ 1,556,408</u>	<u>\$ 514,929</u>	<u>\$ 2,071,337</u>

The interest rate for the Taxable Redevelopment Note is estimated using the average of the LIBOR Market Index Rate plus 0.35% since inception of the note.

D. Capital Leases

The County has acquired equipment under capital lease arrangements with a historical cost and original issue amount of \$1,562,958 and accumulated depreciation of \$1,555,384 including current year amortization of \$18,246. The interest rates vary between 3.46% and 3.83% and annual principal payments range from \$43,079 to \$90,613 per fiscal year. Capital leases are to be liquidated by the General Fund. Future minimum lease payments at June 30, 2008, for these capital leases are as follows:

Year Ending	Primary Government Governmental Activities		
	Principal	Interest	Total
June 30			
2009	\$ 188,353	\$ 55,299	\$ 243,652
2010	196,566	48,332	244,898
2011	159,480	41,058	200,538
2012	121,704	35,840	157,544
2013	130,491	31,096	161,587
2014-2018	713,211	71,550	784,761
Total	<u>\$ 1,509,805</u>	<u>\$ 283,175</u>	<u>\$ 1,792,980</u>

E. Judgments, Claims, and Compensated Absences Payable

The County has recorded a liability for workers compensation claims in the government-wide statements for the primary government and the School Board component unit and in the fund financial statements of the proprietary funds. The workers compensation liability recorded is \$6,540,958 for the governmental activities of the primary government, \$701,463 for the business-type activities of the primary government and \$5,777,352 for the School Board component unit. A liability of \$6,103,829 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, 2008 and b) liabilities for claims incurred but not reported as of June 30, 2008. These liabilities have been estimated based upon a case-by-case review, investigation and historical experience. Payments for workers compensation liabilities are recorded as a charge to the fund that incurred the liability. Judgments and claims recorded in the Risk Management Fund are payable from the Risk Management Fund.

The County has recorded a liability for rebatable arbitrage of \$1,816,256 in the Statement of Net Assets of the government-wide statements for the primary government, and \$246,829 in the fund statements of the proprietary funds. These liabilities are payable by the General Fund and Water Fund respectively.

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The County has recorded a liability for compensated absences in the Statement of Net Assets of the government-wide statements for the primary government and the School Board component unit and in the fund financial statements of the proprietary funds. The governmental activities of the primary government recorded \$15,082,740 and \$3,414,317 for accrued vacation and sick leave benefits, respectively and the business-type activities of the primary government recorded \$970,043 and \$396,922 for accrued vacation and sick leave benefits, respectively. The School Board component unit recorded \$10,797,717 and \$8,723,684 for accrued vacation/personal leave and sick leave benefits, respectively. Payments for these liabilities are recorded as a charge to the fund that incurred the liability.

In October 1991, the Environmental Protection Agency (EPA) issued a rule establishing municipal solid waste landfills (MSWLF) closure requirements for all MSWLF's that accepted solid waste after October 9, 1991 and postclosure requirements for all MSWLF's that accepted solid waste after October 9, 1993. The County operated one landfill, which was closed on October 8, 1993, and completed the final cover during fiscal year 1995. The County has met the Commonwealth's ten-year requirement to perform maintenance and monitoring postclosure functions at the site and has applied for certification from the Commonwealth to release it from further maintenance and monitoring requirements. The County anticipates it will incur an additional postclosure care liability of \$1,343,744 (included in judgments and claims) at June 30, 2008. This amount represents the estimated total current cost of landfill postclosure care for an additional ten years, based on the use of 100 percent of the estimated capacity of the landfill. Actual cost may be higher due to inflation, changes in technology or changes in regulations. Actual cost may be lower if the County is released from postclosure maintenance and monitoring by the Commonwealth. Payments for this liability will be recorded as a charge to the General Fund.

The County is not required by state and federal laws or regulations to make annual contributions to a trust to finance postclosure care. The County expects to pay additional postclosure care cost from the General Fund with charges to users of the County's solid waste transfer stations, General Fund tax revenue and/or General Fund reserves.

F. Retirement Plan Obligations

As required by GASB Statement Number 27, a long-term liability was recorded for the VRS Pension Plan, the County Supplemental Retirement Plan and the School Board Supplemental Retirement Program for the difference between the Annual Required Contribution and the amount actually contributed. The governmental activities of the primary government recorded \$2,579,538 and \$274,931 for the VRS Pension Plan and the County Supplemental Retirement Plan, respectively, and the business-type activities of the primary government recorded \$238,830 and \$10,696 for the VRS Pension Plan and the County Supplemental Retirement Plan, respectively. The School Board component unit recorded a liability of \$613,560 and a prepaid asset of \$10,379,212 for the VRS Pension Plan and the Supplemental Retirement Program, respectively. Payments for these liabilities are recorded as a charge to the fund that incurred the liability.

G. Other Postemployment Benefits Obligations

For the fiscal year ended June 30, 2008, the County implemented GASB 45, requiring the County to report an actuarially determined liability for the present value of projected future other postemployment benefits for retired and active employees on the financial statements. The County made a contribution to an irrevocable trust which was \$1,327,473 greater than annual required contribution determined in accordance with the parameters of GASB 45. The School Board component unit also contributed \$176,161 greater than its annual required contribution. These amounts are recorded as prepaid assets in the accompanying financial statements. Payments for these liabilities are recorded as a charge to the fund that incurred the liability.

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H. Support Agreement

On January 1, 2005, the County and the EDA entered into an Amended and Restated Development Agreement (Agreement). The Agreement obligates the County to make support payments on behalf of the EDA on a periodic basis in an amount equal to the debt service on the Variable Rate Revenue Bonds, Series 2005A and Taxable Series 2005B issued by the EDA in the amount of \$18,120,000 on January 27, 2005. These bonds were issued to provide funds for the acquisition of real property for the Meadowville Technology Park including areas to be preserved as wetlands and used to build a system of streets and roads and other infrastructure improvements within the Park. The Bonds are limited obligations of the Authority, payable solely from payments made by the County, pursuant to the Agreement. The bonds are not a general obligation debt of the County and payments made pursuant to the Agreement are subject to annual appropriation by the Board of Supervisors. For the year ended June 30, 2008, the General Fund paid \$641,245 in interest on behalf of the Authority.

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

Year Ending	<u>Primary Government</u>		
	<u>Support Agreement</u>		
<u>June 30</u>	<u>Principal</u>	<u>Interest*</u>	<u>Total</u>
2009	\$ 830,000	\$ 391,143	\$ 1,221,143
2010	840,000	370,002	1,210,002
2011	855,000	347,768	1,202,768
2012	860,000	325,936	1,185,936
2013	875,000	302,013	1,177,013
2014-2018	4,550,000	1,160,153	5,710,153
2019-2023	4,855,000	543,673	5,398,673
2024-2028	<u>2,025,000</u>	<u>35,579</u>	<u>2,060,579</u>
Total	<u>\$ 15,690,000</u>	<u>\$ 3,476,267</u>	<u>\$ 19,166,267</u>

* Assumed rate of 2.06% for Series 2005A (Tax-Exempt), and 2.92% for Series 2005B(Taxable) of the Economic Development Authority Variable Rate Revenue Bonds.

I. Defeased Debt

In prior years, the County defeased certain general obligation and revenue bonds by placing funds in irrevocable escrow accounts to provide for future debt service payments on the defeased debt. Accordingly, the escrow account assets and the liability for the defeased debt are not included in the County's financial statements. At June 30, 2008, the outstanding balance of the defeased debt was \$69,200,000 of general obligation bonds.

In prior years, the Health Center Commission defeased Mortgage Revenue Bonds, Series 1996, by placing funds in irrevocable escrow accounts to provide for future debt service payments on the defeased debt. The Health Center Commission was legally released from any payment obligation related to this prior debt, thus, the related debt was removed from their financial statements.

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J. Changes in Long-term Obligations

The following is a summary of long-term obligation transactions for the year ended June 30, 2008:

	Balance			Balance		Amounts
	July 1, 2007	Increases	Decreases	June 30, 2008	Due Within	One Year
Governmental Activities						
General obligation bonds	\$ 419,520,000	\$ 73,920,000	\$ 34,820,000	\$ 458,620,000	\$ 36,740,000	
Add: Premium	15,167,511	3,065,213	1,964,691	16,268,033	2,021,304	
Less: Deferred amount on refunding	6,076,215	-	913,497	5,162,718	863,200	
Net bonds payable	<u>428,611,296</u>	<u>76,985,213</u>	<u>35,871,194</u>	<u>469,725,315</u>	<u>37,898,104</u>	
School literary fund loans	726,218	-	608,000	118,218	63,000	
Certificates of participation	56,927,409	22,220,000	4,118,817	75,028,592	5,283,818	
Add: Premium	430,799	665,927	95,894	1,000,832	11,908	
Net certificates of participation	<u>57,358,208</u>	<u>22,885,927</u>	<u>4,214,711</u>	<u>76,029,424</u>	<u>5,295,726</u>	
Public facility lease	10,465,000	-	805,000	9,660,000	805,000	
Taxable redevelopment facility note	9,225,000	-	-	9,225,000	-	
Capital lease purchases	<u>1,690,270</u>	<u>-</u>	<u>180,465</u>	<u>1,509,805</u>	<u>188,353</u>	
Total bonds, leases and loans	<u>508,075,992</u>	<u>99,871,140</u>	<u>41,679,370</u>	<u>566,267,762</u>	<u>44,250,183</u>	
Other liabilities:						
Compensated absences	17,484,662	13,312,240	12,299,845	18,497,057	12,595,460	
Judgments and claims	10,920,449	4,902,259	3,177,921	12,644,787	2,911,911	
Landfill	1,330,000	43,744	-	1,373,744	-	
Arbitrage	1,309,023	507,233	-	1,816,256	-	
OPEB obligation*	-	8,185,229	9,512,702	(1,327,473)	-	
Retirement plan obligations	2,856,901	329,889	332,321	2,854,469	-	
Support agreement	<u>16,510,000</u>	<u>-</u>	<u>820,000</u>	<u>15,690,000</u>	<u>830,000</u>	
Total other liabilities	<u>50,411,035</u>	<u>27,280,594</u>	<u>26,142,789</u>	<u>51,548,840</u>	<u>16,337,371</u>	
Total long-term liabilities	<u>\$ 558,487,027</u>	<u>\$ 127,151,734</u>	<u>\$ 67,822,159</u>	<u>\$ 617,816,602</u>	<u>\$ 60,587,554</u>	

*The negative net OPEB obligation is recorded as a prepaid asset in the government wide statements.

Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for these funds are included as part of the above totals for governmental activities. At year-end, \$446,801 for compensated absences, \$6,135,709 for judgments and claims (including workers compensation of \$31,880) and \$81,016 for retirement plan obligations for internal service funds are included in the above amounts. Except for the amounts for internal service funds, the long-term liabilities for governmental activities are generally liquidated by the General Fund.

	Balance			Balance		Amounts
	July 1, 2007	Increases	Decreases	June 30, 2008	Due Within	One Year
Business-Type Activities						
Water Fund						
Revenue bonds payable	\$ 52,620,791	\$ -	\$ 1,268,863	\$ 51,351,928	\$ 2,817,083	
Add: Premium	252,778	-	20,753	232,025	20,302	
Less: Discounts	7,042	-	3,058	3,984	2,210	
Deferred amount on refunding	26,037	-	11,678	14,359	8,311	
Net bonds payable	<u>52,840,490</u>	<u>-</u>	<u>1,274,880</u>	<u>51,565,610</u>	<u>2,826,864</u>	
Other liabilities:						
Compensated absences	832,059	453,966	434,178	851,847	517,560	
Judgments and claims - other	95,373	194,637	30,285	259,725	69,165	
Judgments and claims - arbitrage	68,620	178,209	-	246,829	-	
Retirement plan obligations	<u>159,124</u>	<u>3,424</u>	<u>6,991</u>	<u>155,557</u>	<u>-</u>	
Total other liabilities	<u>1,155,176</u>	<u>830,236</u>	<u>471,454</u>	<u>1,513,958</u>	<u>586,725</u>	
Total long-term liabilities	<u>\$ 53,995,666</u>	<u>\$ 830,236</u>	<u>\$ 1,746,334</u>	<u>\$ 53,079,568</u>	<u>\$ 3,413,589</u>	

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	<u>Balance</u> <u>July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
<u>Wastewater Fund</u>					
Revenue bonds payable	\$ 10,627,521	\$ -	\$ 2,541,535	\$ 8,085,986	\$ 2,441,158
Less: Discounts	14,108	-	6,127	7,981	4,426
Deferred amount on refunding	52,151	-	23,382	28,769	16,648
Net bonds payable	<u>10,561,262</u>	<u>-</u>	<u>2,512,026</u>	<u>8,049,236</u>	<u>2,420,084</u>
Other liabilities:					
Compensated absences	491,037	385,064	383,286	492,815	207,903
Judgments and claims	226,231	479,236	282,836	422,631	112,547
Retirement plan obligations	93,066	7,128	10,649	89,545	-
Total other liabilities	<u>810,334</u>	<u>871,428</u>	<u>676,771</u>	<u>1,004,991</u>	<u>320,450</u>
Total long-term liabilities	<u>11,371,596</u>	<u>871,428</u>	<u>3,188,797</u>	<u>9,054,227</u>	<u>2,740,534</u>
<u>Non-major - Airport Fund</u>					
Certificates of participation	<u>1,647,591</u>	<u>-</u>	<u>91,183</u>	<u>1,556,408</u>	<u>91,182</u>
Other liabilities:					
Compensated absences	19,105	13,252	10,054	22,303	13,862
Judgments and claims	18,560	6,210	5,663	19,107	5,088
Retirement plan obligations	4,427	-	3	4,424	-
Total other liabilities	<u>42,092</u>	<u>19,462</u>	<u>15,720</u>	<u>45,834</u>	<u>18,950</u>
Total long-term liabilities	<u>1,689,683</u>	<u>19,462</u>	<u>106,903</u>	<u>1,602,242</u>	<u>110,132</u>
Total business-type activities long-term liabilities	<u>\$ 67,056,945</u>	<u>\$ 1,721,126</u>	<u>\$ 5,042,034</u>	<u>\$ 63,736,037</u>	<u>\$ 6,264,255</u>

Summaries of long-term obligation transactions for Component Units for the year ended June 30, 2008, are as follows:

	<u>Balance</u> <u>July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
School Board					
Compensated absences	\$ 18,843,398	\$ 5,731,551	\$ 5,053,548	\$ 19,521,401	\$ 9,218,674
Judgments and claims	4,265,992	3,492,375	1,981,015	5,777,352	1,538,509
Retirement plan obligations*	(8,849,323)	-	916,329	(9,765,652)	-
OPEB obligation	-	14,890,489	15,066,650	(176,161)	-
Total long-term liabilities	<u>\$ 14,260,067</u>	<u>\$ 24,114,415</u>	<u>\$ 23,017,542</u>	<u>\$ 15,356,940</u>	<u>\$ 10,757,183</u>

*The retirement plan obligations for the School Board component unit includes a negative net pension obligation for the Supplemental Retirement Program of \$10,379,212. This amount and the negative OPEB are prepaid assets in the government-wide statements.

	<u>Balance</u> <u>July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Amounts</u> <u>Due within</u> <u>One Year</u>
Economic Development Authority					
Revenue bonds payable	\$ 16,510,000	\$ -	\$ 820,000	\$ 15,690,000	\$ 830,000
Less: Discounts	9,372	-	1,001	8,371	949
Net bonds payable	<u>\$ 16,500,628</u>	<u>\$ -</u>	<u>\$ 818,999</u>	<u>\$ 15,681,629</u>	<u>\$ 829,051</u>

	<u>Balance</u> <u>July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Amounts</u> <u>Due within</u> <u>One Year</u>
Watkins Centre Community Development Authority					
Revenue bonds payable	\$ -	\$ 20,000,000	\$ -	\$ 20,000,000	\$ -
Less: Discounts	-	46,554	-	46,554	6,525
Net bonds payable	<u>\$ -</u>	<u>\$ 19,953,446</u>	<u>\$ -</u>	<u>\$ 19,953,446</u>	<u>\$ (6,525)</u>

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Health Center Commission	<u>Balance</u> <u>July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Amounts</u> <u>Due within</u> <u>One Year</u>
Mortgage revenue and refunding bonds	\$ 26,840,000	\$ 38,940,000	\$ 355,000	\$ 65,425,000	\$ 370,000
Less: Discounts	312,556	417,979	14,734	715,801	34,551
Deferred amount on refunding	<u>1,190,110</u>	<u>-</u>	<u>56,102</u>	<u>1,134,008</u>	<u>56,102</u>
Net bonds payable	<u>\$ 25,337,334</u>	<u>\$ 38,522,021</u>	<u>\$ 284,164</u>	<u>\$ 63,575,191</u>	<u>\$ 279,347</u>

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

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

General obligation bonds	\$368,169,896
State literary fund loans	118,218
Certificates of participation	1,402,000
Capital leases	<u>222,979</u>
Total general obligation debt and lease obligations	<u>\$369,913,093</u>

In addition to the general obligation debt and lease obligations, the primary government has also recorded accrued interest payable of \$6,894,992 in the government-wide financial statements on behalf of the School Board component unit.

10. Commitments and Contingent Liabilities

A. Lease Commitments

Rent expense for all operating leases was \$5,390,216 for the County, \$1,518,443 for the School Board and \$14,528 for the Health Center Commission for the year ended June 30, 2008.

The County, School Board, and Health Center Commission lease various types of equipment under operating lease agreements. The County and School Board lease agreements are contingent on the County Board appropriating funds for each year's payments. As of June 30, 2008, future operating lease payments totaling \$1,633,340 for the County and \$498,131 for the School Board are all due in 2008. The Health Center Commission has an operating lease with annual payments of \$14,528 due in fiscal years 2009 and 2010 and \$7,264 due in fiscal year 2011.

B. Other Commitments

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

C. Contingent Liabilities

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

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

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

In connection with the RMA's responsibility for maintaining and operating the Richmond metropolitan area's baseball stadium facility which opened in April 1985, the Counties of Chesterfield and Henrico and the City of Richmond agreed to a nonbinding moral obligation under which each would pay one-third of any annual net operating loss.

The operating results of the Stadium for fiscal year 2008 are not available, however, the County made no contribution during fiscal year 2008.

11. Risk Management – Claims Liability

The Risk Management Fund (an Internal Service Fund) accounts for property, casualty and liability claims for the County and School Board. Third party coverage is obtained for real and personal property and some liability risks. Third party property and casualty coverage is maintained for the Fire Department. The County does maintain a broad form Public Officials Liability insurance policy to provide catastrophe coverage for individual claims in excess of \$2,000,000. Administration of claims impacting this coverage is reviewed routinely by the insurance company that provides this policy. There have not been any reductions in commercial insurance coverage from the prior year and the amount of settlements in each of the past three years did not exceed the commercial insurance. Risk Management Fund revenues are generated by charges to the departments and School Board for management's estimate of the cost of predictable losses, the cost for administering these losses, a pro rata share of insurance premiums paid, actuarial estimates for incurred but not reported claims and the Risk Management Department's operational costs. Significant claims paid by the Risk Management Fund which exceed the premium charged will be covered by increased premiums in future years to the departments and School Board. Liabilities for unpaid claims are based upon the estimate of the ultimate cost of the claims, pursuant to known information. The estimate of the claims liability does not include amounts for non-incremental claims adjustment expenses. On disputed cases, where the chances of prevailing on the legal and medical issues are less than 50%, the claim is recorded at the full exposure amount. The present value of the estimated outstanding losses is the amount of money, discounted for anticipated investment income, required to meet unpaid claims. The discount is calculated based on a 3.5% yield on investments. The confidence level estimated percentage used to calculate the risk management liability is 90% in 2008 and 75% in 2007.

