

CITY OF COLONIAL HEIGHTS, VIRGINIA

Annual Financial Report

FOR THE YEAR
ENDED JUNE 30, 2024

Douglas E. Smith, City Manager
Christina Sadler, Director of Finance
Karla Ramsey, Deputy Director of Finance



CITY OF COLONIAL HEIGHTS, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2024



Prepared by the Department of Financial Administration

Christina Sadler
Director of Finance

City of Colonial Heights, Virginia

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Introductory Section



City of Colonial Heights, Virginia

Directory of Principal Officials

June 30, 2024

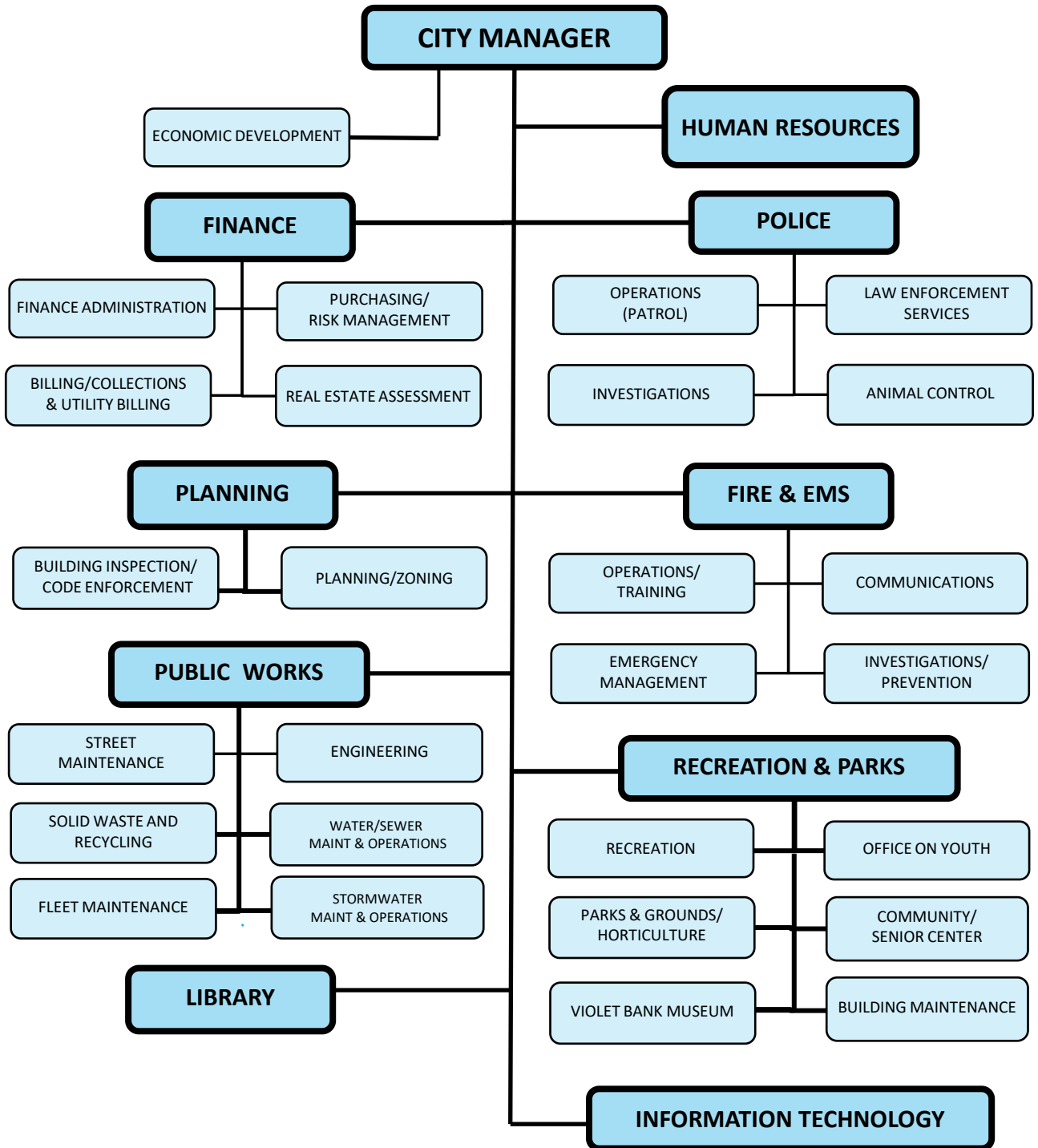
City Council

T. Gregory Kochuba, Mayor
Robert W. Wade, Vice Mayor
Elizabeth G. Luck
Kenneth B. Frenier
John E. Piotrowski
Dr. Laura F. Poe
John T. Wood