The County is a significant property owner and, as such, has potential exposure to environmental liabilities. In 2002, the County developed a comprehensive environmental management program. The County is also working toward developing a 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 and promotes pollution prevention. As the extent of potential loss cannot be estimated, no formal financial risk treatment for this exposure has been implemented.

Workers' compensation claims are funded annually by appropriations in the various funds. Prior to September 1, 1981, the self-insured retention per occurrence was unlimited and for the period September 1, 1981, to December 31, 2006, the self-insured retention per occurrence ranged from \$125,000 to \$650,000. The self-insured retention per occurrence after December 31, 2006, is \$600,000. The County maintains an excess insurance policy for those claims greater than \$600,000. Claims are administered by Risk Management staff with an independent claims audit conducted periodically. Safety professionals and representatives of the third party insurance companies provide loss prevention consultation.

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

	<u>County</u>		<u>Schools</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Workers' Compensation:				
Liability, July 1	\$ 6,164,430	\$ 4,489,652	\$ 4,265,992	\$ 4,198,975
Current year claims	2,206,000	2,339,778	1,756,000	1,016,029
Changes in estimates	481,147	1,301,858	2,209,945	698,360
Claim payments	<u>(1,609,156)</u>	<u>(1,966,858)</u>	<u>(2,454,585)</u>	<u>(1,647,372)</u>
Liability, June 30	<u>\$ 7,242,421</u>	<u>\$ 6,164,430</u>	<u>\$ 5,777,352</u>	<u>\$ 4,265,992</u>

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

	<u>2008</u>	<u>2007</u>
Risk Management Fund:		
Liability, July 1	\$ 5,096,183	\$ 2,911,898
Current year claims	1,896,745	3,384,626
Changes in estimates	273,311	1,618,491
Claim payments	<u>(1,162,410)</u>	<u>(2,818,832)</u>
Liability, June 30	<u>\$ 6,103,829</u>	<u>\$ 5,096,183</u>

12. Retirement Plans

A. Virginia Retirement System

1. Plan Description

The County and School Board contribute to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the VRS. School Board employees participate in a VRS statewide teacher cost sharing pool and non-professional employees participate as a separate group in the VRS. All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 with 5 years of service for participating law enforcement officers and firefighters) and at age 50 with 30 years of service for participating employees (age 50 with 25 years for participating law enforcement officers and firefighters) payable monthly for life in an amount equal to 1.70% of their average final compensation (AFC) for each year of credited service (1.85% for eligible law enforcement officers and firefighters). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating law enforcement officers and firefighters may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their web site at <http://www.varetire.org/Pdf/2008AnnuRept.pdf> or obtained by writing to VRS at P.O. Box 2500, Richmond, VA, 23218-2500.

2. Funding Status and Progress

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. The employer may assume this 5% member contribution. The County and School Board have elected to pay the employee's 5% contribution. In addition, the County is required to contribute the remaining amounts necessary to fund its participation in the VRS using the

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actuarial basis specified by the statute and approved by the VRS Board of Trustees. The County and School Board's contribution rates, including the 5% member contribution for fiscal year 2008, was 15.65%, and 13.81%, respectively, of annual covered payroll. As of June 30, 2008, the County and School agent plans were 86.78% and 85.85% funded, respectively. The accrued actuarial liability for benefits for the County agent plan was \$555,917,192 and the actuarial value of assets was \$482,441,722 leaving \$73,475,470 unfunded. The accrued actuarial liability for benefits for the School agent plan was \$76,316,207 and the actuarial value of assets was \$65,515,601 leaving \$10,800,606 unfunded. Covered payroll was \$152,090,333 for the County agent plan and \$24,170,961 for the School agent plan. The ratio of unfunded actuarial accrued liability to annual covered payroll for the County and School agent plans was 48.31% and 44.68%, respectively. The School Board's required contribution, including the 5% member contributions for fiscal years 2008, 2007, and 2006, to the VRS statewide teacher cost-sharing pool was \$40,734,946, \$35,438,552 and \$27,429,992, respectively, which was 15.30%, 15.30% and 11.03% of annual covered payrolls.

3. Annual Pension Cost and Net Pension Obligation

For 2008, the County's annual required contribution of \$17,009,887, representing a contribution rate of 10.65%, was equal to the County's actual contributions. The required contribution was determined as part of the June 30, 2007, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return, and (b) projected salary increases that range from 3.75% and 5.60%, and (c) cost-of living adjustments of 2.5%. The actuarial value of the County's assets is a modified market value of assets. This method was determined using techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's unfunded actuarial accrued liability is being amortized as a level percentage of payroll for a period of 20 years from valuation date.

Net Pension Obligation (NPO)

	<u>County</u>	<u>Schools</u>
Annual Required Contribution (ARC)	\$ 17,009,887	\$ 2,322,675
Interest on NPO	211,527	49,571
Adjustment to the ARC	<u>(213,499)</u>	<u>(96,961)</u>
Annual Pension Cost	17,007,915	2,275,285
Contributions made	<u>(17,009,887)</u>	<u>(2,322,675)</u>
Decrease in NPO	(1,972)	(47,390)
NPO beginning of year	<u>2,820,340</u>	<u>660,950</u>
NPO end of year	<u>\$ 2,818,368</u>	<u>\$ 613,560</u>

4. Three-Year Trend Information:

<u>County</u>			
Fiscal Year	Annual Pension	Percent	Net Pension
Ending	Cost	Contributed	Obligation
6/30/2008	\$17,007,915	100.01 %	\$2,818,368
6/30/2007	14,513,280	99.97	2,820,340
6/30/2006	12,949,440	100.59	2,816,318
<u>Schools</u>			
Fiscal Year	Annual Pension	Percent	Net Pension
Ending	Cost	Contributed	Obligation
6/30/2008	\$2,275,285	102.08 %	\$613,560
6/30/2007	2,058,524	102.48	660,950
6/30/2006	1,612,364	103.16	712,000

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B. Chesterfield County Supplemental Retirement System – Primary Government

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

1. Summary of Significant Accounting Policies

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

2. Plan Descriptions and Contribution Information

- a) Plan Description: The System provides retirement benefits as well as disability benefits for certain qualified full-time County employees. Benefits begin to vest after five years of service. County employees who retire at or after age 65 with five years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 0.875% of final average compensation in excess of covered compensation, multiplied by years of service credited to the member at retirement. Covered compensation with respect to any participant means the average (without indexing) taken to the nearest multiple of \$600 of the taxable wage base in effect for each calendar year during the 35-year period ending with the last day of the calendar year in which the participant attains age 64. In determining the participant's covered compensation for a calendar year, the taxable wage base for all future calendar years is assumed to be the same as the one in effect for year of determination. A participant's covered compensation for a calendar year before the 35-year period is the taxable wage base in effect for the calendar year. A participant's covered compensation for a calendar year after the 35-year period is the participant's covered compensation for the calendar year during which the 35-year period ends. Employees with ten years of credited service may retire at or after age 55 and receive an unreduced retirement benefit. The County pays the entire cost of the System.

Membership of the System consisted of the following at June 30, 2008:

Active members	3,469
Terminated members with vested rights	77
Retired members with benefits in pay status and beneficiaries of deceased members receiving benefits	<u>229</u> <u>3,775</u>

- b) Funding Policy: The System provides for annual employer contributions at actuarially determined rates, which will remain relatively level over time as a percentage of payroll and will accumulate sufficient assets to meet the cost of all basic benefits when due. Contribution rates are developed using the entry age normal cost method for both normal costs and amortization of the unfunded actuarial accrued liability. The plan is financed through budget appropriations.
- c) Annual Pension Cost and Net Pension Obligation: For 2008, the County's contribution of \$1,246,453 was equal to the recommended contribution and was determined as a part of the July 1, 2007, actuarial valuation. The actuarial assumptions included (a) 6.5% investment rate of return and (b) 3% inflation rate and (c) projected salary increases of 3.5% per year. Under the entry age normal method, a supplemental cost is computed each valuation date and consists of a 40-year amortization of the system unfunded actuarial accrued liability.

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Net Pension Obligation (NPO)

Annual Required Contribution (ARC)	\$ 1,246,453
Interest on NPO	19,057
Adjustment to the ARC	<u>(26,608)</u>
Annual Pension Cost	1,238,902
Contributions made	<u>(1,246,453)</u>
Decrease in NPO	(7,551)
NPO beginning of year	<u>293,178</u>
NPO end of year	<u>\$ 285,627</u>

d) Three-year Trend Information:

Fiscal Year Ending	Annual Pension Cost	Percent Contributed	Net Pension Obligation
6/30/2008	\$1,238,902	100.61 %	\$285,627
6/30/2007	1,418,674	100.55	293,178
6/30/2006	1,340,293	96.99	300,929

3. Related Party Investments

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

4. Actuarial Method and Significant Assumptions

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

Valuation Date	June 30, 2008
Actuarial cost method	Entry age normal cost
Amortization method	Level dollar
Remaining amortization period	40 years-open
Asset valuation method	Five year moving average
Actuarial assumptions:	
Investment rate of return	6.5%
Projected salary increases	3.5%

5. Funded Status and Funding Progress

As of June 30, 2008, the plan was 63.90% funded. The actuarial accrued liability for benefits was \$28,396,755 and the actuarial value of assets was \$18,153,315 leaving \$10,243,440 unfunded. Covered payroll was \$169,840,640. The ratio of unfunded actuarial liability to annual covered payroll was 6.03%.

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

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

1. Summary of Significant Accounting Policies

- a) Basis of Accounting: The Program's financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contribution. Benefits and refunds are recognized when due and payable in accordance with the terms of the Program.
- b) Valuation of Investments: Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international

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exchange are valued at the last reported sales prices at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

2. Program Descriptions and Contribution Information

- a) Program Description: The School Board's Program is provided for full-time employees covered by VRS with at least ten years employment by Chesterfield County Public Schools, including the five years immediately preceding retirement. Employees must have at least twenty years in VRS and/or education, be at least age of 50, and not be retired on disability. Upon becoming eligible for benefits from the Program, the employee shall select a part-time option to provide supplemental service to the School Board in the same or equivalent position as when the employee was permanently employed. The employee shall receive a monthly retirement benefit, beginning as of the date the employee commenced part-time employment under the provisions of the Program, equal to one twelfth (1/12) of one percent (1%) of the employee's final annual compensation; multiplied times the number of obligated days; divided by the duration of the payout period. The number of obligated days and amount of the monthly retirement benefit shall be determined and paid based on one of the part-time employment options selected by the employee and on the employee's employment classification. The minimum monthly benefit payable is \$50. Benefits under the Program cease upon completion of the elected payout installment period. In the event of the death or total disability of the employee during the first year of receipt of benefits, the employee will receive payment for the time actually worked.

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

Membership of the System consisted of the following at July 1, 2007:

Active participants	4,437
Retirees (non-vested)	128
Retirees (vested)	<u>598</u>
Total	<u>5,163</u>

- b) Funding Policy: The School Board contributes the normal cost plus amortizes the unfunded actuarial accrued liability over 15 years. Actual contributions are based upon savings derived from employees electing to retire under the Program along with a supplement from the School Operating Fund. For a particular Program year, the actual contribution may not equal the recommended level of contribution; however, it is expected that the contribution will be sufficient to meet the funding requirements over the longer term. The Program is funded from available budget allocations and interest earned from the Program.
- c) Annual Pension Cost and Net Pension Obligation: For 2008, the School Board made a contribution of \$9,179,045 to the Program. The actuarial assumptions included (a) 7.5% investment rate of return and (b) projected salary increases of 4.5% per year. The actuarial cost method is the Entry Age Normal Cost method.

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Net Pension Obligation (NPO) (Asset)	
Annual Required Contribution (ARC)	\$ 7,945,984
Interest on NPO	(713,270)
Adjustment to the ARC	<u>1,077,392</u>
Annual Pension Cost	8,310,106
Contributions made	<u>(9,179,045)</u>
Increase in NPO (asset)	(868,939)
NPO (asset) beginning of year	<u>(9,510,273)</u>
NPO (asset) end of year	<u>\$ (10,379,212)</u>

d) Three-year Trend Information:

Fiscal Year	Annual Pension Cost	Percent Contributed	Net Pension Obligation (Asset)
Ending			
6/30/2008	\$8,310,106	110.46 %	\$(10,379,212)
6/30/2007	7,836,862	153.25	(9,510,273)
6/30/2006	8,081,259	86.50	(5,337,246)

3. Related Party Investments

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

4. Actuarial Method and Significant Assumptions

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

Valuation Date.....	July 1, 2008
Actuarial cost method.....	Entry age normal cost
Amortization method	Level dollar - open
Amortization period	15 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	4.5%

5. Funded Status and Funding Progress

As of June 30, 2008, the plan was 18.53% funded. The actuarial accrued liability for benefits was \$85,348,673 and the actuarial value of assets was \$15,817,016 leaving \$69,531,657 unfunded. Covered payroll was \$198,102,265. The ratio of unfunded actuarial liability to annual covered payroll was 35.10%.

13. Other Post Employment Benefits Plans

A. Post Retirement Medical and Dental Plan – Primary Government

The County implemented GASB Statement Number 45 - *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB 45) for the fiscal year ended June 30, 2008. This implementation allows the County to report an actuarially determined liability for the present value of projected future other postemployment benefits (OPEB) for retired and active employees on the financial statements. The County established an Irrevocable Trust Agreement (OPEB Trust) for the purpose of funding OPEB benefits on February 13, 2008.

1. Plan Description

The OPEB Trust is a single employer defined benefit plan that provides health and dental insurance during retirement for certain qualified retirees and their dependents. Benefit provisions are established by the Board of Supervisors and may be amended at any time. The Board of Trustees, appointed by the Board of Supervisors, administers the plan. The County joined other Virginia localities by opting to participate in the

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Virginia Association of Counties/Virginia Municipal League pooled Trust Fund for the purpose of investing OPEB contributions. The OPEB Trust is considered part of the County of Chesterfield's reporting entity and is included in the County's financial statements as an OPEB Trust Fund. No separate audited OPEB plan report is available.

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 County's group rate with no County contribution from the time of retirement until age 55. At age 55, they will begin to receive the County contribution indicated below for a 25+ year employee. County contributions for pre-65 health and dental benefits at July 1, 2007 are:

Years of Service	Grandfathered	Non-grandfathered
0 to 9	-	-
10 to 14	50%*	\$150 per month
15 to 19	100%*	\$225 per month
20 to 24	100%*	\$225 per month
25+	100%*	\$300 per month

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

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

All retired employees, active employees who are age 65 and over, public safety employees with 25 or more years of service and non-public safety employees with 30 or more years of service (all as of January 1, 2009), will receive a County contribution toward their post-Medicare coverage no greater than \$179 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

The County has \$4,920,703 of invested plan assets accumulated for payment of future benefits. The County funded 116.2% of the annual required contribution (ARC) for the fiscal year ended June 30, 2008, and intends to fund at least the ARC amount in future fiscal years. The Board of Supervisors determines actual contributions to the plan on an annual basis. Employees' contributions vary according to individual elections of coverage and the level of County contribution which is based on eligibility requirements.

3. Annual OPEB cost and Net OPEB Obligation

The County's annual OPEB cost (expense) is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of GASB 45. 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.

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2008

Net Other Postemployment Benefits Obligation (NOPEBO) (ASSET)

Annual required contribution (ARC)	\$ 8,185,229
Interest on NOPEBO	-
Adjustment to the ARC	-
Annual OPEB Cost	8,185,229
Contributions made	<u>9,512,702</u>
Increase in NOPEBO (asset)	(1,327,473)
NOPEBO (asset) beginning of year	-
NOPEBO (asset) end of year	<u>\$ (1,327,473)</u>

For the fiscal year ended June 30, 2008, the annual OPEB cost was \$8,185,229, the percentage of annual OPEB cost contributed to the plan was 116.2% and the net OPEB asset was \$1,327,473.

4. Funded Status and Funding Progress

As of June 30, 2008, the plan was 5.5% funded. The actuarial accrued liability for benefits was \$90,114,298 and the actuarial value of assets was \$4,920,703 leaving \$85,193,595 unfunded. The ratio of the unfunded actuarial liability to annual covered payroll was 53.0%.

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 assumptions used on the July 1, 2008, actuarial valuation were based on a discount rate of 7.0% and an initial amortization period of 30 years as a level percent of percent of payroll based on a closed group was used to amortize the unfunded actuarial accrued liability. Covered payroll of \$160,685,519 was used in the valuation. Plan liabilities were determined using the projected unit of credit actuarial cost method. The valuation assumes medical benefit cost trend increases of 9.0% in plan year 2007 reduced by decrements to a rate of 5.0% after 6 years. The valuation assumes a dental benefit cost trend of 5.0% annually.

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

The School Board implemented GASB Statement Number 45 - *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB 45) for the fiscal year ended June 30, 2008. This implementation allows the School Board to report an actuarially determined liability for the present value of projected future other postemployment benefits (OPEB) for retired and active employees on the financial statements. The School Board elected to participate in the County's Irrevocable Trust Agreement (OPEB Trust) for the purpose of funding OPEB benefits on February 26, 2008.

1. Plan Description

The OPEB Trust is a single employer defined benefit plan that provides health and dental insurance during retirement for certain qualified retirees and their dependents. Benefit provisions are established by the School Board and may be amended at any time. The Board of Trustees, appointed by the Board of Supervisors, administers the plan. The County joined other Virginia localities by opting to participate in the Virginia Association of Counties/Virginia Municipal League pooled Trust Fund for the purpose of investing OPEB contributions. The OPEB Trust is considered part of the County of Chesterfield's reporting entity and is included in the County's financial statements as an OPEB Trust Fund because of the County's fiduciary responsibility for the OPEB plan assets. No separate audited OPEB plan report is available.

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

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2008

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, 2007, are:

Years of Service	Grandfathered	Non-grandfathered
0 to 9	-	-
10 to 14	100%*	-
15 to 19	100%*	\$150 per month
20 to 24	100%*	\$225 per month
25+	100%*	\$300 per month

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

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

All retired employees and active employees who are age 65 and over and with 30 or more years of service (all as of January 1, 2009), will receive a School Board contribution toward their post-Medicare coverage no greater than \$179 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.

4. Funding Policy

The School Board has \$1,914,630 of invested plan assets accumulated for payment of future benefits. The School Board funded 101.3% of the ARC for the fiscal year ended June 30, 2008, and intends to fund at least the ARC amount in future fiscal years. The School Board determines the actual contributions to the plan on an annual basis. Employees' contributions vary according to individual elections of coverage and the level of County contribution which is based on eligibility requirements.

5. Annual OPEB cost and Net OPEB Obligation

The School Board's annual OPEB cost (expense) is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of GASB 45. 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)	\$ 14,038,469
Interest on NOPEBO	-
Adjustment to the ARC	-
Annual OPEB Cost	14,038,469
Contributions made	14,214,630
Increase in NOPEBO (asset)	(176,161)
NOPEBO (asset) beginning of year	-
NOPEBO (asset) end of year	\$ (176,161)

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

For the fiscal year ended June 30, 2008, the annual OPEB cost was \$14,038,469, the percentage of annual OPEB cost contributed to the plan was 101.3% and the net OPEB asset was \$176,161.

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2008

6. Funded Status and Funding Progress

As of June 30, 2008, the plan was 1.0% funded. The actuarial accrued liability for benefits was \$183,704,370 and the actuarial value of assets was \$1,914,630 leaving \$181,789,740 unfunded. The ratio of the unfunded actuarial liability to annual covered payroll was 60.9%.

7. 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 post expectations and new estimates are made about the future.