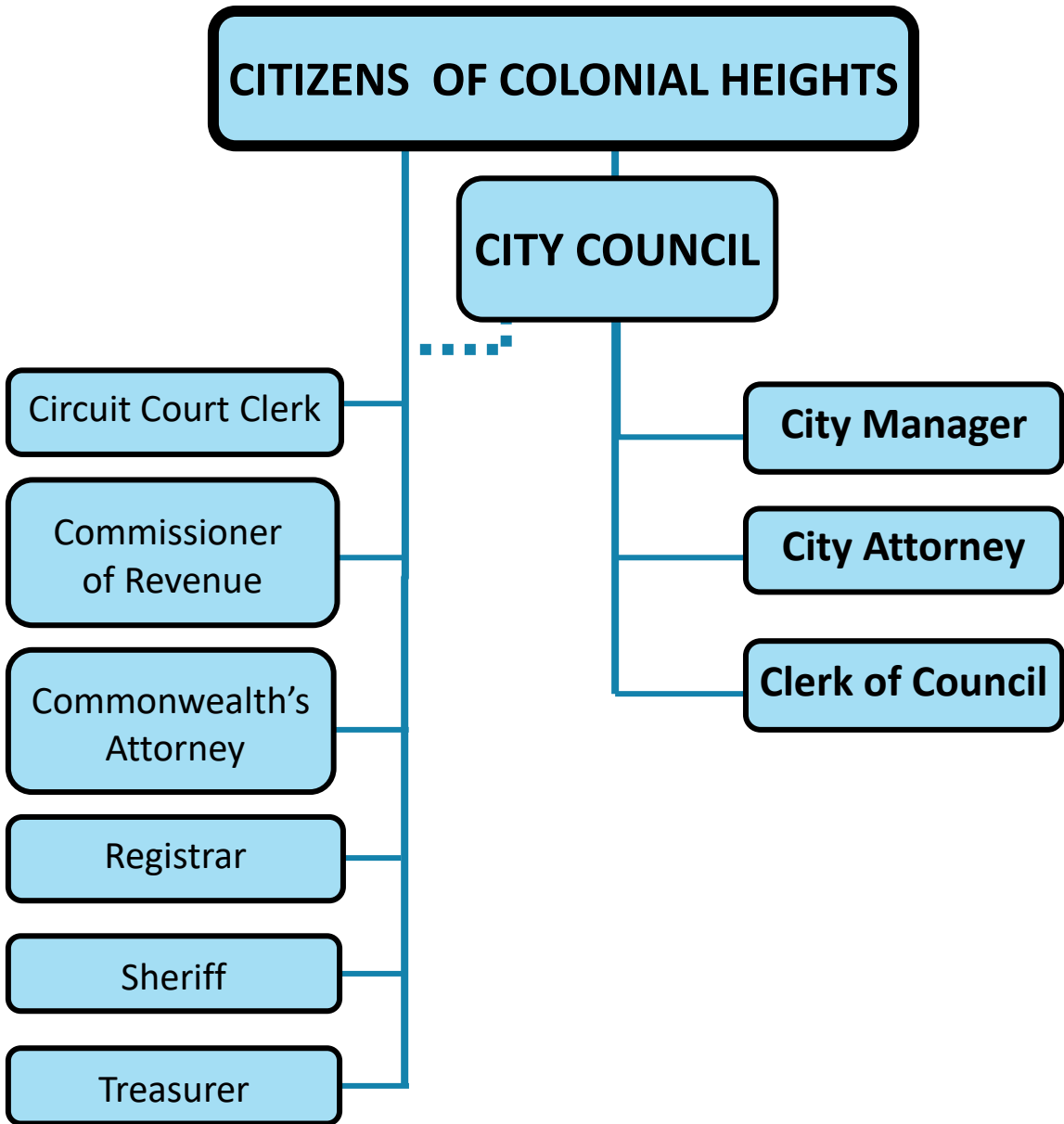
Other Officials

Douglas E. Smith..... City Manager
Hugh P. Fisher, III..... City Attorney
Pamela B. Wallace..... City Clerk
Haidee Ratliff..... Superintendent of Schools
Christina E. Sadler..... Director of Finance
William H. Anspach III Chief of Police
Todd Flippen..... Director of Public Works
Matthew L. Spruill Director of Recreation and Parks
Bruce N. Hansen Library Director
Theresa M. Born..... City Assessor
William Feasenmyer..... Commissioner of the Revenue
Teresa H. Cherry..... Treasurer
Alfred Gray Collins, III..... Commonwealth’s Attorney
Todd B. Wilson Sheriff
Stacy L. Stafford..... Clerk of Circuit Court
Jennifer L. Wells General Registrar
Karen T. Epps..... Economic Development
T. Wayne Hoover..... Fire Chief
Jennifer Carpenter..... Human Resources Director
Joseph Neil Carter, Jr..... Planning Director
Lewis Archileti Information Technology Director
Melissa Lynch Director of Finance, Schools
Troy Hedblom..... Asst. Superintendent Business Services, Schools

City of Colonial Heights Administrative Organization Chart



City of Colonial Heights Leadership Organization Chart





CITY OF COLONIAL HEIGHTS

Douglas E. Smith
City Manager

City Hall • 201 James Avenue • P.O. Box 3401
Colonial Heights, Virginia 23834

Christina E. Sadler
Director of Finance

April 15, 2026

The Honorable Mayor, Members of City Council
Colonial Heights, Virginia

We are pleased to submit to you the Annual Financial Report (“Report”) of the City of Colonial Heights, Virginia (the “City”) for the fiscal year ending June 30, 2024. The City’s management assumes full responsibility for the accuracy of data, completeness and fairness of presentation. We believe the data, as presented, is accurate in all material respects, and that it is presented in compliance with Generally Accepted Accounting Principles (GAAP) to fairly report the financial position and results of the City’s various governmental activities, business–type activities and funds

The basic financial statements consist of government-wide and fund financial statements, notes to the basic financial statements and required supplementary information. The statistical section, which is unaudited, includes selected financial and demographic information, generally presented on a multi-year basis.

Brown Edwards & Company, L.L.P., Certified Public Accountants, have audited the City’s basic financial statements. The goal of this independent audit is to provide reasonable assurance that the basic financial statements are free of material misstatement. The independent auditors concluded, based upon their audit, that there was reasonable basis for rendering an unmodified opinion that the City’s basic financial statements for the fiscal year ending June 30, 2024 are fairly presented in conformity with GAAP. The independent auditors’ report is presented as the first component of the Financial Section.

The City is required to undergo an annual single audit in conformity with provisions of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule of Expenditures of Federal Awards and the independent auditors’ reports on internal controls and compliance with applicable laws and regulations are included in the Compliance section of this Report.

The financial reporting entity includes all funds of the primary government (i.e., the City of Colonial Heights as legally defined), as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. The primary government provides a full range of services including general administration, public safety, public works, cultural and recreational activities, judicial functions, health and welfare activities, and community development activities.

Discretely presented component units are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position and results of operations from the primary government. The School Board of the City of Colonial Heights and the Economic Development Authority of the City of Colonial Heights are reported as discretely presented component units. For additional information on the City's financial status, please refer to the Management's Discussion and Analysis section of this report.