The assumptions used on the July 1, 2008, actuarial valuation are based on a discount rate of 7.0% and an initial amortization period of 30 years as a level percent of percent of payroll based on a closed group was used to amortize the unfunded actuarial accrued liability. Covered payroll of \$298,721,192 was used in the valuation. Plan liabilities were determined using the projected unit of credit actuarial cost method. The valuation assumes medical benefit cost trend increases of 9.0% in plan year 2007 reduced by decrements to a rate of 5.0% after 6 years. The valuation assumes a dental benefit cost trend of 5.0% annually.

14. Joint Ventures

A. Appomattox River Water Authority

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

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

The County retains an ongoing financial responsibility for the joint venture due to the requirement to purchase water and the capacity rights received in connection with the expansion of the treatment plant. The County's purchases of water for the year ended June 30, 2008, were \$4,795,048. 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).

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2008

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 2008.

Complete financial statements for the Commission can be obtained from the Commission's Office at Richmond International Airport, P. O. Box A-3, Richmond, Virginia 23231.

C. Greater Richmond Convention Center Authority

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

Each participating jurisdiction is authorized to levy an 8% transient occupancy tax and has agreed in the Hotel Tax Payment Agreement to appropriate and to pay to the Convention Authority an amount equal to the total amount of transient occupancy tax collected. The County recorded an expenditure of \$4,468,629 for transient occupancy tax to the Convention Authority during the year ended June 30, 2008.

Each participating jurisdiction intends that its respective tax payment will be sufficient to fund its allocated share of operating costs as defined in the Interlocal Agreement. The County received \$2,520,659 from the Convention Authority for tax payments made in excess of their allocated share of operating costs during the year ended June 30, 2008.

On May 19, 1998, the Convention Authority entered into a fiscal services agreement with the County. The agreement specifies that the County provide services to the Convention Authority to (1) direct and monitor the investment and disbursement of funds from future revenue bonds held by the trustee; (2) receive and manage revenues transferred on behalf of the Convention Authority to the Treasurer of Chesterfield County; (3) maintain accounting records in accordance with generally accepted accounting principles and coordinate with outside independent auditors; (4) monitor and control the Convention Authority's budget; and (5) secure arbitrage reporting. In accordance with the terms of the fiscal agent agreement, the Convention Authority made payments of \$90,000 to the County during the year ended June 30, 2008. 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.

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2008

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, 2008, there were no fixed GRTC routes in the County therefore no contribution was made by the County in fiscal year 2008. Complete financial statements for GRTC can be obtained from GRTC at P.O. Box 27323, Richmond, Virginia 23261.

E. Riverside Regional Jail Authority

The Riverside Regional Jail Authority (Jail Authority) was created by Chapter 726 of the 1990 Acts of the General Assembly and was formed on June 21, 1990. The Jail Authority is comprised of the Cities of Colonial Heights, Hopewell and Petersburg and the Counties of Charles City, Chesterfield, Prince George and Surry. A fourteen-member board comprised of one appointed member and the sheriff from each participating jurisdiction governs the Jail Authority. Each member must reside in and be appointed by the governing body of his political subdivision.

The regional jail is located in the County of Prince George adjacent to the Federal Correctional Institution and is used to hold prisoners primarily from each member jurisdiction. In accordance with the Jail Authority Service Agreement, each participating locality is required to commit a determined percentage of its inmates, paying per diem rates, to the jail. The County retains an ongoing financial responsibility for this joint venture due to this requirement of the agreement. The County's per diem payments for the year ended June 30, 2008, were \$7,299,397. Complete financial statements for the Jail Authority can be obtained from the Riverside Regional Jail Authority's office at P. O. Box 1041, Hopewell, VA 23860.

F. South Central Wastewater Authority

On July 2, 1996, the County, in conjunction with the Counties of Dinwiddie and Prince George and the Cities of Petersburg and Colonial Heights participated in the creation of the South Central 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, 2008 were \$346,412. Complete financial statements for the Wastewater Authority can be obtained from the South Central Wastewater Authority's Office at 900 Magazine Road, Petersburg, VA 23803.

15. Jointly Governed Organizations

A. Central Virginia Waste Management Authority

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

County of Chesterfield, Virginia
Notes to Financial Statements
June 30, 2008

The County's contribution and direct payments for special projects for the year ended June 30, 2008, were \$3,329,375.

B. Greater Richmond Partnership

The Greater Richmond Partnership is comprised of members from the City of Richmond and the Counties of Chesterfield, Hanover, and Henrico. Together in partnership with the business leadership of the area, the Greater Richmond Partnership's purpose is to further economic development of the metropolitan area. The County has one representative serving on the Greater Richmond Partnership's fourteen member Board of Directors and contributed \$390,000 for the year ended June 30, 2008.

C. Petersburg Area Regional Tourism Corporation

The Petersburg Area Regional Tourism Corporation (PART) is comprised of seventeen members from the Counties of Chesterfield, Dinwiddie, Prince George, the Cities of Colonial Heights, Hopewell and Petersburg. The major function of the PART is to develop a regional tourism marketing initiative that will result in increased tourism visitation and spending. In addition, the PART will assist member localities in strategic product development planning. The County has two representatives serving on the PART and paid a contribution of \$35,120 for the year ended June 30, 2008.

D. Richmond Metropolitan Convention and Visitors Bureau

The Richmond Metropolitan Convention and Visitors Bureau (RMCVB) serves the City of Richmond and the Counties of Chesterfield, Hanover and Henrico by promoting conventions, tourism and development in the Metropolitan Richmond area in order to increase revenues, provide increased employment and improve the economic health of all jurisdictions involved. The RMCVB has thirty-one members and the County has three representatives serving on RMCVB's Board of Directors and contributed \$793,696 for the year ended June 30, 2008.

E. Richmond Regional Planning District Commission

The Richmond Regional Planning District Commission (RRPDC) is comprised of thirty-three members from the Counties of Charles City, Chesterfield, Goochland, Hanover, Henrico, New Kent, Powhatan, the City of Richmond and the Town of Ashland. The major functions of the RRPDC are to promote regional cooperation; coordinate the activities and policies of member local governments; resolve service delivery problems involving more than one government within the region and provide planning assistance to local governments. In accordance with its Charter, the RRPDC promotes the orderly physical, social and economic development of the region through planning and encouraging local governments to plan for the future. The County has seven representatives serving on the RRPDC and paid total dues of \$179,232 for the year ended June 30, 2008.

F. Virginia's Gateway Region Board

Virginia's Gateway Region Board (VGRB), formerly named Appomattox Basin Industrial Development Corporation (ABIDCO), serves the Counties of Chesterfield, Dinwiddie, Prince George, Surry and Sussex, as well as the Cities of Colonial Heights, Hopewell and Petersburg in their efforts to provide balanced industrialization to commission members. The County has two representatives serving on VGRB's twenty-one member board and contributed \$66,920 to VGRB for the year ended June 30, 2008.

16. Subsequent Event

On August 22, 2008, the EDA purchased the ground lease at Cloverleaf Mall for \$7,250,000. This transaction completes the acquisition of real property associated with the Mall. Financing for the acquisition was obtained by renegotiating a Taxable Redevelopment Note resulting in the line of credit on the note increasing to \$17,000,000 with the stated maturity date extending to October 1, 2009. In addition, the interest rate on the note was increased from the LIBOR market index rate plus 0.35% to LIBOR plus 0.45%. The County has an agreement with a private sector developer for the sale of the property for redevelopment purposes. The agreement calls for the transfer of the property in three phases over the next five years.

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

Virginia Retirement System
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2007	\$ 482,441,722	\$ 555,917,192	\$ 73,475,470	86.78 %	\$ 152,090,333	48.31 %
6/30/2006	418,065,535	493,290,947	75,225,412	84.75	144,001,530	52.24
6/30/2005	383,612,701	471,767,033	88,154,332	81.31	136,355,989	64.65

Supplemental Retirement System
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2008	\$ 18,153,315	\$ 28,396,755	\$ 10,243,440	63.90 %	\$ 169,840,640	6.03 %
7/1/2007	16,768,606	24,520,529	7,751,923	68.40	151,640,476	5.11
7/1/2006	14,732,608	24,178,945	9,446,337	60.90	143,049,655	6.60
7/1/2005	13,416,905	22,296,491	8,879,586	60.20	137,541,269	6.46
7/1/2004	12,653,637	20,040,500	7,386,863	63.10	128,654,707	5.74
7/1/2003	12,034,572	18,585,747	6,551,175	64.80	121,648,590	5.39

Schedule of Employer Contributions

Fiscal Year Ending	Annual Required Contribution	Percent Contributed
6/30/2008	\$ 1,246,453	100.00 %
6/30/2007	1,426,425	100.00
6/30/2006	1,347,007	96.51
6/30/2005	1,126,431	100.00
6/30/2004	1,019,496	100.00
6/30/2003	926,588	100.00

Other Post Employment Benefits Plan

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2008	\$ 4,920,703	\$ 90,114,298	\$ 85,193,595	5.46 %	\$ 160,685,519	53.02 %

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

Virginia Retirement System - (Non-professional Employees)

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a
						Percentage of Covered Payroll
6/30/2007	\$ 65,515,601	\$ 76,316,207	\$ 10,800,606	85.85 %	\$ 24,170,961	44.68 %
6/30/2006	57,084,273	69,248,370	12,164,097	82.43	23,192,582	52.45
6/30/2005	52,972,670	66,397,114	13,424,444	79.78	22,610,823	59.37

Supplemental Retirement Program

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a
						Percentage of Covered Payroll
7/1/2008	\$ 15,817,016	\$ 85,348,673	\$ 69,531,657	18.53 %	\$ 198,102,265	35.10 %
7/1/2007	16,427,445	79,237,136	62,809,691	20.73	189,571,545	33.13
7/1/2006	12,258,737	74,490,727	62,231,990	16.46	170,769,586	36.44
7/1/2005	13,086,788	76,416,355	63,329,567	17.13	163,415,872	38.75
7/1/2004	11,369,121	61,705,486	50,336,365	18.42	147,934,849	34.03
7/1/2003	12,424,864	60,520,760	48,095,896	20.53	134,979,293	35.63

Schedule of Employer Contributions

Fiscal Year Ending	Annual	
	Required Contribution	Percent Contributed
6/30/2008	\$ 7,945,984	115.52 %
6/30/2007	7,632,514	157.35
6/30/2006	7,835,159	89.22
6/30/2005	4,567,925	175.49
6/30/2004	4,614,760	91.18
6/30/2003	4,642,226	168.47

Other Post Employment Benefits Plan

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a
						Percentage of Covered Payroll
7/1/2008	\$ 1,914,630	\$ 183,704,370	\$ 181,789,740	1.04 %	\$ 298,721,192	60.86 %

SUPPLEMENTARY INFORMATION

Non-major Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

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

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

Permanent Fund

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

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

County of Chesterfield, Virginia
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2008

	<u>Special Revenue Funds</u>		<u>Permanent Fund</u>	Total Non-major Governmental Funds
	<u>Grants</u>	<u>Comprehensive Services</u>	<u>T. F. Jeffress Memorial</u>	
ASSETS				
Cash and cash equivalents	\$ 2,574,418	\$ 1,943,505	\$ 14,310	\$ 4,532,233
Accounts receivable	3,823,364	81,509	-	3,904,873
Due from other governments	712,177	1,511,973	-	2,224,150
Total assets	<u>\$ 7,109,959</u>	<u>\$ 3,536,987</u>	<u>\$ 14,310</u>	<u>\$ 10,661,256</u>
LIABILITIES				
Accounts payable	\$ 294,342	\$ 1,237,125	\$ -	\$ 1,531,467
Due to other funds	279	-	-	279
Accrued liabilities	402,806	18,815	-	421,621
Retainages payable	1,162	-	-	1,162
Deferred revenues	3,415,384	-	-	3,415,384
Total liabilities	<u>4,113,973</u>	<u>1,255,940</u>	<u>-</u>	<u>5,369,913</u>
FUND BALANCES				
Reserved -				
Reserved for specific programs	2,995,986	-	14,310	3,010,296
Unreserved - undesignated	-	2,281,047	-	2,281,047
Total fund balances	<u>2,995,986</u>	<u>2,281,047</u>	<u>14,310</u>	<u>5,291,343</u>
Total liabilities and fund balances	<u>\$ 7,109,959</u>	<u>\$ 3,536,987</u>	<u>\$ 14,310</u>	<u>\$ 10,661,256</u>

County of Chesterfield, Virginia
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Governmental Funds
For the Year Ended June 30, 2008

	<u>Special Revenue Funds</u>		<u>Permanent Fund</u>	<u>Total Non-major Governmental Funds</u>
	<u>Grants</u>	<u>Comprehensive Services</u>	<u>T. F. Jeffress Memorial Fund</u>	
Revenues				
From local sources:				
Use of money and property	\$ 6,826	\$ -	\$ 533	\$ 7,359
Charges for services	3,446,691	240,584	-	3,687,275
Miscellaneous	587,574	-	-	587,574
Donations	79,618	-	-	79,618
From component unit - School Board	-	1,790,200	-	1,790,200
From other governments	<u>9,683,968</u>	<u>5,027,629</u>	-	<u>14,711,597</u>
Total revenues	<u>13,804,677</u>	<u>7,058,413</u>	<u>533</u>	<u>20,863,623</u>
Expenditures				
Current:				
Administration of justice	719,171	-	-	719,171
Public safety	11,470,803	-	-	11,470,803
Public works	43,010	-	-	43,010
Health and welfare	1,884,633	9,084,980	-	10,969,613
Parks, recreation and cultural	42,983	-	-	42,983
Community development	<u>1,701,585</u>	<u>-</u>	<u>-</u>	<u>1,701,585</u>
Total expenditures	<u>15,862,185</u>	<u>9,084,980</u>	<u>-</u>	<u>24,947,165</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,057,508)</u>	<u>(2,026,567)</u>	<u>533</u>	<u>(4,083,542)</u>
Other financing sources (uses)				
Transfers in	3,133,374	3,175,100	-	6,308,474
Transfers out	<u>(440,069)</u>	<u>-</u>	<u>-</u>	<u>(440,069)</u>
Total other financing sources, net	<u>2,693,305</u>	<u>3,175,100</u>	<u>-</u>	<u>5,868,405</u>
Net change in fund balances	635,797	1,148,533	533	1,784,863
Fund balances, July 1, 2007	<u>2,360,189</u>	<u>1,132,514</u>	<u>13,777</u>	<u>3,506,480</u>
Fund balances, June 30, 2008	<u>\$ 2,995,986</u>	<u>\$ 2,281,047</u>	<u>\$ 14,310</u>	<u>\$ 5,291,343</u>

County of Chesterfield, Virginia
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2008

	<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	\$ 294,702,600	\$ 294,702,600	\$ 295,937,075	\$ 1,234,475
Real and personal public service corporation taxes	10,135,000	10,135,000	10,772,082	637,082
Personal property taxes	54,436,600	51,780,712	53,191,362	1,410,650
Machinery and tools taxes	4,250,000	4,250,000	4,369,496	119,496
Penalties and interest	2,500,000	2,500,000	3,196,248	696,248
Transportation district and Watkins Centre	-	-	318,644	318,644
Total general property taxes	<u>366,024,200</u>	<u>363,368,312</u>	<u>367,784,907</u>	<u>4,416,595</u>
Other local taxes:				
Bank stock tax	1,321,400	1,321,400	1,010,668	(310,732)
Business license taxes	16,856,600	16,856,600	17,499,296	642,696
Cable franchise fees	3,741,600	3,741,600	3,227,272	(514,328)
Consumer utility taxes	20,354,200	20,354,200	19,539,935	(814,265)
Local sales and use taxes	41,047,200	41,047,200	40,736,677	(310,523)
Motor vehicle licenses	7,346,800	7,346,800	6,204,690	(1,142,110)
Recordation tax	7,000,000	7,000,000	6,096,549	(903,451)
Short-term rental tax	265,200	265,200	211,603	(53,597)
Transient occupancy tax	4,073,400	4,498,400	4,468,629	(29,771)
Total other local taxes	<u>102,006,400</u>	<u>102,431,400</u>	<u>98,995,319</u>	<u>(3,436,081)</u>
Permits, privilege fees and regulatory licenses:				
Animal licenses	35,000	35,000	78,819	43,819
Building permits	5,316,800	5,318,135	4,155,908	(1,162,227)
DMV stop fees	20,000	284,000	255,510	(28,490)
Erosion control fees	140,000	140,000	106,800	(33,200)
Permits and other licenses	368,400	368,400	539,139	170,739
Plan review fees	458,300	512,977	551,680	38,703
Planning fees	1,179,000	1,179,000	723,792	(455,208)
Total permits, privilege fees and regulatory licenses	<u>7,517,500</u>	<u>7,837,512</u>	<u>6,411,648</u>	<u>(1,425,864)</u>
Fines and forfeitures	<u>1,318,500</u>	<u>1,507,727</u>	<u>2,555,991</u>	<u>1,048,264</u>
Use of money and property:				
Use of money	3,635,000	3,635,000	8,685,548	5,050,548
Use of property	222,600	283,938	751,252	467,314
Total use of money and property	<u>3,857,600</u>	<u>3,918,938</u>	<u>9,436,800</u>	<u>5,517,862</u>
Charges for services:				
Building inspection administrative fee	50,000	50,000	73,891	23,891
Courthouse maintenance fees	81,100	81,100	72,444	(8,656)
Employee Health Center	543,900	543,900	296,717	(247,183)
False alarm charges	160,000	160,000	134,064	(25,936)
Building rental	161,000	161,000	158,680	(2,320)
Juvenile Detention Home fees	168,000	168,000	193,050	25,050
Landfill fees	2,507,000	2,507,000	2,106,740	(400,260)
Law Library	127,500	127,500	108,859	(18,641)
Leaf collection	12,400	12,400	7,110	(5,290)
Library fines and services	494,900	494,900	549,601	54,701
Med-flight services	174,100	201,100	199,700	(1,400)

(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, 2008

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Charges for services: (continued)				
Mental Health Support Services	\$ 16,966,100	\$ 17,023,910	\$ 16,380,608	\$ (643,302)
Parks and Recreation fees	384,600	404,773	450,495	45,722
Police miscellaneous fees	119,000	119,000	116,418	(2,582)
Police officers fees	800,000	800,000	1,072,010	272,010
Recycling proceeds	69,000	69,000	81,550	12,550
Sale of publications and maps	5,700	51,220	65,860	14,640
Sheriff fees	506,800	506,800	701,154	194,354
Traffic offenses	30,000	64,400	216,062	151,662
Treasurer's administrative fees	639,000	932,251	1,136,224	203,973
Other	3,373,300	3,385,052	3,769,194	384,142
Total charges for services	<u>27,373,400</u>	<u>27,863,306</u>	<u>27,890,431</u>	<u>27,125</u>
Miscellaneous:				
Public phone commission	95,000	95,000	94,185	(815)
Other miscellaneous	735,500	1,171,700	1,444,683	272,983
Total miscellaneous	<u>830,500</u>	<u>1,266,700</u>	<u>1,538,868</u>	<u>272,168</u>
Recovered costs:				
Interfund reimbursements	1,928,500	1,989,260	1,935,528	(53,732)
Reimbursed by other localities	703,800	742,527	747,929	5,402
Reimbursement from Schools	4,779,600	4,779,600	4,779,600	-
Other	1,190,200	1,696,473	5,097,657	3,401,184
Total recovered costs	<u>8,602,100</u>	<u>9,207,860</u>	<u>12,560,714</u>	<u>3,352,854</u>
Donations and contributions	2,734,300	2,892,719	2,902,153	9,434
Total revenues from local sources	<u>520,264,500</u>	<u>520,294,474</u>	<u>530,076,831</u>	<u>9,782,357</u>
From other governments:				
From the Commonwealth:				
Non-categorical aid:				
ABC profits	150,000	150,000	152,365	2,365
Annexation House Bill 599	8,300,000	8,300,000	8,867,942	567,942
Clerk's excess fees	1,700,000	1,700,000	1,323,631	(376,369)
DMV Select program commission	-	-	22,654	22,654
Mobile home sales tax	50,000	50,000	71,525	21,525
Personal property tax relief	41,092,000	41,092,000	41,084,555	(7,445)
Rolling stock tax	85,000	85,000	96,391	11,391
State recordation tax	1,350,000	1,350,000	1,549,047	199,047
Vehicle rental tax	825,000	825,000	773,112	(51,888)
Wine tax	155,000	155,000	159,708	4,708
Total non-categorical aid	<u>53,707,000</u>	<u>53,707,000</u>	<u>54,100,930</u>	<u>393,930</u>
Shared expenditures:				
Clerk of Circuit Court	1,075,100	1,075,100	1,057,483	(17,617)
Commissioner of the Revenue	560,700	560,700	575,752	15,052
Commonwealth's Attorney	1,794,200	1,798,285	2,104,278	305,993
Sheriff	2,865,400	2,865,400	2,805,820	(59,580)
Treasurer	577,100	577,100	581,930	4,830
Other	92,000	92,000	112,916	20,916
Total shared expenditures	<u>6,964,500</u>	<u>6,968,585</u>	<u>7,238,179</u>	<u>269,594</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, 2008

	<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:				
Chesterfield County Jail	\$ 1,100,000	\$ 1,100,000	\$ 922,686	\$ (177,314)
Education-state sales tax	52,612,400	50,249,200	49,906,167	(343,033)
Emergency medical services	220,500	455,461	688,875	233,414
Fire programs	348,600	688,600	685,129	(3,471)
Juvenile Detention Home	1,732,700	1,732,700	1,791,260	58,560
Library	228,500	235,361	239,945	4,584
Mental Health Support Services	3,614,400	3,904,715	3,794,429	(110,286)
Sheriff programs	1,976,600	2,330,692	2,491,784	161,092
Welfare	4,426,800	4,426,800	5,140,883	714,083
Other	1,182,000	1,189,471	1,982,935	793,464
Total categorical aid	<u>67,442,500</u>	<u>66,313,000</u>	<u>67,644,093</u>	<u>1,331,093</u>
Total from the Commonwealth	<u>128,114,000</u>	<u>126,988,585</u>	<u>128,983,202</u>	<u>1,994,617</u>
From the federal government:				
Categorical aid:				
Mental Health Block Grant	1,548,600	1,548,600	1,553,066	4,466
Public safety	25,000	25,000	41,225	16,225
Welfare	9,903,100	9,913,100	9,353,820	(559,280)
Other	46,400	66,452	384,628	318,176
Total from the federal government	<u>11,523,100</u>	<u>11,553,152</u>	<u>11,332,739</u>	<u>(220,413)</u>
Total revenues from other governments	<u>139,637,100</u>	<u>138,541,737</u>	<u>140,315,941</u>	<u>1,774,204</u>
Total revenues	<u>659,901,600</u>	<u>658,836,211</u>	<u>670,392,772</u>	<u>11,556,561</u>
Expenditures				
General government:				
Accounting	3,207,290	3,289,606	3,194,448	95,158
Board of Supervisors	345,700	345,700	326,105	19,595
Budget and Management	1,138,800	1,161,363	1,106,915	54,448
Clerk to the Board	259,900	261,550	232,477	29,073
Commissioner of the Revenue	3,099,100	3,200,939	3,101,689	99,250
County Administrator	1,328,400	1,360,158	1,252,814	107,344
County Assessor	3,185,440	3,227,747	3,117,958	109,789
County Attorney	1,508,000	1,538,097	1,493,817	44,280
Employee benefits	9,413,300	11,609,868	5,759,778	5,850,090
General Services	2,059,800	2,166,719	2,123,046	43,673
Human Resource Management	3,693,082	4,075,131	4,020,012	55,119
Information Systems Technology	11,663,448	11,961,483	11,317,923	643,560
Interest paid on tax refunds	124,000	124,000	64,943	59,057
Intergovernmental Relations	260,400	262,847	234,441	28,406
Internal Audit	754,600	764,716	679,435	85,281
License Inspector	457,725	463,806	440,305	23,501
Management Services	311,300	323,643	317,247	6,396
Public Affairs	720,100	727,199	715,758	11,441
Purchasing	1,412,500	1,467,788	1,441,868	25,920
Registrar	914,464	919,295	871,625	47,670
Treasurer	3,075,700	3,347,684	3,205,193	142,491
Total general government	<u>48,933,049</u>	<u>52,599,339</u>	<u>45,017,797</u>	<u>7,581,542</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, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
Administration of justice:				
Circuit Court Judges	\$ 601,200	\$ 621,688	\$ 600,500	\$ 21,188
Clerk of Circuit Court	3,326,700	3,400,837	3,262,090	138,747
Commonwealth's Attorney	3,708,300	3,975,558	3,969,082	6,476
General District Court	172,600	253,455	238,135	15,320
Juvenile and Domestic Relations Court	125,000	130,768	111,538	19,230
Law Library	167,900	167,900	156,917	10,983
Magistrate	7,200	8,200	7,276	924
Total administration of justice	<u>8,108,900</u>	<u>8,558,406</u>	<u>8,345,538</u>	<u>212,868</u>
Public safety:				
Building Inspections	5,553,405	5,615,993	5,248,322	367,671
Communications Center	7,096,043	7,158,443	6,776,111	382,332
Fire	42,293,023	43,081,662	42,283,795	797,867
Juvenile Detention Home	4,596,200	4,623,673	4,389,063	234,610
Police	51,759,126	52,337,063	49,855,525	2,481,538
Probation	104,000	106,418	85,398	21,020
Regional Jail	8,000,300	8,000,300	7,299,397	700,903
Sheriff and Jail	18,818,328	18,880,416	18,616,314	264,102
Total public safety	<u>138,220,425</u>	<u>139,803,968</u>	<u>134,553,925</u>	<u>5,250,043</u>
Public works:				
Buildings and Grounds	5,904,356	5,964,443	5,962,206	2,237
Environmental Engineering	4,630,799	4,868,187	4,709,336	158,851
Hydrant rental and right of way	2,502,600	2,502,600	2,502,062	538
Waste and Resource Recovery	6,804,304	6,783,442	6,155,225	628,217
Street lights and road improvements	611,529	646,558	624,447	22,111
Total public works	<u>20,453,588</u>	<u>20,765,230</u>	<u>19,953,276</u>	<u>811,954</u>
Health and welfare:				
Health	5,260,446	5,303,264	5,112,919	190,345
Human Services Administration	344,000	409,301	399,238	10,063
Mental Health Support Services	34,004,455	34,803,725	33,790,107	1,013,618
Social Services	19,656,891	19,721,905	19,218,977	502,928
Tax relief for the elderly	3,700,200	3,700,200	2,924,557	775,643
Youth Planning and Development	337,200	341,531	319,058	22,473
Total health and welfare	<u>63,303,192</u>	<u>64,279,926</u>	<u>61,764,856</u>	<u>2,515,070</u>
Parks, recreation and cultural:				
Community Contracts	2,286,800	2,395,464	2,351,297	44,167
District Improvements Fund	242,500	50,235	-	50,235
Library	8,533,237	8,618,035	8,344,838	273,197
Parks and Recreation	10,747,503	10,991,821	10,587,563	404,258
Total parks, recreation and cultural	<u>21,810,040</u>	<u>22,055,555</u>	<u>21,283,698</u>	<u>771,857</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, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
Community development:				
Community Development Administration	\$ 1,108,400	\$ 1,122,763	\$ 1,114,936	\$ 7,827
Convention center	4,073,400	4,498,400	4,468,629	29,771
Economic Development	1,970,679	1,982,151	1,850,333	131,818
Economic incentives	210,000	634,770	40,000	594,770
Extension Service	361,900	371,378	360,955	10,423
Planning	4,326,600	4,393,642	4,351,757	41,885
Transportation	1,207,800	1,216,527	1,078,575	137,952
Total community development	<u>13,258,779</u>	<u>14,219,631</u>	<u>13,265,185</u>	<u>954,446</u>
Non-Departmental	<u>5,030,300</u>	<u>4,529,974</u>	<u>1,353,516</u>	<u>3,176,458</u>
Debt service:				
Retirement of principal	24,370,300	25,092,300	12,530,077	12,562,223
Interest	-	-	7,600,396	(7,600,396)
Other	739,900	739,900	352,611	387,289
Total debt service	<u>25,110,200</u>	<u>25,832,200</u>	<u>20,483,084</u>	<u>5,349,116</u>
Total expenditures	<u>344,228,473</u>	<u>352,644,229</u>	<u>326,020,875</u>	<u>26,623,354</u>
Excess of revenues over expenditures	<u>315,673,127</u>	<u>306,191,982</u>	<u>344,371,897</u>	<u>38,179,915</u>
Other financing sources (uses)				
Transfers in:				
County Capital Projects Fund	236,000	958,000	1,013,269	55,269
Grant Funds	401,900	403,468	402,218	(1,250)
Water Fund	2,455,100	2,455,100	2,455,100	-
Wastewater Fund	2,500	2,500	2,500	-
Vehicle and Communication Maintenance Fund	11,600	11,600	11,600	-
Total transfers in	<u>3,107,100</u>	<u>3,830,668</u>	<u>3,884,687</u>	<u>54,019</u>
Transfers out:				
County Capital Projects Fund	(18,273,900)	(57,128,390)	(14,356,238)	42,772,152
School Capital Projects Fund	-	(10,311,115)	(2,420,390)	7,890,725
Grants Fund	(2,152,100)	(3,882,087)	(2,915,943)	966,144
Comprehensive Services Fund	(2,729,900)	(2,729,900)	(2,729,900)	-
Airport Fund	(24,800)	(561,249)	(302,983)	258,266
Vehicle and Communication Maintenance Fund	-	(99,443)	(99,443)	-
Capital Projects Management Fund	-	(6,174)	-	6,174
Risk Management Fund	-	(28,785)	(8,785)	20,000
School Operating Fund	(318,781,400)	(316,349,677)	(314,520,476)	1,829,201
Total transfers out	<u>(341,962,100)</u>	<u>(391,096,820)</u>	<u>(337,354,158)</u>	<u>53,742,662</u>
Premium on certificates of participation	-	-	48,210	48,210
Premium on bonds	-	-	26,820	26,820
Total other financing uses, net	<u>(338,855,000)</u>	<u>(387,266,152)</u>	<u>(333,394,441)</u>	<u>53,871,711</u>
Net change in fund balance	(23,181,873)	(81,074,170)	10,977,456	92,051,626
Fund balance, July 1, 2007	196,371,720	196,371,720	196,371,720	-
Fund balance, June 30, 2008	<u>\$ 173,189,847</u>	<u>\$ 115,297,550</u>	<u>\$ 207,349,176</u>	<u>\$ 92,051,626</u>

County of Chesterfield, Virginia
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Comprehensive Services Fund
For the Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Charges for services	\$ 211,400	\$ 211,400	\$ 240,584	\$ 29,184
From the Commonwealth	<u>5,460,100</u>	<u>5,460,100</u>	<u>5,027,629</u>	<u>(432,471)</u>
Total revenues	5,671,500	5,671,500	5,268,213	(403,287)
Expenditures				
Health and welfare	<u>10,636,800</u>	<u>10,636,800</u>	<u>9,084,980</u>	<u>1,551,820</u>
Deficiency of revenues under expenditures	<u>(4,965,300)</u>	<u>(4,965,300)</u>	<u>(3,816,767)</u>	<u>1,148,533</u>
Other financing sources				
Transfers in	3,175,100	3,175,100	3,175,100	-
Transfers from component unit - School Board	<u>1,790,200</u>	<u>1,790,200</u>	<u>1,790,200</u>	<u>-</u>
Total other financing sources	<u>4,965,300</u>	<u>4,965,300</u>	<u>4,965,300</u>	<u>-</u>
Net change in fund balance	-	-	1,148,533	1,148,533
Fund balance, July 1, 2007	<u>1,132,514</u>	<u>1,132,514</u>	<u>1,132,514</u>	<u>-</u>
Fund balance, June 30, 2008	<u>\$ 1,132,514</u>	<u>\$ 1,132,514</u>	<u>\$ 2,281,047</u>	<u>\$ 1,148,533</u>

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

Revenues

Total revenues on the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual.	\$ 5,268,213
Transfers from the School Board component unit are revenues for financial reporting purposes.	<u>1,790,200</u>
Total revenues on the Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-major Governmental Funds.	<u>\$ 7,058,413</u>

Other financing sources

Total other financing sources on the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual.	\$ 4,965,300
Transfers from the School Board component unit are revenues for financial reporting purposes.	<u>(1,790,200)</u>
Total other financing sources on the Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-major Governmental Funds.	<u>\$ 3,175,100</u>

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, which maintains County vehicles and communication equipment. Revenues are derived from interfund charges and charges to the School Board on a cost-reimbursement basis. The 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. The 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. The major expenses consist primarily of salaries and wages.

County of Chesterfield, Virginia
Combining Statement of Net Assets
Internal Service Funds
June 30, 2008

	Vehicle and Communications <u>Maintenance</u>	Risk Management	Capital Projects Management	<u>Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 4,320,316	\$ 9,818,707	\$ 162,781	\$14,301,804
Receivables	40,878	210,891	262	252,031
Inventories	690,867	-	-	690,867
Total current assets	<u>5,052,061</u>	<u>10,029,598</u>	<u>163,043</u>	<u>15,244,702</u>
Non-current assets:				
Capital assets:				
Land	-	193,685	-	193,685
Buildings	1,893,158	123,832	14,992	2,031,982
Improvements other than buildings	281,318	-	-	281,318
Machinery and equipment	11,663,996	91,797	7,713	11,763,506
Construction in progress	210,658	-	-	210,658
Total capital assets	14,049,130	409,314	22,705	14,481,149
Less accumulated depreciation	<u>(6,987,853)</u>	<u>(131,504)</u>	<u>(6,360)</u>	<u>(7,125,717)</u>
Net capital assets	7,061,277	277,810	16,345	7,355,432
Total assets	<u>12,113,338</u>	<u>10,307,408</u>	<u>179,388</u>	<u>22,600,134</u>
LIABILITIES				
Current liabilities:				
Accounts payable	758,827	179,456	984	939,267
Accrued liabilities	293,687	66,476	35,059	395,222
Compensated absences	193,207	50,009	39,989	283,205
Judgments and claims	8,490	1,170,054	-	1,178,544
Total current liabilities	<u>1,254,211</u>	<u>1,465,995</u>	<u>76,032</u>	<u>2,796,238</u>
Non-current liabilities:				
Compensated absences	117,238	22,026	24,332	163,596
Judgments and claims	23,390	4,933,775	-	4,957,165
Retirement plan obligations	60,056	10,126	10,834	81,016
Total non-current liabilities	<u>200,684</u>	<u>4,965,927</u>	<u>35,166</u>	<u>5,201,777</u>
Total liabilities	<u>1,454,895</u>	<u>6,431,922</u>	<u>111,198</u>	<u>7,998,015</u>
NET ASSETS				
Invested in capital assets	7,061,277	277,810	16,345	7,355,432
Unrestricted	<u>3,597,166</u>	<u>3,597,676</u>	<u>51,845</u>	<u>7,246,687</u>
Total net assets	<u>\$ 10,658,443</u>	<u>\$ 3,875,486</u>	<u>\$ 68,190</u>	<u>\$14,602,119</u>

County of Chesterfield, Virginia
Combining Statement of Revenues, Expenses and Changes in Net Assets
Internal Service Funds
For the Year Ended June 30, 2008

	Vehicle and Communications Maintenance	Risk Management	Capital Projects Management	Total
Operating revenues				
Charges for services	\$ 19,550,774	\$ 6,786,688	\$ 816,904	\$ 27,154,366
Other	86,094	11,244	262	97,600
Total operating revenues	<u>19,636,868</u>	<u>6,797,932</u>	<u>817,166</u>	<u>27,251,966</u>
Operating expenses				
Salaries and wages	5,424,788	1,295,041	674,946	7,394,775
Contractual services	683,243	556,972	26,156	1,266,371
Materials and supplies	9,868,182	68,401	38,795	9,975,378
Heat, light and power	67,283	4,620	-	71,903
Rent	-	37,061	37,992	75,053
Depreciation	1,269,271	2,185	2,292	1,273,748
Repairs and maintenance	961,916	6,206	8,048	976,170
Insurance	213,327	3,653,808	-	3,867,135
Claims	-	1,112,452	-	1,112,452
Other	64,493	39,803	18,324	122,620
Total operating expenses	<u>18,552,503</u>	<u>6,776,549</u>	<u>806,553</u>	<u>26,135,605</u>
Operating income	<u>1,084,365</u>	<u>21,383</u>	<u>10,613</u>	<u>1,116,361</u>
Non-operating revenues				
Interest and dividend income	-	456,539	-	456,539
Gain on disposal of capital assets	36,169	-	-	36,169
Total non-operating revenues	<u>36,169</u>	<u>456,539</u>	<u>-</u>	<u>492,708</u>
Income before transfers	1,120,534	477,922	10,613	1,609,069
Capital contributions	68,209	-	-	68,209
Transfers in	99,851	8,785	-	108,636
Transfers out	(71,380)	-	-	(71,380)
Change in net assets	1,217,214	486,707	10,613	1,714,534
Total net assets - July 1, 2007	9,441,229	3,388,779	57,577	12,887,585
Total net assets - June 30, 2008	<u>\$ 10,658,443</u>	<u>\$ 3,875,486</u>	<u>\$ 68,190</u>	<u>\$ 14,602,119</u>

County of Chesterfield, Virginia
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2008

	<u>Vehicle and Communications Maintenance</u>	<u>Risk Management</u>	<u>Capital Projects Management</u>	<u>Total</u>
Cash flows from operating activities				
Receipts from customers	\$ 19,635,673	\$ 6,588,042	\$ 817,770	\$ 27,041,485
Payments to suppliers	(11,448,597)	(4,228,128)	(129,367)	(15,806,092)
Payments to employees	(5,441,957)	(1,291,257)	(674,882)	(7,408,096)
Claims recovered	-	1,055,309	-	1,055,309
Claims paid	-	(1,160,115)	-	(1,160,115)
Net cash provided by operating activities	<u>2,745,119</u>	<u>963,851</u>	<u>13,521</u>	<u>3,722,491</u>
Cash flows from non-capital financing activities				
Transfers in	99,443	8,785	-	108,228
Transfers out	(11,600)	-	-	(11,600)
Net cash provided by non-capital financing activities	<u>87,843</u>	<u>8,785</u>	<u>-</u>	<u>96,628</u>
Cash flows from capital and related financing activities				
Purchase of capital assets	(1,393,648)	-	-	(1,393,648)
Proceeds from sale of capital assets	96,705	-	-	96,705
Net cash used in capital and related financing activities	<u>(1,296,943)</u>	<u>-</u>	<u>-</u>	<u>(1,296,943)</u>
Cash flows from investing activities				
Interest received	-	456,539	-	456,539
Net increase in cash and cash equivalents	1,536,019	1,429,175	13,521	2,978,715
Cash and cash equivalents, July 1, 2007	<u>2,784,297</u>	<u>8,389,532</u>	<u>149,260</u>	<u>11,323,089</u>
Cash and cash equivalents, June 30, 2008	<u>\$ 4,320,316</u>	<u>\$ 9,818,707</u>	<u>\$ 162,781</u>	<u>\$ 14,301,804</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 1,084,365	\$ 21,383	\$ 10,613	\$ 1,116,361
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	1,269,271	2,185	2,292	1,273,748
Changes in assets and liabilities:				
Receivables, net	(1,195)	(209,890)	603	(210,482)
Inventories	(71,261)	-	-	(71,261)
Accounts and other payables	463,939	1,150,173	13	1,614,125
Net cash provided by operating activities	<u>\$ 2,745,119</u>	<u>\$ 963,851</u>	<u>\$ 13,521</u>	<u>\$ 3,722,491</u>
Noncash transactions related to financing, capital and investing activities are as follows:				
Contributions of capital assets	68,209	\$ -	\$ -	\$ 68,209