Economic Condition and Outlook

The City is approximately 8 square miles in size and is located in southeastern Virginia. Colonial Heights is strategically located on Interstate 95 near its intersection with Interstate 85, thus giving the City direct access to the East Coast's major markets.

The City is less than 20 miles south of Virginia's state capital, Richmond, and 120 miles south of the nation's capital, Washington, D.C. Richmond's Deepwater Terminal is approximately 15 miles north, and the Port of Hampton Roads is 80 miles to the southeast.

The population of the City is estimated at 18,674 (2024) as reported by the U.S. Census Bureau. The City is part of the Richmond Tri-Cities Metropolitan Statistical Area and has immediate access to the area's dynamic business complex. Richmond is the center for a diverse group of business sectors such as the Commonwealth of Virginia's State offices, Federal offices, Fortune 500 companies, Fortune 1000 companies, manufacturing, distribution and international trade. Other economic drivers include several major universities, research hospitals, and the Federal Reserve Bank.

In the immediate Tri-Cities area (Petersburg, Colonial Heights and Hopewell), and the nearby counties of Prince George, Dinwiddie, and Chesterfield, government continues to be a major employer. Government/public/educational facilities in the region include Central State Hospital, Brightpoint Community College, Richard Bland College, Virginia State University, and Fort Lee.

The City has a civilian labor force of 9,527 and an unemployment rate of 3.3% as of the end of FY2024. The City prioritizes the attraction of new businesses and expansion of existing businesses and tourism, all of which increase the tax base and create jobs which enhance the quality of life for its citizens.

Fiscal Year 2024 financial operations continued to effectively maintain existing service levels. In Fiscal Year 2024, Retail sales tax revenue increased 3.9% over FY 2023. Meals tax revenue experienced significant growth (10.6%) and lodging taxes were stable in comparison to FY2023.

The City has a policy to maintain Unassigned Fund Balance at a minimum of 10% of the General Fund budget with a desired goal of 12%. The City has exceeded that policy for FY 24 for both the 10% minimum and 12% goal. The General Fund Unassigned Fund Balance helps to maintain cash flow and provide resources in the event of economic downturns or other unexpected challenges.

Accounting System and Budgetary Controls

In developing and refining the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding (a) the safeguarding of assets against loss from unauthorized use or disposition and (b) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that (a) the cost of a control should not exceed the benefits likely to be derived and (b) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. Management believes that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary control is maintained at the line-item level by the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. Appropriations or transfers are processed should a purchase order be required which would result in an overrun of line item balances. Open encumbrances are recorded as committed fund balances at June 30, 2024.

As required by law, each year the City Manager submits to City Council a recommended budget for the fiscal year beginning July 1. After an extensive review process and a public hearings to receive citizen input, City Council will adopt a budget for the upcoming fiscal year.

The completion of the audit for the fiscal year ending June 30, 2024 was delayed for several reasons: delay in completion of the audit for the fiscal year ending June 30, 2023 and additional work after financial system conversion resulting in significant delay in the year-end close and audit work for the fiscal year ending June 30, 2024.

Capital Financing and Debt Service

The City's financial management policies were adopted by City Council in 1995 and formally reviewed in 1999, 2003, 2011, and 2023. Included and maintained in these revised policies are the following debt guidelines: General Fund supported long-term debt should not exceed 4% of assessed value, General Fund supported debt service expenditures should not exceed 10% of governmental fund expenditures, and the minimum amortization of General Fund supported long-term debt will be 50% within 10 years. The City monitors these financial ratios to ensure ongoing compliance.

The Constitution of Virginia establishes a debt limit for Virginia cities of 10% of the assessed value of real estate. The City of Colonial Heights could incur bonded debt of up to \$228,805,892 but current bonded debt only represents 1.4% of the assessed value of real estate.