Fiduciary Funds

Agency Funds

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

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

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

County of Chesterfield, Virginia
Combining Balance Sheet
Agency Funds
June 30, 2008

	Greater Richmond Convention Center Authority	Special Welfare	Police Safekeeping	Inmate Trust	Jail Canteen	Appomattox Regional Governor's School	Total
ASSETS							
Cash and cash equivalents	\$ 5,722,761	\$ 41,791	\$ 708,998	\$ 26,063	\$ 136,588	\$ 1,135,891	\$ 7,772,092
Accounts receivable	405,774	2,811	-	-	1,974	2,364	412,923
Due from other governments	-	-	-	-	-	26,000	26,000
Restricted assets:							
Cash and cash equivalents	9,147,722	-	-	-	-	-	9,147,722
Cash, cash equivalents and investments with trustee	13,468,364	-	-	-	-	-	13,468,364
Interest receivable	164,000	-	-	-	-	-	164,000
Total restricted assets	<u>22,780,086</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,780,086</u>
Total assets	<u>\$ 28,908,621</u>	<u>\$ 44,602</u>	<u>\$ 708,998</u>	<u>\$ 26,063</u>	<u>\$ 138,562</u>	<u>\$ 1,164,255</u>	<u>\$ 30,991,101</u>
LIABILITIES							
Amounts held for others	<u>\$ 28,908,621</u>	<u>\$ 44,602</u>	<u>\$ 708,998</u>	<u>\$ 26,063</u>	<u>\$ 138,562</u>	<u>\$ 1,164,255</u>	<u>\$ 30,991,101</u>

County of Chesterfield, Virginia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2008

	<u>Balance</u> <u>June 30, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2008</u>
GREATER RICHMOND CONVENTION CENTER AUTHORITY				
Assets				
Cash and cash equivalents	\$ 2,392,479	\$ 7,840,553	\$ 4,510,271	\$ 5,722,761
Investments with fiscal agent	1,500,000	-	1,500,000	-
Accounts receivable	1,283,419	361,428	1,239,073	405,774
Restricted assets:				
Cash and cash equivalents	8,556,425	10,507,545	9,916,248	9,147,722
Cash, cash equivalents and investments with trustee	13,502,396	24,781,597	24,815,629	13,468,364
Interest receivable	79,202	164,000	79,202	164,000
Total restricted assets	<u>22,138,023</u>	<u>35,453,142</u>	<u>34,811,079</u>	<u>22,780,086</u>
Total assets	<u>\$ 27,313,921</u>	<u>\$ 43,655,123</u>	<u>\$ 42,060,423</u>	<u>\$ 28,908,621</u>
Liabilities				
Amounts held for others	<u>\$ 27,313,921</u>	<u>\$ 43,655,123</u>	<u>\$ 42,060,423</u>	<u>\$ 28,908,621</u>
SPECIAL WELFARE				
Assets				
Cash and cash equivalents	\$ 99,030	\$ 208,144	\$ 265,383	\$ 41,791
Due from other governments	-	2,811	-	2,811
Total assets	<u>\$ 99,030</u>	<u>\$ 210,955</u>	<u>\$ 265,383</u>	<u>\$ 44,602</u>
Liabilities				
Amounts held for others	<u>\$ 99,030</u>	<u>\$ 210,955</u>	<u>\$ 265,383</u>	<u>\$ 44,602</u>
POLICE SAFEKEEPING				
Assets				
Cash and cash equivalents	<u>\$ 1,666,073</u>	<u>\$ 141,284</u>	<u>\$ 1,098,359</u>	<u>\$ 708,998</u>
Liabilities				
Amounts held for others	<u>\$ 1,666,073</u>	<u>\$ 141,284</u>	<u>\$ 1,098,359</u>	<u>\$ 708,998</u>
INMATE TRUST FUND				
Assets				
Cash and cash equivalents	<u>\$ 24,302</u>	<u>\$ 725,231</u>	<u>\$ 723,470</u>	<u>\$ 26,063</u>
Liabilities				
Amounts held for inmates	<u>\$ 24,302</u>	<u>\$ 725,231</u>	<u>\$ 723,470</u>	<u>\$ 26,063</u>

(Continued)

County of Chesterfield, Virginia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2008

	<u>Balance</u> <u>June 30, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2008</u>
JAIL CANTEEN FUND				
Assets				
Cash and cash equivalents	\$ 144,917	\$ 55,667	\$ 63,996	\$ 136,588
Accounts receivable	-	1,974	-	1,974
Due from other governments	1,183	-	1,183	-
Total assets	<u>\$ 146,100</u>	<u>\$ 57,641</u>	<u>\$ 65,179</u>	<u>\$ 138,562</u>
Liabilities				
Amounts held for others	<u>\$ 146,100</u>	<u>\$ 57,641</u>	<u>\$ 65,179</u>	<u>\$ 138,562</u>
APPOMATTOX REGIONAL GOVERNOR'S SCHOOL				
Assets				
Cash and cash equivalents	1,004,827	3,974,422	3,843,358	1,135,891
Accounts receivable	112	2,364	112	2,364
Due from other governments	21,720	26,000	21,720	26,000
Total assets	<u>\$ 1,026,659</u>	<u>\$ 4,002,786</u>	<u>\$ 3,865,190</u>	<u>\$ 1,164,255</u>
Liabilities				
Amounts held for others	<u>\$ 1,026,659</u>	<u>\$ 4,002,786</u>	<u>\$ 3,865,190</u>	<u>\$ 1,164,255</u>
TOTAL AGENCY FUNDS				
Assets				
Cash and cash equivalents	\$ 5,331,628	\$ 12,945,301	\$ 10,504,837	\$ 7,772,092
Investments with fiscal agent	1,500,000	-	1,500,000	-
Accounts receivable	1,283,531	368,577	1,239,185	412,923
Due from other governments	22,903	26,000	22,903	26,000
Restricted assets:				
Cash and cash equivalents	8,556,425	10,507,545	9,916,248	9,147,722
Cash, cash equivalents and investments with trustees	13,502,396	24,781,597	24,815,629	13,468,364
Interest receivable	79,202	164,000	79,202	164,000
Total restricted assets	<u>22,138,023</u>	<u>35,453,142</u>	<u>34,811,079</u>	<u>22,780,086</u>
Total assets	<u>\$ 30,276,085</u>	<u>\$ 48,793,020</u>	<u>\$ 48,078,004</u>	<u>\$ 30,991,101</u>
Liabilities				
Amounts held for others	<u>\$ 30,276,085</u>	<u>\$ 48,793,020</u>	<u>\$ 48,078,004</u>	<u>\$ 30,991,101</u>

**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, 2008

	<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	\$ 840,311	\$ -	\$ -	\$ -	\$ 840,311	\$ -
Board of Supervisors	7,933	-	-	-	7,933	-
Budget and Management	14,709	-	-	-	14,709	-
Commissioner of the Revenue	34,311	-	-	-	34,311	-
County Administrator	233,038	-	-	-	233,038	-
County Assessor	496,544	85,500	377,034	-	34,010	-
County Attorney	5,975	-	-	-	5,975	-
General Services	10,375,075	584,666	8,107,742	-	1,682,667	-
Human Resource Management	99,051	-	-	-	99,051	-
Information Systems Technology	23,765,243	129,800	5,405,099	-	18,230,344	-
Internal Audit	301,006	150,000	151,006	-	-	-
Registrar	17,452	-	-	-	17,452	-
Treasurer	1,875,554	-	-	-	1,875,554	-
Total general government	<u>38,066,202</u>	<u>949,966</u>	<u>14,040,881</u>	<u>-</u>	<u>23,075,355</u>	<u>-</u>
Administration of justice:						
Circuit Court Judges	13,715	-	-	-	13,715	-
Clerk of Circuit Court	235,197	-	-	-	235,197	-
Commonwealth's Attorney	20,536	-	-	-	20,536	-
Community Corrections Services	48,092	-	-	-	48,092	-
General District Court	24,426,093	22,441	23,602,535	-	801,117	-
Juvenile and Domestic Relations Court	17,481,679	53,173	17,250,223	-	178,283	-
Total administration of justice	<u>42,225,312</u>	<u>75,614</u>	<u>40,852,758</u>	<u>-</u>	<u>1,296,940</u>	<u>-</u>
Public safety:						
Animal Control	1,770,672	181,324	1,332,121	33,304	223,923	-
Building Inspections	2,279,494	105,932	110,100	-	2,063,462	-
Communications Center	27,999,530	71,740	63,858	-	27,863,932	-
Fire	63,163,448	1,600,055	29,251,402	295,458	32,016,533	-
Jail	28,766,558	19,950	28,530,328	-	216,280	-
Juvenile Detention Home	17,904,918	14,000	17,742,109	-	148,809	-
Police	43,064,717	1,607,606	24,267,253	57,022	17,132,836	-
Probation	41,884	-	-	-	41,884	-
Sheriff	3,575,797	-	-	-	3,575,797	-
Total public safety	<u>188,567,018</u>	<u>3,600,607</u>	<u>101,297,171</u>	<u>385,784</u>	<u>83,283,456</u>	<u>-</u>
Public works:						
Buildings and Grounds	10,194,665	3,412,722	2,728,844	2,779,898	1,273,201	-
Environmental Engineering	33,241,970	2,400	355,951	-	1,184,255	31,699,364
Waste and Resource Recovery	10,217,693	800,254	596,842	7,340,908	1,479,689	-
Total public works	<u>53,654,328</u>	<u>4,215,376</u>	<u>3,681,637</u>	<u>10,120,806</u>	<u>3,937,145</u>	<u>31,699,364</u>
Health and welfare:						
Health	28,199	-	-	-	28,199	-
Mental Health Support Services	14,794,383	212,137	13,518,831	-	1,063,415	-
Social Services	527,932	297,200	167,714	-	63,018	-
Total health and welfare	<u>15,350,514</u>	<u>509,337</u>	<u>13,686,545</u>	<u>-</u>	<u>1,154,632</u>	<u>-</u>

(Continued)

County of Chesterfield, Virginia
Schedule of Capital Assets Used in the Operation of Governmental Funds
by Function and Activity
June 30, 2008

	<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	\$ 25,700,282	\$ 3,034,357	\$ 19,879,790	\$ -	\$ 2,786,135	\$ -
Parks and Recreation	<u>51,126,306</u>	<u>11,468,180</u>	<u>7,483,395</u>	<u>28,320,699</u>	<u>3,854,032</u>	<u>-</u>
Total parks, recreation and cultural	<u>76,826,588</u>	<u>14,502,537</u>	<u>27,363,185</u>	<u>28,320,699</u>	<u>6,640,167</u>	<u>-</u>
Education:						
School Board	<u>762,469,237</u>	<u>26,444,836</u>	<u>723,814,221</u>	<u>12,210,180</u>	<u>-</u>	<u>-</u>
Community development:						
Community Development	19,296,145	-	18,712,365	-	583,780	-
Economic Development	<u>25,880</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,880</u>	<u>-</u>
Total community development	<u>19,322,025</u>	<u>-</u>	<u>18,712,365</u>	<u>-</u>	<u>609,660</u>	<u>-</u>
Total governmental funds capital assets allocated by function	1,196,481,224	<u>\$ 50,298,273</u>	<u>\$ 943,448,763</u>	<u>\$ 51,037,469</u>	<u>\$ 119,997,355</u>	<u>\$ 31,699,364</u>
Asset held for resale	9,225,000					
Construction in progress	<u>54,166,939</u>					
Total governmental funds capital assets	<u>\$ 1,259,873,163</u>					

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

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, 2008

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2008</u>
General government:				
Accounting	\$ 840,311	\$ -	\$ -	\$ 840,311
Board of Supervisors	7,933	-	-	7,933
Budget and Management	14,709	-	-	14,709
Commissioner of the Revenue	77,148	17,163	60,000	34,311
County Administrator	225,792	7,246	-	233,038
County Assessor	496,544	-	-	496,544
County Attorney	5,975	-	-	5,975
General Services	10,423,939	-	48,864	10,375,075
Human Resource Management	42,997	56,054	-	99,051
Information Systems Technology	18,291,035	5,474,208	-	23,765,243
Internal Audit	301,006	-	-	301,006
Registrar	17,452	-	-	17,452
Treasurer	1,875,554	-	-	1,875,554
Total general government	<u>32,620,395</u>	<u>5,554,671</u>	<u>108,864</u>	<u>38,066,202</u>
Administration of justice:				
Circuit Court Judges	13,715	-	-	13,715
Clerk of Circuit Court	146,968	88,229	-	235,197
Commonwealth's Attorney	20,536	-	-	20,536
Community Corrections Services	48,092	-	-	48,092
General District Court	23,634,349	791,744	-	24,426,093
Juvenile and Domestic Relations Court	16,652,639	829,040	-	17,481,679
Total administration of justice	<u>40,516,299</u>	<u>1,709,013</u>	<u>-</u>	<u>42,225,312</u>
Public safety:				
Animal Control	1,770,672	-	-	1,770,672
Building Inspections	2,270,764	8,730	-	2,279,494
Communications Center	27,787,987	211,543	-	27,999,530
Fire	58,647,534	5,174,291	658,377	63,163,448
Jail	28,671,560	94,998	-	28,766,558
Juvenile Detention Home	17,904,918	-	-	17,904,918
Police	42,150,309	2,004,464	1,090,056	43,064,717
Probation	41,884	-	-	41,884
Sheriff	3,626,626	29,928	80,757	3,575,797
Total public safety	<u>182,872,254</u>	<u>7,523,954</u>	<u>1,829,190</u>	<u>188,567,018</u>

(Continued)

County of Chesterfield, Virginia
Schedule of Changes in Capital Assets Used in the Operation of Governmental Funds
by Function and Activity
For the Year Ended June 30, 2008

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2008</u>
Public works:				
Buildings and Grounds	\$ 10,328,849	\$ 149,366	\$ 283,550	\$ 10,194,665
Environmental Engineering	32,228,602	1,020,600	7,232	33,241,970
Waste and Resource Recovery	10,332,235	223,843	338,385	10,217,693
Total public works	<u>52,889,686</u>	<u>1,393,809</u>	<u>629,167</u>	<u>53,654,328</u>
Health and welfare:				
Health	28,199	-	-	28,199
Mental Health Support Services	14,524,801	284,457	14,875	14,794,383
Social Services	527,932	-	-	527,932
Total health and welfare	<u>15,080,932</u>	<u>284,457</u>	<u>14,875</u>	<u>15,350,514</u>
Parks, recreation and cultural:				
Library	25,404,675	295,607	-	25,700,282
Parks and Recreation	48,363,650	2,906,304	143,648	51,126,306
Total parks, recreation and cultural	<u>73,768,325</u>	<u>3,201,911</u>	<u>143,648</u>	<u>76,826,588</u>
Education:				
School Board	663,439,361	99,150,003	120,127	762,469,237
Community development:				
Community Development	18,923,310	372,835	-	19,296,145
Economic Development	25,880	-	-	25,880
Total community development	<u>18,949,190</u>	<u>372,835</u>	<u>-</u>	<u>19,322,025</u>
Asset held for resale	9,225,000	-	-	9,225,000
Construction in progress	74,863,967	91,821,006	112,518,034	54,166,939
Total governmental funds' capital assets	<u>\$ 1,164,225,409</u>	<u>\$ 211,011,659</u>	<u>\$ 115,363,905</u>	<u>\$ 1,259,873,163</u>

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

County of Chesterfield, Virginia
Schedule of Capital Assets Used in the Operation of Governmental Funds
by Source
June 30, 2008

Governmental funds' capital assets:

Land	\$ 50,298,273
Buildings	943,448,763
Improvements other than buildings	51,037,469
Machinery and equipment	119,997,355
Infrastructure	31,699,364
Asset held for resale	9,225,000
Construction in progress	<u>54,166,939</u>
Total governmental funds' capital assets	<u>\$ 1,259,873,163</u>

Investment in governmental funds' capital assets by source:

General obligation bonds	\$ 853,060,118
General government revenues	282,589,551
Federal and State grants	21,291,856
Capital lease purchases	47,245,244
Special Revenue Fund revenues	5,669,429
Contributions from public	<u>50,016,965</u>
Total investment in governmental funds' capital assets	<u>\$ 1,259,873,163</u>

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

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, 2008

Special Revenue Fund

		<u>School Operating</u>
ASSETS		
Cash and cash equivalents	\$	21,888,487
Accounts receivable		529,346
Due from other governments		4,635,467
Due from primary government		77,263,844
Inventories		1,362,224
Total assets	\$	<u>105,679,368</u>
LIABILITIES		
Accounts payable	\$	8,458,314
Accrued liabilities		31,737,035
Deferred revenues		52,958
Deposits payable		100,000
Total liabilities		<u>40,348,307</u>
FUND BALANCE		
Reserved:		
Construction		34,277,965
Inventories		1,362,224
Cafeteria operations		14,062,585
Encumbrances		2,430,088
Specific programs		528,189
Total reserved		<u>52,661,051</u>
Unreserved:		
Designated		12,670,010
Total fund balance		<u>65,331,061</u>
Total liabilities and fund balance	\$	<u>105,679,368</u>
Total fund balance for School Operating Fund		\$ 65,331,061
Amounts reported for the School Board's governmental activities in the Statement of Net Assets 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.		17,599,514
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. This adjustment combines the net changes of the following balances:		
Compensated absences	\$	19,521,401
Judgments and claims		5,777,352
Retirement plan obligations, net		(9,765,652)
Other post employment benefits obligation		<u>(176,161)</u>
Net assets of the School Board's governmental activities		<u>\$ 67,573,635</u>

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, 2008

Special Revenue Fund

	<u>School Operating</u>	
Revenues		
From local sources:		
Use of money and property	\$ 2,001,335	
Charges for services	17,463,082	
Donations	694,566	
Miscellaneous	1,471,708	
Payment from primary government	314,603,869	
From other governments	<u>261,616,859</u>	
Total revenues	<u>597,851,419</u>	
Expenditures		
Current:		
Education	540,014,980	
Payment to primary government	<u>51,289,899</u>	
Total expenditures	<u>591,304,879</u>	
Excess of revenues over expenditures	6,546,540	
Fund balance, July 1, 2007	<u>58,784,521</u>	
Fund balance, June 30, 2008	<u>\$ 65,331,061</u>	
Net change in fund balance		\$ 6,546,540
Amounts reported for governmental activities in the Statement of Activities are different because:		
The governmental fund reports capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$7,372,004) were more than depreciation (\$4,711,448) in the current period.		2,660,556
The net effect of miscellaneous transactions involving capital assets (trade-ins, donations, and disposals) increased net assets.		855,382
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	(678,003)	
Judgments and claims	(1,511,360)	
Other post employment benefits obligation	176,161	
Retirement plan obligations	<u>916,329</u>	<u>(1,096,873)</u>
Change in net assets of governmental activities.		<u>\$ 8,965,605</u>

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, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
From local sources:				
Use of money and property	\$ 1,731,000	\$ 1,556,000	\$ 2,001,335	\$ 445,335
Charges for services	16,445,200	16,159,330	17,974,032	1,814,702
Donations	433,000	684,597	694,566	9,969
Miscellaneous	611,000	1,404,350	1,471,708	67,358
Recovered costs	1,853,000	1,496,358	1,769,423	273,065
From the Commonwealth	237,810,200	239,264,325	236,573,003	(2,691,322)
From the federal government	24,888,100	27,102,305	25,043,856	(2,058,449)
Total revenues	<u>283,771,500</u>	<u>287,667,265</u>	<u>285,527,923</u>	<u>(2,139,342)</u>
Expenditures				
Current:				
Education:				
Instruction	409,797,100	414,869,228	412,647,340	2,221,888
Administration, attendance and health	22,564,856	22,688,840	20,634,911	2,053,929
Pupil transportation	31,313,948	32,500,114	32,256,136	243,978
Operations and maintenance	60,833,051	63,344,605	58,975,493	4,369,112
Food service	17,950,958	18,392,069	17,781,473	610,596
Debt service	44,500,604	44,266,718	43,604,488	662,230
Total expenditures	<u>586,960,517</u>	<u>596,061,574</u>	<u>585,899,841</u>	<u>10,161,733</u>
Deficiency of revenues under expenditures	<u>(303,189,017)</u>	<u>(308,394,309)</u>	<u>(300,371,918)</u>	<u>8,022,391</u>
Other financing sources (uses)				
Transfers in:				
General Fund	312,781,400	316,349,665	314,520,476	(1,829,189)
Transfers out:				
County Capital Projects Fund	-	(360,100)	(506)	359,594
School Capital Projects Fund	(20,692,350)	(45,141,713)	(5,894,705)	39,247,008
Comprehensive Services Fund	(1,790,200)	(1,790,200)	(1,790,200)	-
Total transfers out	<u>(22,482,550)</u>	<u>(47,292,013)</u>	<u>(7,685,411)</u>	<u>39,606,602</u>
Premium on bonds issued	679,800	83,400	83,393	(7)
Total other financing sources, net	<u>290,978,650</u>	<u>269,141,052</u>	<u>306,918,458</u>	<u>37,777,406</u>
Net change in fund balance	(12,210,367)	(39,253,257)	6,546,540	45,799,797
Fund balance, July 1, 2007	58,784,521	58,784,521	58,784,521	-
Fund balance, June 30, 2008	<u>\$ 46,574,154</u>	<u>\$ 19,531,264</u>	<u>\$ 65,331,061</u>	<u>\$ 45,799,797</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, 2008

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.	\$ 285,527,923
For budgetary purposes, interfund reimbursements and recovered costs are accounted for as revenues and expenditures but are eliminated for financial reporting purposes.	(2,280,373)
Budgetary transfers from the primary government are revenues for financial reporting purposes.	314,520,476
Proceeds from debt issued by the primary government "on behalf" of the School Board are revenues for financial reporting purposes.	<u>83,393</u>
Total revenues on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u><u>\$ 597,851,419</u></u>

Expenditures

Total expenditures on the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual.	\$ 585,899,841
For budgetary purposes, interfund reimbursements and recovered costs are accounted for as revenues and expenditures but are eliminated for financial reporting purposes.	(2,280,373)
Budgetary transfers to the primary government are expenditures for financial reporting purposes.	<u>7,685,411</u>
Total expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u><u>\$ 591,304,879</u></u>

Other financing sources (uses)

Total other financing sources on the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual.	\$ 306,918,458
Budgetary transfers from the primary government are revenues for financial reporting purposes.	(314,520,476)
Proceeds from debt issued by the primary government "on behalf" of the School Board are revenues for financial reporting purposes.	(83,393)
Budgetary transfers to the primary government are expenditures for financial reporting purposes.	<u>7,685,411</u>
Total other financing sources on the Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds.	<u><u>\$ -</u></u>

**County of Chesterfield, Virginia
Discretely Presented Component Unit - School Board
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008**

	<u>Pension Trust</u>	<u>Agency Funds</u>
	<u>Supplemental Retirement Program</u>	<u>School Activities</u>
ASSETS		
Cash and cash equivalents	\$ -	\$ 5,294,050
Cash, cash equivalents and investments with trustees	15,816,308	-
Interest receivable	708	-
Total assets	<u>\$ 15,817,016</u>	<u>\$ 5,294,050</u>
LIABILITIES		
Amounts held for others	<u>\$ -</u>	<u>\$ 5,294,050</u>
NET ASSETS		
Held in trust for pension benefits	<u>\$ 15,817,016</u>	

County of Chesterfield, Virginia
Discretely Presented Component Unit - School Board
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2008

	<u>Pension Trust</u>
	<u>Supplemental Retirement Program</u>
Additions	
Contributions	\$ 9,179,045
Investment earnings (loss):	
Interest and dividends	87,524
Net decrease in the fair value of investments	<u>(170,312)</u>
Net investment loss	<u>(82,788)</u>
Total additions	<u>9,096,257</u>
Deductions	
Benefit payments	9,577,948
Administrative expenses	<u>128,738</u>
Total deductions	<u>9,706,686</u>
Change in net assets	(610,429)
Net assets - July 1, 2007	<u>16,427,445</u>
Net assets - June 30, 2008	<u>\$ 15,817,016</u>

SINGLE AUDIT SCHEDULE AND NOTES

County of Chesterfield, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

<u>Federal Granting Agency/Recipient State Agency/Grant Program</u>	<u>Federal catalog number</u>	<u>Federal expenditures</u>
DEPARTMENT OF AGRICULTURE:		
Direct payments:		
Department of Agriculture:		
Child and Adult Care Food Program	10.558	\$ 24,669
Pass through payments:		
Department of Agriculture:		
Food Donations/Non-Cash	10.550	670,056
Department of Education:		
National School Lunch Program	10.555	3,990,893
School Breakfast Program	10.553	636,764
Department of Juvenile Justice:		
National School Lunch Program	10.555	64,318
Department of Social Services:		
State Administrative Matching Grants for Food Stamp Program	10.561	1,257,500
DEPARTMENT OF DEFENSE:		
Direct payments:		
JROTC	12.XXX	187,408
Planning Assistance to States	12.110	4,587
DEPARTMENT OF EDUCATION:		
Pass through payments:		
Department of Education:		
Adult Education - State Grant Program	84.002	284,196
Career and Technical Education - Basic Grants to States	84.048	635,288
Education Technology State Grants	84.318	9,261
English Language Acquisition Grants	84.365	203,123
Fund for the Improvement of Education	84.215	335,218
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	37,366
Improving Teacher Quality - State Grants	84.367	1,120,046
Safe and Drug-Free Schools and Communities - State Grants	84.186	143,212
Special Education - Grants for Infants and Families with Disabilities	84.181	878,036
Special Education - Grants to States	84.027	10,172,173
Special Education - Preschool Grants	84.173	207,935
State Grants for Innovative Programs	84.298	38,244
Teacher Quality Enhancement Grants	84.336	330,785
Title I Grants to Local Educational Agencies	84.010	4,383,450
Title I Program for Neglected and Delinquent Children	84.013	11,258
Twenty-First Century Community Learning Centers	84.287	467,677

(Continued)

County of Chesterfield, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

Federal Granting Agency/Recipient State Agency/Grant Program	Federal catalog number	Federal expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
Direct payments:		
Head Start	93.600	\$ 1,254,190
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	475,205
Pass through payments:		
Department of Education:		
Refugee and Entrant Assistance - Discretionary Grants	93.576	4,998
Department of Mental Health, Mental Retardation and Substance Abuse Services:		
Block Grants for Community Mental Health Services	93.958	93,241
Block Grants for Prevention and Treatment of Substance Abuse	93.959	1,420,324
Department of Social Services:		
Adoption Assistance	93.659	372,013
Chafee Education and Training Vouchers Program (ETV)	93.599	14,461
Chafee Foster Care Independence Program	93.674	23,993
Child Care and Development Block Grant	93.575	1,296,526
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	1,575,529
Child Welfare Services - State Grants	93.645	8,159
Low-Income Home Energy Assistance	93.568	1,091,698
Medical Assistance Program	93.778	18,831
Preventive Health and Health Services Block Grant	93.991	966,737
Promoting Safe and Stable Families	93.556	351,683
Refugee and Entrant Assistance - State Administered Programs	93.566	13,735
Social Services Block Grant	93.667	1,315,078
State Children's Insurance Program	93.767	38,958
Temporary Assistance for Needy Families	93.558	1,016,455
DEPARTMENT OF HOMELAND SECURITY:		
Direct payments:		
State Domestic Preparedness Equipment Support Program	97.004	278,262
Pass through payments:		
Department of Emergency Management:		
Urban Areas Security Initiative	97.008	1,079,914
Department of Emergency Services:		
Emergency Planning Grant	97.053	9,510
Homeland Security Grant Program	97.067	73,063

(Continued)

County of Chesterfield, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

Federal Granting Agency/Recipient State Agency/Grant Program	Federal catalog number	Federal expenditures
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:		
Direct payments:		
Community Development Block Grants/Entitlement Grants	14.218	\$ 1,183,082
HOME Investment Partnerships Program	14.239	282,860
Pass through payments:		
Housing Development Authority:		
Section 8 Housing Choice Vouchers	14.871	339,463
DEPARTMENT OF JUSTICE:		
Direct payments:		
Enhanced Training and Services to End Violence and Abuse of Women Later in Life	16.528	1,437
Public Safety Partnership and Community Policing Grants (COPS)	16.710	350,625
State Criminal Alien Assistance Program	16.606	121,677
Pass through payments:		
Department of Criminal Justice Services:		
Crime Victim Assistance	16.575	238,957
Edward Byrne Memorial Formula Grant Program	16.579	304,006
Edward Byrne Memorial Justice Assistance Grant Program	16.738	53,644
Juvenile Accountability Block Grants	16.523	16,999
Violence Against Women Formula Grants	16.588	119,035
DEPARTMENT OF TRANSPORTATION:		
Direct payments:		
Department of Aviation:		
Airport Improvement Program	20.106	5,941,945
Pass through payments:		
Department of Motor Vehicles:		
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	67,666
Click it or Ticket	20.605	1,500
State and Community Highway Safety	20.600	26,326
ENVIRONMENTAL PROTECTION AGENCY:		
Direct payments:		
Chesapeake Bay Program	66.466	6,782
Total		<u>\$ 47,942,030</u>

See notes to Schedule of Expenditures of Federal Awards.

County of Chesterfield, Virginia
Notes to Schedule of Expenditures
of Federal Awards
For the Year Ended June 30, 2008

1. General

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

2. Basis of Accounting

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

3. Relationship to Financial Statements

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

<u>Fund</u>	<u>Federal Expenditures</u>
<u>Primary Government</u>	
Governmental Activities	
General Fund	\$ 11,098,461
Non-major - Grants Fund	<u>5,759,648</u>
Total Governmental Activities	<u>16,858,109</u>
Business-type Activities	
Non-major - Airport Fund	<u>5,941,945</u>
Total Business-type Activities	<u>5,941,945</u>
Total Primary Government	22,800,054
 <u>Component Unit</u>	
Governmental Activities	
School Operating Fund	<u>25,141,976</u>
Total	<u>\$ 47,942,030</u>

4. Sub-recipient payments

The total amount pass-through entities received during the fiscal year was \$473,480 from the Community Development Block Grants.

STATISTICAL SECTION

STATISTICAL SECTION

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

	<u>Pages</u>
Financial Trends	137-141
<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	142-146
<i>These schedules contain information to help the reader assess Chesterfield's most significant local revenue source, property tax.</i>	
Debt Capacity	147-149
<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	150-151
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which Chesterfield operates.</i>	
Operating Information	152-154
<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. The County implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.*

County of Chesterfield, Virginia
Net Assets By Component
Last Seven Fiscal Years ⁽¹⁾
(accrual basis of accounting)

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Governmental activities ⁽²⁾							
Invested in capital assets, net of related debt	\$ 306,101,715	\$ 341,091,865	\$ 360,274,011	\$ 394,677,734	\$ 415,009,147	\$ 458,603,478	\$ 487,741,373
Restricted	10,344,064	12,565,206	21,886,605	21,171,516	28,938,619	23,244,451	50,295,285
Unrestricted	66,345,383	75,857,637	86,997,476	93,680,842	139,045,238	147,996,016	146,155,019
Total governmental activities net assets	<u>\$ 382,791,162</u>	<u>\$ 429,514,708</u>	<u>\$ 469,158,092</u>	<u>\$ 509,530,092</u>	<u>\$ 582,993,004</u>	<u>\$ 629,843,945</u>	<u>\$ 684,191,677</u>
Business-type activities							
Invested in capital assets, net of related debt	\$ 425,633,265	\$ 439,334,850	\$ 461,469,394	\$ 491,770,030	\$ 527,588,688	\$ 572,127,628	\$ 610,029,676
Restricted ⁽³⁾	10,907,407	32,974,700	18,071,837	14,745,218	14,308,324	19,148,367	17,242,966
Unrestricted	138,449,164	132,498,886	154,219,760	164,171,506	174,806,732	182,230,930	190,257,781
Total business-type activities net assets	<u>\$ 574,989,836</u>	<u>\$ 604,808,436</u>	<u>\$ 633,760,990</u>	<u>\$ 670,686,754</u>	<u>\$ 716,703,744</u>	<u>\$ 773,506,925</u>	<u>\$ 817,530,423</u>
Primary government							
Invested in capital assets, net of related debt	\$ 731,734,980	\$ 780,426,715	\$ 821,743,405	\$ 886,447,764	\$ 942,597,835	\$ 1,030,731,106	\$ 1,097,771,049
Restricted	21,251,471	45,539,906	39,958,442	35,916,734	43,246,943	42,392,818	67,538,251
Unrestricted	204,794,547	208,356,523	241,217,236	257,852,348	313,851,970	330,226,946	336,412,800
Total primary government net assets	<u>\$ 957,780,998</u>	<u>\$ 1,034,323,144</u>	<u>\$ 1,102,919,082</u>	<u>\$ 1,180,216,846</u>	<u>\$ 1,299,696,748</u>	<u>\$ 1,403,350,870</u>	<u>\$ 1,501,722,100</u>

(1) The County began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002.

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

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

County of Chesterfield, Virginia
Changes in Net Assets
Last Seven Fiscal Years⁽¹⁾
(accrual basis of accounting)

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Expenses							
Governmental activities							
General government	\$ 32,479,929	\$ 37,999,304	\$ 38,236,017	\$ 45,695,112	\$ 46,460,964	\$ 53,941,385	\$ 62,125,394
Administration of justice	10,075,422	7,993,285	8,402,004	9,333,004	9,984,083	9,578,091	9,433,583
Public safety	96,084,504	103,201,382	111,347,750	121,761,928	131,672,438	145,470,820	152,400,203
Public works	18,990,761	20,917,172	20,240,164	24,776,442	21,642,615	39,031,478	34,242,662
Health and welfare	52,936,782	47,259,986	52,030,499	56,999,992	60,543,646	67,477,015	72,490,313
Parks, recreation and cultural	17,534,596	18,431,310	20,359,198	20,155,901	21,328,956	22,528,120	25,048,041
Education - School Board	238,248,940	264,255,339	301,516,892	275,058,438	287,052,952	336,542,438	337,236,438
Community development	10,760,008	12,508,312	12,876,300	13,978,515	14,179,400	14,444,469	16,697,501
Interest on long-term debt	18,138,041	16,850,391	17,177,171	19,752,479	19,433,153	21,477,059	23,272,102
Total governmental activities expenses	495,248,983	529,416,481	582,185,995	587,511,811	612,298,207	710,490,875	732,946,237
Business-type activities							
Water	22,734,705	22,146,750	21,986,759	24,413,374	27,674,062	30,001,661	33,897,447
Wastewater	23,347,670	22,973,022	23,731,419	28,322,391	26,480,048	26,829,256	28,359,324
Airport	1,083,672	1,222,035	1,166,102	1,544,038	1,419,586	1,363,653	1,830,406
Total business-type activities expenses	47,166,047	46,341,807	46,884,280	54,279,803	55,573,696	58,194,570	64,087,177
Total primary government expenses	\$ 542,415,030	\$ 575,758,288	\$ 629,070,275	\$ 641,791,614	\$ 667,871,903	\$ 768,685,445	\$ 797,033,414
Program Revenues							
Governmental activities							
Charges for services:							
General government	\$ 8,726,528	\$ 9,410,251	\$ 11,750,722	\$ 14,740,613	\$ 17,617,418	\$ 18,494,228	\$ 22,610,238
Public safety	7,516,390	10,734,271	11,190,249	12,515,330	12,700,056	12,854,109	15,189,151
Health and welfare	12,019,213	12,429,986	13,935,877	15,000,118	16,606,647	18,831,152	19,579,694
Other activities	12,154,488	11,638,695	11,963,781	13,397,249	11,808,179	13,475,548	14,099,296
Operating grants and contributions	81,963,760	73,666,254	79,620,341	89,610,129	95,949,288	101,631,282	103,539,529
Capital grants and contributions	3,824,436	8,145,176	13,157,445	14,010,139	13,628,258	23,599,820	22,402,657
Total governmental activities program revenues	126,204,815	126,024,633	141,618,415	159,273,578	168,309,846	188,886,139	197,420,565
Business-type activities							
Charges for services:							
Water	23,218,250	22,848,077	22,933,096	24,061,227	28,162,945	31,263,930	33,171,182
Wastewater	21,974,731	22,413,097	22,385,369	24,917,744	25,683,159	28,040,156	28,844,584
Airport	513,185	505,016	571,349	734,227	793,318	713,269	815,883
Capital grants and contributions	25,700,506	28,329,805	29,975,046	40,249,985	43,624,718	49,668,211	40,063,647
Total business-type activities program revenues	71,406,672	74,095,995	75,864,860	89,963,183	98,264,140	109,685,566	102,895,296
Total primary government program revenues	\$ 197,611,487	\$ 200,120,628	\$ 217,483,275	\$ 249,236,761	\$ 266,573,986	\$ 298,571,705	\$ 300,315,861

(Continued)

County of Chesterfield, Virginia
Changes in Net Assets
Last Seven Fiscal Years⁽¹⁾
(accrual basis of accounting)

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Net (Expense)/Revenue							
Governmental activities	\$ (369,044,168)	\$ (403,391,848)	\$ (440,567,580)	\$ (428,238,233)	\$ (443,988,361)	\$ (521,604,736)	\$ (535,525,672)
Business-type activities	24,240,625	27,754,188	28,980,580	35,693,380	42,690,444	51,490,996	38,808,119
Total primary government net expense	<u>\$ (344,803,543)</u>	<u>\$ (375,637,660)</u>	<u>\$ (411,587,000)</u>	<u>\$ (392,554,853)</u>	<u>\$ (401,297,917)</u>	<u>\$ (470,113,740)</u>	<u>\$ (496,717,553)</u>
General Revenues and Other Changes in Net Assets							
Governmental activities							
Taxes: ⁽²⁾							
Property taxes, levied for general purposes	\$ 223,160,879	\$ 237,104,053	\$ 252,733,579	\$ 280,625,081	\$ 311,387,656	\$ 336,151,532	\$ 368,792,917
Property taxes, levied for special purposes	-	-	-	-	52,565	158,435	318,644
Utility taxes	12,749,973	14,202,177	14,804,378	15,510,660	15,847,696	17,092,203	19,539,935
Sales taxes	28,561,242	30,356,010	32,770,997	34,673,367	37,678,256	39,708,387	40,736,677
Motor vehicle licenses	5,810,096	5,709,976	6,049,304	6,187,924	6,458,496	6,626,608	6,204,690
Business license taxes	15,771,642	15,153,669	16,717,257	16,392,877	17,510,915	16,612,402	17,499,296
Other	11,040,274	14,267,199	15,689,956	17,974,278	20,994,261	18,678,250	15,014,721
Payment from School Board	92,264,494	83,420,794	93,378,084	56,724,170	42,426,235	64,127,744	52,059,151
Unrestricted grants and contributions	46,460,335	46,925,585	46,423,907	51,785,443	54,124,100	53,281,156	52,754,645
Investment earnings	3,002,219	1,855,119	2,174,800	4,638,160	9,046,080	13,396,400	14,571,536
Miscellaneous	1,338,685	451,082	66,580	66,645	322,305	506,935	298,620
Extraordinary loss - Hurricane Isabel	-	-	(1,757,615)	-	-	-	-
Special item - Meadowville Support Agreement	-	-	-	(18,120,000)	-	-	-
Transfers	1,032,776	669,730	1,159,737	2,151,628	1,602,708	2,115,625	2,082,572
Total governmental activities	<u>441,192,615</u>	<u>450,115,394</u>	<u>480,210,964</u>	<u>468,610,233</u>	<u>517,451,273</u>	<u>568,455,677</u>	<u>589,873,404</u>
Business-type activities							
Investment earnings	4,313,028	2,734,142	1,131,711	3,394,012	4,929,254	7,427,810	7,297,951
Transfers	(1,032,776)	(669,730)	(1,159,737)	(2,151,628)	(1,602,708)	(2,115,625)	(2,082,572)
Total business-type activities	<u>3,280,252</u>	<u>2,064,412</u>	<u>(28,026)</u>	<u>1,242,384</u>	<u>3,326,546</u>	<u>5,312,185</u>	<u>5,215,379</u>
Total primary government	<u>\$ 444,472,867</u>	<u>\$ 452,179,806</u>	<u>\$ 480,182,938</u>	<u>\$ 469,852,617</u>	<u>\$ 520,777,819</u>	<u>\$ 573,767,862</u>	<u>\$ 595,088,783</u>
Change in Net Assets							
Governmental activities	\$ 72,148,447	\$ 46,723,546	\$ 39,643,384	\$ 40,372,000	\$ 73,462,912	\$ 46,850,941	\$ 54,347,732
Business-type activities	27,520,877	29,818,600	28,952,554	36,925,764	46,016,990	56,803,181	44,023,498
Total primary government ⁽³⁾	<u>\$ 99,669,324</u>	<u>\$ 76,542,146</u>	<u>\$ 68,595,938</u>	<u>\$ 77,297,764</u>	<u>\$ 119,479,902</u>	<u>\$ 103,654,122</u>	<u>\$ 98,371,230</u>

(1) The County began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002.