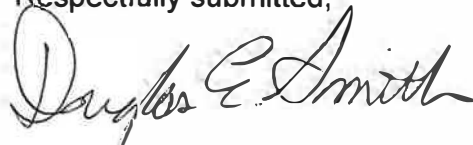
Long-term liabilities, including notes payable, leases, compensated absences, retirement incentive programs and environmental liabilities, for all funds of the primary government as of June 30, 2024, totaled \$37,357,126, of which \$3,384,078 for Enterprise Fund purposes is considered self-supporting and shown only as a liability of the respective fund.

The City develops a Five-Year Capital Improvements Plan annually for major facility, equipment, infrastructure and technological improvements. This plan is proposed to the City's Planning Commission, and once Planning approves a recommendation to City Council, the plan is forwarded to Council for their consideration and approval.

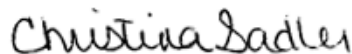
Acknowledgments

We would like to express our appreciation to the staff of the Department of Finance for their dedication in assuring the financial integrity of the City and the preparation of this report. Appreciation is also expressed to City Council for your interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Douglas E. Smith
City Manager



Christina E. Sadler
Director of Finance



Financial Section



Independent Auditor's Report

To the Honorable Members of the City Council
City of Colonial Heights, Virginia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the City of Colonial Heights, Virginia (the "City") as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the City, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.


We did not audit the financial statements of the School Activity Fund, which represents 3%, 3%, and 0.8%, respectively, of the assets, net position, and revenues of the Discretely Presented Component Unit – School Board. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the School Activity Fund, is based on the report of the other auditors.

Basis for Opinions

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, and *Specifications for Audits of Counties, Cities, and Towns* and the *Specifications for Audits of Authorities, Boards and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair



presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Required Supplementary Information

Management has omitted the management’s discussion and analysis, budgetary comparison information, and schedules related to pension and other postemployment benefits that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The other supplementary information as listed in the table of contents and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Discretely Presented Component Unit – School Board Financial Statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.


Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor’s report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2026 on our consideration of the City’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 solely 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 effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
April 15, 2026



Basic Financial Statements



Statement of Net Position
June 30, 2024

	Primary Government			Component Units	
	Governmental	Business-Type	Totals	School Board	Economic
	Activities	Activities			Development
					Authority
ASSETS					
Cash and investments (Note 2)	\$ 31,474,563	\$ 2,975,429	\$ 34,449,992	\$ 16,834,065	\$ 192,600
Receivables, net (Note 3)	19,541,092	957,118	20,498,210	15,478	-
Due from other governments (Note 4)	4,116,224	-	4,116,224	1,572,127	-
Due from primary government	-	-	-	3,689,072	-
Due from component unit	2,685	-	2,685	-	-
Internal balances (Note 5)	(3,044,552)	3,044,552	-	-	-
Inventories	100,711	-	100,711	40,423	-
Prepays	5,709	-	5,709	-	-
Restricted cash (Note 2)	9,218,220	-	9,218,220	-	-
Net pension asset (Note 11 & 12)	-	-	-	461,441	-
Capital assets: (Note 7)					
Nondepreciable	25,143,198	136,300	25,279,498	1,264,401	-
Depreciable, net	61,180,899	15,615,695	76,796,594	35,726,393	-
Total assets	147,738,749	22,729,094	170,467,843	59,603,400	192,600
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions (Note 11 & 12)	4,078,208	277,921	4,356,129	7,153,315	-
Deferred outflows related to other postemployment benefits (Note 13 & 14)	528,488	47,298	575,786	1,254,471	-
Total deferred outflows of resources	4,606,696	325,219	4,931,915	8,407,786	-
LIABILITIES					
Accounts payable and other current liabilities	3,030,623	310,095	3,340,718	3,007,232	-
Due to component unit	3,689,072	-	3,689,072	-	-
Due to other governments	-	-	-	2,685	-
Unearned revenue	-	-	-	792,576	-
Accrued interest	90,774	8,134	98,908	-	-
Arbitrage liability	243,689	-	243,689	-	-
Customer security deposits	266,824	155,627	422,451	-	-
Noncurrent liabilities due within one year:					
Net other postemployment benefits/liabilities (Note 13 & 14)	-	9,000	9,000	266,983	-
Long-term liabilities (Note 8)	3,951,393	298,104	4,249,497	455,049	-
Noncurrent liabilities due in more than one year:					
Net pension liability (Note 11 & 12)	9,413,910	641,537	10,055,447	22,964,580	-
Net other postemployment benefits/liabilities (Note 13 & 14)	2,531,022	218,303	2,749,325	8,740,156	-
Long-term liabilities (Note 8)	30,021,655	3,085,974	33,107,629	2,342,478	-
Total liabilities	53,238,962	4,726,774	57,965,736	38,571,739	-
DEFERRED INFLOWS OF RESOURCES					
Property taxes and grants	16,419,202	-	16,419,202	-	-
Deferred inflows related to pensions (Note 11 & 12)	1,783,340	121,531	1,904,871	2,919,964	-
Deferred inflows related to other postemployment benefits (Note 13 & 14)	1,819,500	162,069	1,981,569	3,010,329	-
Total deferred inflows of resources	20,022,042	283,600	20,305,642	5,930,293	-
NET POSITION					
Net investment in capital assets	61,929,320	14,171,121	76,100,441	35,815,490	-
Restricted for public safety, public works, judicial administration, health and welfare, and education grants	1,150,346	-	1,150,346	977,498	-
Restricted for net pension asset	-	-	-	461,441	-
Unrestricted	16,004,775	3,872,818	19,877,593	(13,745,275)	192,600
Total net position	\$ 79,084,441	\$ 18,043,939	\$ 97,128,380	\$ 23,509,154	\$ 192,600