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

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

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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund										
Reserved	\$ 30,170,885	\$ 36,455,499	\$ 42,650,709	\$ 47,598,665	\$ 46,844,230	\$ 56,289,287	\$ 60,217,325	\$ 57,567,067	\$ 56,654,285	\$ 60,076,202
Unreserved:										
Designated	21,493,623	20,546,235	19,049,267	23,301,909	14,724,307	9,063,976	24,644,489	44,509,640	74,513,087	76,568,430
Undesignated	36,694,598	45,558,346	48,355,154	42,493,947	42,264,186	49,403,726	56,277,457	71,444,558	65,204,348	70,704,544
Total unreserved	58,188,221	66,104,581	67,404,421	65,795,856	56,988,493	58,467,702	80,921,946	115,954,198	139,717,435	147,272,974
Total General Fund	\$ 88,359,106	\$ 102,560,080	\$ 110,055,130	\$ 113,394,521	\$ 103,832,723	\$ 114,756,989	\$ 141,139,271	\$ 173,521,265	\$ 196,371,720	\$ 207,349,176
All Other Governmental Funds ⁽¹⁾										
Reserved	\$ 81,246,381	\$ 60,311,173	\$ 75,182,136	\$ 44,486,087	\$ 42,625,091	\$ 98,108,247	\$ 79,831,868	\$ 110,878,641	\$ 116,622,619	\$ 154,588,206
Unreserved, reported in:										
School Capital Projects Fund ⁽²⁾	-	-	-	(8,544,469)	-	-	-	-	-	(10,590,936)
Special Revenue Funds	387,734	351,815	(133,233)	(60,265)	97,206	(138,825)	(206,838)	-	1,132,514	2,281,047
Total all other governmental funds	\$ 81,634,115	\$ 60,662,988	\$ 75,048,903	\$ 35,881,353	\$ 42,722,297	\$ 97,969,422	\$ 79,625,030	\$ 110,878,641	\$ 117,755,133	\$ 146,278,317

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

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

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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues										
General property taxes	\$ 203,614,346	\$ 210,401,359	\$ 211,945,641	\$ 221,488,509	\$ 236,710,581	\$ 253,448,743	\$ 279,900,006	\$ 310,422,872	\$ 335,039,531	\$ 367,784,907
Other local taxes	66,259,681	69,749,676	73,098,977	73,933,227	79,689,031	86,031,892	90,739,106	98,347,138	98,717,849	98,995,319
Permits, fees and licenses	8,257,785	8,517,573	9,108,265	8,541,426	5,816,000	6,806,680	7,928,524	7,522,107	7,279,086	6,411,648
Fines and forfeitures	1,193,858	1,052,861	1,222,372	1,175,928	1,303,907	1,876,556	2,180,571	1,682,991	1,584,802	2,555,991
Use of money and property	7,928,067	9,165,717	9,142,809	4,495,374	2,339,287	1,764,281	4,631,122	9,093,797	15,135,424	14,866,249
Charges for services	9,908,931	11,740,536	15,741,645	19,203,260	22,314,638	23,846,306	25,811,910	28,033,471	30,297,026	32,596,470
Donations and miscellaneous	8,122,261	4,753,852	5,018,555	5,607,703	8,187,151	11,965,401	11,303,788	11,087,191	10,490,699	11,576,794
Recovered costs	4,838,065	8,057,391	6,280,363	2,359,636	8,871,170	8,164,667	8,722,741	8,738,443	10,881,339	12,445,614
From component unit - School Board	33,015,184	33,232,707	34,946,209	39,757,684	65,914,353	93,368,159	56,715,270	42,568,721	64,105,686	51,289,900
From other governments	89,264,017	109,664,099	124,524,574	127,851,962	120,642,033	125,467,792	145,595,474	148,832,439	168,430,765	168,241,737
Total revenues	432,402,195	466,335,771	491,029,410	504,414,709	549,788,151	612,740,477	633,528,512	666,329,170	741,962,200	766,764,629
Expenditures										
General government	22,957,020	25,270,454	26,879,503	25,619,379	29,066,814	30,668,010	34,046,235	35,801,627	38,878,557	46,365,935
Administration of justice	6,238,553	6,764,146	7,161,973	7,899,031	7,286,110	8,457,969	9,863,338	8,265,185	9,039,329	9,039,329
Public safety	72,174,363	81,491,757	87,967,147	91,022,819	100,207,259	108,340,259	118,326,162	127,463,261	139,138,082	145,924,583
Public works	11,218,781	12,433,524	13,073,296	14,429,637	14,714,025	15,417,078	17,793,956	16,792,195	18,601,326	19,996,286
Health and welfare	38,094,518	43,869,113	48,135,855	52,445,521	46,669,182	51,369,561	56,877,271	60,689,166	66,941,306	72,087,641
Parks, recreation and cultural	10,920,248	11,909,548	13,322,671	15,336,142	15,147,360	17,563,791	18,168,394	19,054,909	21,326,681	21,326,681
Education	172,945,272	188,650,347	201,704,700	210,589,968	247,989,442	279,750,931	252,976,793	261,521,532	311,151,647	314,603,869
Community development	7,403,575	7,879,152	8,230,728	10,607,126	12,254,885	12,908,998	12,975,808	12,833,578	13,775,065	14,966,770
Non-departmental	7,528,010	7,091,720	9,396,454	-	-	-	-	-	-	-
Debt service:										
Principal	27,915,971	29,787,541	32,442,594	33,879,257	34,357,772	34,429,508	33,843,492	36,738,215	39,106,776	41,352,282
Interest	15,951,113	15,977,299	16,614,708	18,311,916	16,815,327	16,950,600	17,941,758	18,823,764	20,248,273	22,184,734
Other	316,213	130,422	468,090	281,511	1,435,123	1,797,522	911,410	421,006	964,441	550,556
Capital outlay	57,656,597	79,855,797	78,863,758	85,709,954	58,547,715	52,885,085	99,491,245	82,099,100	113,531,642	120,756,601
Total expenditures	451,330,234	511,110,820	544,261,477	566,132,261	584,491,014	628,604,408	671,205,890	681,215,176	789,657,209	829,155,267
Excess of expenditures over revenues	(18,928,039)	(44,775,049)	(53,232,067)	(61,717,552)	(34,702,863)	(15,863,931)	(37,677,378)	(14,886,006)	(47,695,009)	(62,390,638)
Other Financing Sources (Uses)										
Transfers in	6,152,947	11,513,058	12,511,955	14,858,718	31,046,563	21,551,169	24,869,121	26,252,697	26,656,114	30,526,922
Transfers out	(6,062,947)	(11,415,058)	(10,554,826)	(13,930,525)	(30,400,379)	(20,163,432)	(22,750,163)	(26,476,088)	(24,544,948)	(28,506,784)
Certificates of participation issued	16,100,000	-	14,572,947	-	6,147,772	21,162,581	25,432,065	12,059,526	-	22,885,927
Bonds issued	29,530,464	38,050,000	60,812,951	23,749,406	24,993,598	60,178,944	17,643,695	66,685,476	75,256,772	76,985,213
Refunding bonds issued	46,209,950	-	-	-	33,076,575,000	66,940,137	21,563,926	25,680,236	-	-
Payments to escrow agent	(46,206,871)	-	-	-	(32,882,120)	(65,936,527)	(21,043,376)	-	(25,626,218)	-
Proceeds from sale of land	-	-	-	1,200,000	-	(1,697,550)	-	-	-	-
Extraordinary loss - Hurricane Isabel	-	-	-	-	-	-	-	-	-	-
Total other financing sources	45,723,543	38,148,000	77,343,027	25,877,599	31,982,009	82,035,322	45,715,268	78,521,611	77,421,956	101,891,278
Net change in fund balances	\$ 26,795,504	\$ (6,627,049)	\$ 24,110,960	\$ (35,839,953)	\$ (2,720,854)	\$ 66,171,391	\$ 8,037,890	\$ 63,635,605	\$ 29,726,947	\$ 39,500,640
Debt service as a percentage of noncapital expenditures	N/A	N/A	N/A	10.76%	9.84%	9.04%	8.97%	9.04%	8.54%	8.75%

Notes:
 Beginning in fiscal year 2003, the School Capital Projects Fund was included as a major fund of the primary government. For fiscal years 1999-2002, amounts have been restated to include revenues and expenditures of School Capital Projects Fund as well as reclassifying debt payments and assets from the School Operating Fund.
 N/A - Prior to 2002, the breakdown between capital outlay and capital assets was not available.

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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Real property taxes	\$ 136,650,853	\$ 146,285,077	\$ 155,783,930	\$ 165,693,615	\$ 181,105,449	\$ 197,247,004	\$ 218,288,289	\$ 243,289,086	\$ 267,879,286	\$ 295,937,075
Property taxes for special purposes	-	-	-	-	-	-	-	52,565	158,435	318,644
Personal property taxes ⁽¹⁾	59,959,385	66,775,421	71,259,761	73,247,163	74,030,236	74,944,122	84,205,053	89,700,137	90,857,452	94,275,917
Real and personal public service corporation taxes	11,454,261	12,146,305	12,478,432	12,532,004	12,628,617	11,745,691	11,381,857	10,366,883	9,357,842	10,772,082
Machinery and tools taxes	4,176,747	4,624,204	4,600,930	4,600,637	3,971,207	4,155,915	4,399,948	4,506,163	5,629,855	4,369,496
Local sales and use tax	25,337,501	26,579,573	27,945,991	28,561,242	30,356,010	32,770,997	34,673,367	37,678,256	39,708,387	40,736,677
Business license taxes ⁽²⁾	17,001,129	17,744,073	18,621,942	15,771,642	15,153,669	16,717,257	16,392,877	17,510,915	16,612,402	17,499,296
Consumer utility tax	9,841,450	10,553,141	11,165,089	12,749,973	14,202,177	14,804,378	15,510,660	15,847,696	17,092,203	19,539,935
Emergency 911 tax ⁽⁴⁾	3,108,677	3,725,125	3,714,559	3,777,052	3,717,959	3,813,252	3,708,252	3,616,838	1,748,921	-
Motor vehicle licenses	4,672,334	5,022,383	5,363,728	5,810,096	5,709,976	6,049,304	6,187,924	6,458,496	6,626,608	6,204,690
Recordation tax	2,478,052	2,065,685	2,203,652	3,068,710	3,549,252	4,143,559	6,292,804	8,384,766	7,626,619	6,096,549
Transient occupancy tax	2,718,149	3,016,509	2,994,439	3,070,340	3,278,071	3,681,635	3,637,137	4,026,848	4,183,839	4,468,629
Cable franchise fees ⁽⁴⁾	2,061,575	2,337,355	2,607,946	2,910,787	2,817,728	2,962,381	3,134,764	3,426,398	3,773,163	3,227,272
Other taxes ⁽³⁾	3,286,295	3,448,903	3,704,560	3,514,018	3,676,326	3,652,803	4,271,805	4,076,856	4,256,532	4,418,519
Total	\$ 282,746,408	\$ 304,323,754	\$ 322,444,959	\$ 335,307,279	\$ 354,196,677	\$ 376,688,298	\$ 412,084,737	\$ 448,941,903	\$ 475,511,544	\$ 507,864,781

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

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

(2) For tax year 2000, the County began allowing businesses to exempt \$40,000 (increased to \$200,000 in 2002) of their gross receipts from the calculation of the gross receipts portion of the business license tax.

(3) Includes penalties and interest on property taxes.

(4) The cable franchise fees from new contracts and the Emergency 911 tax are now being reported with consumer utility taxes due to legislation enacted by the General Assembly.

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

Fiscal Year	Real Estate ⁽²⁾		Commercial/ industrial	Personal property	Machinery and tools	Real estate	Public Service	
	Residential						Personal property	Total
1999	\$ 10,141,884,416	\$ 2,844,081,353	\$ 2,183,504,472	\$ 418,692,590	\$ 1,040,948,041	\$ 5,083,574	\$ 1,046,031,615	\$ 16,634,194,446
2000	10,787,903,104	3,063,532,205	2,546,806,658	463,854,340	1,109,597,338	4,482,198	1,114,079,536	17,976,175,843
2001	11,394,644,801	3,347,617,622	2,652,075,485	465,454,400	1,144,658,944	4,468,798	1,149,127,742	19,008,920,050
2002	12,561,682,015	3,534,584,450	2,700,621,549	462,130,730	1,149,647,254	5,124,511	1,154,771,765	20,413,790,509
2003	13,688,518,943	3,736,944,720	2,743,027,918	400,004,490	1,165,886,377	4,671,611	1,170,557,988	21,739,054,059
2004	15,193,604,463	3,986,717,185	2,859,112,605	420,079,114	1,080,688,980	6,513,403	1,087,202,383	23,546,715,750
2005	16,889,432,228	4,503,087,387	3,204,392,990	404,752,040	1,056,394,071	3,887,951	1,060,282,022	26,061,946,667
2006	19,509,239,881	4,965,460,886	3,392,314,230	457,959,170	974,859,401	2,832,754	977,692,155	29,302,666,322
2007	23,439,147,536	5,458,439,780	3,401,486,749	543,314,870	922,787,450	3,243,451	926,030,901	33,768,419,836
2008	26,476,217,323	6,286,058,061	3,499,786,465	435,488,170	1,111,987,213	2,530,913	1,114,518,126	37,812,068,145

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) The 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**

Fiscal Year	Personal Property									
	Real estate	Airplanes	Motor vehicles clean	Motor vehicles of voluntary personnel ⁽¹⁾	Wild or exotic animals	Special equipped motor vehicles physically handicapped	Vehicle trailer and semi-trailer ⁽²⁾	All others ⁽³⁾	Machinery and tools	
1999	\$ 1.08	\$ 0.50	\$ 3.24	\$ 0.96	\$ 0.01	N/A	\$ 0.96	\$ 3.60	\$ 1.00	
2000	1.08	0.50	3.24	0.96	0.01	N/A	0.96	3.60	1.00	
2001	1.08	0.50	3.24	0.96	0.01	N/A	0.96	3.60	1.00	
2002	1.08/1.07 ⁽⁴⁾	0.50	3.24	0.96	0.01	N/A	0.96	3.60	1.00	
2003	1.07	0.50	3.24	0.96	0.01	N/A	0.96	3.60	1.00	
2004	1.07	0.50	3.24	0.96	0.01	N/A	0.96	3.60	1.00	
2005	1.07	0.50	3.24	0.96	0.01	\$ 0.01	0.96	3.60	1.00	
2006	1.07/1.04 ^{(4) (5)}	0.50	3.24	0.96	0.01	0.01	0.96	3.60	1.00	
2007	1.04/0.97 ^{(4) (5)}	0.50	3.24	0.96	0.01	0.01	0.96	3.60	1.00	
2008	0.97/0.95 ^{(4) (5)}	0.50	3.24	0.96	0.01	0.01	0.96	3.60	1.00	

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 tax year.

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

N/A = not applicable

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

Taxpayer	2008			1999		
	Assessed value ⁽¹⁾	Percentage of total assessed valuation	Rank	Assessed value ⁽¹⁾	Percentage of total assessed valuation	Rank
Dominion Virginia Power	\$ 686,684,839	1.82%	1	\$ 682,752,077	4.10%	1
E. I. duPont De Nemours and Company	272,901,810	0.72	2	316,611,631	1.90	2
Verizon Communications	216,107,971	0.57	3	190,388,445	1.15	3
Brandywine Operating Partnership	143,711,200	0.38	4			
Macerich Partnership	124,386,800	0.33	5			
Philip Morris, USA	108,793,160	0.29	6	80,463,668	0.49	6
Bon Secours St. Francis Medical Center	100,911,700	0.27	7			
Wal-Mart Stores, Incorporated	65,179,900	0.17	8			
C. J. W. Medical Center	64,591,100	0.17	9	48,764,390	0.29	8
Columbia Gas of Virginia, Incorporated	58,263,719	0.15	10			
Allied Signal Corporation				101,865,423	0.61	4
Chesterfield Towne Center				92,183,500	0.55	5
Petula Association				53,242,200	0.32	7
Reynolds Metals Company				33,574,305	0.20	9
Cloverleaf Mall				32,512,625	0.20	10
	<u>\$ 1,841,532,199</u>	<u>4.87%</u>		<u>\$ 1,632,358,264</u>	<u>9.81%</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**

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
1999	\$ 214,884,048	\$ (1,291,596)	\$ 213,592,452	\$ 208,360,541	96.96 %	\$ 4,781,640	\$ 213,142,181	99.79 %
2000	235,296,135	(1,589,716)	233,706,419	226,179,267	96.13	6,948,935	233,128,202	99.75
2001	249,086,718	(1,880,070)	247,206,648	239,689,515	96.23	6,836,114	246,525,629	99.72
2002	262,227,247	(1,690,868)	260,536,379	252,165,780	96.16	7,680,989	259,846,769	99.74
2003	275,142,161	(1,667,827)	273,474,334	266,884,823	97.00	5,970,715	272,855,538	99.77
2004	293,173,116	(1,572,221)	291,600,895	284,677,174	97.10	6,284,760	290,961,934	99.78
2005	322,950,302	(1,672,010)	321,278,292	313,803,911	97.17	6,463,357	320,267,268	99.69
2006	353,487,419	(2,135,985)	351,351,434	343,153,993	97.08	5,983,878	349,137,871	99.37
2007	379,450,995	(1,896,821)	377,554,174	364,202,059	95.98	10,772,619	374,974,678	99.32
2008	411,660,361	-	411,660,361	393,666,244	95.63	-	393,666,244	95.63

Source: Chesterfield County Treasurer's Office

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

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

Fiscal year	Governmental Activities					Business-Type Activities					Total primary government	Percentage of personal income	Debt per capita
	General obligation bonds	State literacy loans	Public facility lease bonds	Certificates of participation ⁽¹⁾	Capital leases	Revenue bonds	Certificates of participation	Capital leases	Certificates of participation				
1999	\$ 302,450,000	\$ 11,731,818	\$ 16,100,000	\$ 5,905,000	\$ 67,441	\$ 57,963,967	\$ -	\$ 22,524	\$ -	\$ 394,240,750	4.95 %	\$ 1,537	
2000	314,825,000	9,911,718	16,100,000	3,680,000	-	52,398,967	-	-	-	396,915,685	4.56	1,521	
2001	348,250,000	8,158,668	15,295,000	14,570,000	699,826	46,543,967	415,000	-	415,000	433,932,461	4.87	1,644	
2002	341,720,000	6,405,618	14,490,000	13,310,000	791,771	39,543,967	415,000	-	415,000	416,676,356	4.50	1,538	
2003	335,635,000	4,852,068	13,685,000	18,510,750	541,799	34,463,967	394,250	-	394,250	408,082,834	4.28	1,468	
2004	361,895,000	3,404,218	12,880,000	38,574,295	279,391	28,090,521	1,380,705	-	1,380,705	446,504,130	4.29	1,572	
2005	348,130,000	2,079,718	12,075,000	60,625,045	2,010,789	23,888,891	1,809,955	-	1,809,955	450,619,398	4.12	1,549	
2006	380,510,000	1,334,218	11,270,000	70,276,228	1,863,261	19,851,888	1,738,773	-	1,738,773	486,844,368	4.16	1,628	
2007	419,520,000	726,218	10,465,000	66,152,409	1,690,270	63,248,312	1,647,591	-	1,647,591	563,449,800	N/A	1,841	
2008	458,620,000	118,218	9,660,000	84,253,592	1,509,805	59,437,914	1,556,408	-	1,556,408	615,155,937	N/A	1,978	

The County has no legal debt margin and there are no jurisdictions with overlapping general obligation debt incurring powers. Population and personal income data can be found on Table XIII.

(1) Includes a taxable redevelopment facility note.

N/A = not available

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

<u>Fiscal year</u>	<u>General debt outstanding</u>	<u>Estimated population⁽¹⁾</u>	<u>Assessed value of taxable property</u>	<u>Per capita</u>	<u>Ratio to assessed value</u>
1999	\$ 302,450,000	256,500	\$ 16,634,194,446	\$ 1,179	1.82 %
2000	314,825,000	261,000	17,976,175,843	1,206	1.75
2001	348,250,000	264,000	19,008,920,050	1,319	1.83
2002	341,720,000	271,000	20,413,790,509	1,261	1.67
2003	335,635,000	278,000	21,739,054,059	1,207	1.54
2004	361,895,000	284,000	23,546,715,750	1,274	1.54
2005	348,130,000	291,000	26,061,946,667	1,196	1.34
2006	380,510,000	299,000	29,302,666,322	1,273	1.30
2007	419,520,000	306,000	33,768,419,836	1,371	1.24
2008	458,620,000	311,000	37,812,068,145	1,475	1.21

Source:

(1) Population - The U.S. Census for year 2000 and Chesterfield County Planning Department for other years' estimates.

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

Water and Sewer Revenue Bonds									
<u>Fiscal Year</u>	<u>Gross revenues</u>	<u>Less operating expenses⁽¹⁾⁽²⁾</u>	<u>Net revenues available for debt service</u>	<u>Debt Service</u>		<u>Coverage</u>			
				<u>Principal</u>	<u>Interest</u>				
1999	\$ 57,802,486	\$ 24,136,480	\$ 33,666,006	\$ 4,259,784	\$ 3,287,448	446%			
2000	58,368,337	25,255,586	33,112,751	5,565,000	1,980,029	439			
2001	58,232,478	26,415,718	31,816,760	5,855,000	1,691,904	422			
2002	62,367,468	28,039,155	34,328,313	6,690,000	1,353,836	427			
2003	61,726,879	27,497,911	34,228,968	7,080,000	659,691	442			
2004	64,211,933	29,059,734	35,152,199	4,373,446	3,474,393	448			
2005	71,023,369	35,124,746	35,898,623	4,201,629	3,650,296	457			
2006	76,974,847	36,278,861	40,695,986	4,037,005	3,808,326	519			
2007	80,439,452	37,556,107	42,883,345	3,918,576	3,939,005	546			
2008	81,314,558	40,712,319	40,602,239	3,810,398	5,888,418	419			

(1) net of depreciation and amortization

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

Note:

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

**County of Chesterfield, Virginia
Demographic Statistics
Last Ten Years**

<u>Year</u>	<u>Population</u> ⁽¹⁾	<u>Personal income</u> ⁽²⁾ <u>(\$000)</u>	<u>Per capita income</u> ⁽²⁾	<u>Unemployment rate</u> ⁽³⁾	<u>Median age</u> ⁽¹⁾
1999	256,500	\$ 7,969,712	\$ 30,040	1.9 %	35.3
2000	261,000	8,702,523	32,225	1.5	35.7
2001	264,000	8,915,538	33,366	2.5	36.1
2002	271,000	9,260,462	33,586	3.0	36.5
2003	278,000	9,523,638	34,428	3.1	36.9
2004	284,000	10,417,294	36,879	3.2	37.3
2005	291,000	10,934,444	37,911	2.9	37.5
2006	299,000	11,704,457	39,834	2.8	37.7
2007	306,000	N/A	N/A	2.7	37.9
2008	311,000	N/A	N/A	4.3	36.0

Sources:

(1) U. S. Bureau of Census for year 2000

Chesterfield County Planning Department for other years' estimates.

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

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

N/A = not available

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

<u>Employer</u>	<u>2008⁽¹⁾</u>			<u>1999</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of total county employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of total county employment</u>
E. I. du Pont De Nemours and Company	2,508	1	1.44 %	3,234	1	2.29 %
United Parcel Service	2,000	2	1.15	1,300	5	0.92
Wal-Mart Stores, Incorporated	1,555	3	0.90	674	10	0.48
Ukrop's Super Markets, Incorporated	1,426	4	0.82	2,217	3	1.57
C. J. W. Medical Center	1,400	5	0.81	1,500	4	1.06
Capital One Financial Corporation	1,237	6	0.71			
Vangent	1,200	7	0.69			
Advantastaff	996	8	0.57			
Hill PHOENIX	900	9	0.52	700	9	0.50
Bon Secours St. Francis Medical Center	850	10	0.49			
Food Lion, Incorporated				1,148	6	0.81
Honeywell, Incorporated				2,413	2	1.71
J. C. Penney Company, Incorporated				1,095	7	0.78
Reynolds Metal Company				785	8	0.56
Total	<u>14,072</u>			<u>15,066</u>		
Total civilian labor force	<u>173,684</u>		<u>8.10 %</u>	<u>141,068</u>		<u>10.68 %</u>

Source: Chesterfield County Economic Development Department

(1) Reported as of January 2008

**County of Chesterfield, Virginia
Full-time County Employees by Function
Last Eight Fiscal Years⁽¹⁾**

Function	Fiscal Year							
	2001	2002	2003	2004	2005	2006	2007	2008
Governmental activities								
General government	446	452	445	452	468	468	475	501
Administration of justice	136	138	143	148	149	155	161	161
Public safety:								
Fire	356	363	401	424	447	450	454	460
Police	499	526	510	536	526	545	551	568
Sheriff	188	188	186	194	219	236	242	245
Other	157	156	194	194	195	202	203	200
Total public safety	1,200	1,233	1,291	1,348	1,387	1,433	1,450	1,473
Public works	147	150	156	164	169	170	172	169
Health and welfare	447	454	462	482	490	515	530	566
Parks, recreation and cultural	154	159	165	170	174	167	174	184
Community development	78	78	78	79	75	80	84	90
Total governmental activities	2,608	2,664	2,740	2,843	2,912	2,988	3,046	3,144
Business-type activities								
Water	164	160	161	165	170	173	177	183
Wastewater	92	94	96	96	97	94	94	97
Airport	5	5	5	4	5	4	4	4
Total business-type activities	261	259	262	265	272	271	275	284
Grand total	2,869	2,923	3,002	3,108	3,184	3,259	3,321	3,428
Number of County employees per 1,000 population	10.9	10.8	10.8	10.9	10.9	10.9	10.9	11.0

Source: Chesterfield County Accounting Department
⁽¹⁾ Breakdown of employees by function is not available prior to 2001.
 Numbers are based on head count and part-time employees are not included.

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

	Fiscal Year									
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Police ⁽¹⁾										
Police Initiated Activities ⁽²⁾	186,208	186,385	198,614	208,813	212,095	223,870	218,247	225,824	380,982	185,141
IBR Group A Incidents/Part 1 Offenses	15,542	14,904	16,340	16,484	16,400	16,929	16,903	16,980	17,385	8,330
IBR Group A Clearance Rate/Uniform Clearance Rate	40%	45%	47%	45%	45%	47%	48%	44%	46%	46%
Average Response Time for Priority 1 (life threatening calls)	3.20 min.	2.99 min.	3.15 min.	3.35 min.	3.25 min.	3.51 min.	3.55 min.	3.55 min.	3.54 min.	3.65 min.
Fire Protection										
Emergency operations dispatches	23,665	24,080	24,104	26,519	26,335	28,099	28,337	29,241	31,389	32,737
Emergency medical ambulance dispatches	17,571	18,161	18,758	18,987	20,434	21,578	21,432	21,754	23,492	24,835
Fire engine medical support calls	7,767	7,647	6,906	7,031	7,818	8,385	9,719	11,915	14,511	13,871
Firefighter staffed ambulance calls	9,805	10,833	11,476	12,059	12,416	14,106	15,965	16,559	17,853	19,777
Building inspections conducted	1,070	1,544	3,106	3,399	2,380	3,089	4,735	3,889	4,672	4,793
Construction plans reviewed	3,960	3,649	2,471	2,076	2,237	2,623	2,947	2,150	1,656	1,663
Library										
Materials circulated	2,714,060	2,846,503	3,307,299	3,768,374	4,129,159	4,188,855	4,234,893	4,229,030	3,855,455	3,932,984
Number of visitors	1,657,645	1,433,124	1,440,813	1,678,540	1,759,325	1,821,188	1,758,505	1,810,614	1,779,176	1,736,740
Number of reference and general assistance questions	666,626	665,382	688,257	708,006	854,663	869,070	851,931	729,285	732,148	591,203
Elections										
Registered voters	148,130	155,678	162,153	167,055	167,621	174,674	179,286	184,384	186,181	202,640
Utilities										
Water customers serviced	78,915	81,196	83,510	85,947	88,370	90,921	93,525	96,523	98,521	99,921
Wastewater customers serviced	65,822	67,634	69,479	71,571	73,625	75,844	78,204	80,891	82,681	83,948
Parks and Recreation										
Number of park visitors	3,378,894	3,170,547	3,637,174	3,956,014	3,936,516	4,297,497	3,781,035	3,826,968	3,817,965	3,919,823
Cost per visitor	\$ 0.24	\$ 0.17	\$ 0.24	\$ 0.28	\$ 0.29	\$ 0.23	\$ 0.35	\$ 0.20	\$ 0.24	\$ 0.22

Source: County Departments providing the service

(1) Information is compiled based on a calendar year. The numbers listed for 2008 represent six months of statistics - January through June.
(2) Prior to 2008 this category was labeled calls and assignments but now is all inclusive of the officer activities.

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

	Fiscal Year									
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Airport										
Number of airplane hangars	70	70	90	90	90	90	110	110	110	110
Police										
Number of stations	2	3	3	3	3	3	3	3	4	4
Fire Protection										
Number of fire companies	16	17	17	17	18	19	21	21	21	21
Library										
Number of facilities	10	10	10	10	10	10	10	10	10	10
Utilities										
Water line in system (miles)	1,430	1,473	1,502	1,532	1,561	1,598	1,656	1,693	1,750	1,780
Wastewater line in system (miles)	1,542	1,574	1,598	1,628	1,658	1,689	1,751	1,790	1,850	1,898
Parks and Recreation ⁽¹⁾										
Number of parks	30	30	31	31	41	43	43	43	43	45
Park acreage	2,654	2,820	2,810	3,152	3,991	3,995	3,778	3,783	3,903	4,009
Number of athletic complexes maintained	13	8	8	10	11	16	10	10	10	11

¹⁾ Information includes sites and acreage available to the public as a result of partnership agreements.

COMPLIANCE SECTION



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

Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Chesterfield, Virginia (the County) as of and for the year ended June 30, 2008, and have issued our report thereon dated November 17, 2008. Our report indicated that, the County adopted the provisions of GASB Statements No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions" and No. 50, "Pension Disclosures an Amendment of GASB Statements No. 25 and No. 27", effective July 1, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit the financial statements of the Economic Development Authority, a discretely presented component unit of the County, which represents 8.2% and 0.38%, respectively, of the total assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by another auditor whose report has been furnished to us, and our opinion on the basic financial statements insofar as they relate to the amounts included for the Economic Development Authority, is based solely on the reports of the other auditor.

Our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grants, and other matters did not include the entity audited by the other auditor referred to in the previous paragraph. The findings, if any, of the other auditor are not included herein.

Internal Control over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.



A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Compliance and Other Matters

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

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

KPMG LLP

November 17, 2008



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

**Report on Compliance with Requirements Applicable to Each Major Program
and on Internal Control Over Compliance in Accordance with OMB Circular A-133**

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

Compliance

We have audited the compliance of the County of Chesterfield, Virginia (the County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

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



Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 08-1 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 08-1 to be a material weakness.

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

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

KPMG LLP

November 17, 2008



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

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

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

We have audited the financial statements of the County of Chesterfield, Virginia (the County) as of and for the year ended June 30, 2008, and have issued our report thereon dated November 17, 2008.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*; and *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

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

Code of Virginia

- Budget and Appropriation Laws
- Cash and Investments
- Conflicts of Interest Act
- Retirement Systems
- Debt Provisions
- Procurement
- Unclaimed Property Act

State Agency Requirements

- Education
- Social Services
- Comprehensive Services Act Funds



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

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

KPMG LLP

November 17, 2008

COUNTY OF CHESTERFIELD, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

(1) Summary of Auditors' Results

- (a) The type of report issued on the financial statements: **unqualified opinion**
- (b) Significant deficiencies in internal control disclosed by the audit of the financial statements: **none reported**
- (c) Material weakness in internal control disclosed by the audit of the financial statements: **none reported**
- (d) Noncompliance which is material to the financial statements: **none reported**
- (e) Significant deficiencies in internal control over major programs: **yes, finding 08-1**
- (f) Material weakness in internal control over major programs: **yes, finding 08-1**
- (g) The type of report issued on compliance for major programs: **Unqualified**
- (h) Any audit findings which are required to be reported under section 510(a) of OMB Circular A-133: **none reported**
- (i) Major programs: **Child Nutrition Cluster (CFDA Numbers 10.553 and 10.555), Title I (CFDA Number 84.010), Special Education Cluster (CFDA Numbers 84.027 and 84.173), Improving Teacher Quality State Grants (CFDA Number 84.367), Child Care Cluster (CFDA Numbers 93.575 and 93.596), and Urban Areas Security Initiative (CFDA Number 97.008)**
- (j) Dollar threshold used to distinguish between Type A and Type B programs: **\$1,438,261**
- (k) Auditee qualified as low-risk auditee under section 530 of OMB Circular A-133: **no**

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

None

(3) Findings and Questioned Costs Relating to Federal Awards

08-1 Eligibility

Program – Title I (CFDA Number 84.010 — U.S. Department Education– Commonwealth of Virginia Department of Education — Federal Award Number A010A060046 — Federal Award Year 2007)

Condition – For five of sixty participants tested, the student's ranking used to determine eligibility was incorrectly calculated.

Criteria – Per 20 USC 6315, “the local educational agency establishes multiple, educationally related objectives to identify children who are failing, or most at risk of failing, to meet the State's challenging student academic achievement standards.”

COUNTY OF CHESTERFIELD, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Cause – The eligibility ranking was incorrectly calculated and was not subject to review by someone other than the preparer.

Effect – Inaccurate eligibility calculations may result in students participating in the program who are not eligible and result in reduced funding for the program.

Questioned Cost – None reported as all participants tested were determined to be eligible to participate in the program and there were no eligible students who were not served due to the inaccurate calculation.

Recommendation – We recommend that the County emphasize policies and procedures to ensure eligibility calculations are accurately performed.

Views of Management

- Contact Person: Ed Walent, Director of Instructional Support
- Corrective Action: Concur. The Title I office staff have developed spreadsheets that will do the calculations. The eligibility criteria have been added to the eligibility sheet as a reference for the preparer. The Title I Instructional Specialist will be required to recheck values and certify the accuracy.
- Anticipated Completion Date: Completed

OUR STRATEGIC GOALS

To be exemplary stewards of the public trust and a model for Excellence in
Government

To provide world-class customer service

To be known for extraordinary quality of life

To be the safest and most secure community

To be the employer of choice

To be the **FIRST CHOICE** business community

To be responsible protectors of the environment



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

ACCOUNTING DEPARTMENT EMPLOYEES

06/30/2008

<i>June Albrecht</i>	<i>Dana Davis</i>	<i>Wanda Jenkins</i>	<i>Drecilla Smith</i>
<i>Donna Arrington</i>	<i>Debbie Dzama</i>	<i>Megan Kedy</i>	<i>Kristie Smith</i>
<i>Steven Arritt</i>	<i>Marsha Edgerton</i>	<i>Carol Kelley</i>	<i>Catie Steele</i>
<i>Ronda Bailey</i>	<i>Courtney Farrell</i>	<i>Diane Lanier</i>	<i>Kristie Szafranski</i>
<i>Millie Brickle</i>	<i>Elizabeth Fritts</i>	<i>Dawana Lowry</i>	<i>Kathy Taylor</i>
<i>Kristi Brittle</i>	<i>Ann Gafford</i>	<i>Mary Lou Lyle</i>	<i>Donna Tucker</i>
<i>Patsy Brown</i>	<i>Mayra Garcia</i>	<i>Diane Mays</i>	<i>Consuela Wilson</i>
<i>Richard Browne</i>	<i>Christine Garmer</i>	<i>Kevin Payne</i>	<i>Jackie Winston</i>
<i>Virginia Brown</i>	<i>Bridget Gibbs</i>	<i>Mattie Person</i>	<i>Nora Wooten</i>
<i>Karrie Canales</i>	<i>April Green</i>	<i>Shelly Pignona</i>	<i>Pam Young</i>
<i>Kimberly Collette</i>	<i>Mandy Haasch</i>	<i>Kathy Porter</i>	<i>Karen Yuhase</i>
<i>Michael Dance</i>	<i>Crystal Hinkle</i>	<i>Robin Salo</i>	

Cover: *Entrance to Meadowville Technology Park in Chesterfield County bordering the James River just southeast of the Interstate 295 Varina-Enon Bridge.*

Photo: *Chesterfield County Public Affairs Department*

Please visit us at: www.co.chesterfield.va.us



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