City of Colonial Heights, Virginia

Statement of Activities
Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Totals	School Board	Economic Development Authority
					Governmental Activities	Business- Type Activities			
Primary Government:									
Governmental activities:									
General government	\$ 6,747,065	\$ 1,024,356	\$ 332,525	\$ -	\$ (5,390,184)		\$ (5,390,184)		
Judicial administration	6,022,667	405,221	1,494,035	-	(4,123,411)		(4,123,411)		
Public safety	17,480,510	664,596	1,281,495	-	(15,534,419)		(15,534,419)		
Public works	7,764,864	1,728,032	3,613,264	4,934,963	2,511,395		2,511,395		
Health and welfare	1,709,101	463,723	-	-	(1,245,378)		(1,245,378)		
Parks, recreation, and cultural	3,232,578	154,529	195,764	-	(2,882,285)		(2,882,285)		
Community development	933,790	335,337	95,192	-	(503,261)		(503,261)		
Education	29,045,208	-	1,429,755	-	(27,615,453)		(27,615,453)		
Human services	562,759	-	67,880	-	(494,879)		(494,879)		
Interest	987,009	-	-	-	(987,009)		(987,009)		
Total governmental activities	<u>74,485,551</u>	<u>4,775,794</u>	<u>8,509,910</u>	<u>4,934,963</u>	<u>(56,264,884)</u>		<u>(56,264,884)</u>		
Business-type activities:									
Water and sewer	4,252,953	5,654,498	-	166,000		\$ 1,567,545	1,567,545		
Storm water management	450,379	746,320	-	157,000		452,941	452,941		
Total business-type activities	<u>4,703,332</u>	<u>6,400,818</u>	<u>-</u>	<u>323,000</u>		<u>2,020,486</u>	<u>2,020,486</u>		
Total primary government	<u>\$ 79,188,883</u>	<u>\$ 11,176,612</u>	<u>\$ 8,509,910</u>	<u>\$ 5,257,963</u>	<u>(56,264,884)</u>	<u>2,020,486</u>	<u>(54,244,398)</u>		
Discretely Presented Component Units:									
School Board	\$ 50,057,514	\$ 589,182	\$ 29,975,984	\$ -				\$ (19,492,348)	
Economic Development Authority	172,019	-	-	-					\$ (172,019)
Total component units	<u>\$ 50,229,533</u>	<u>\$ 589,182</u>	<u>\$ 29,975,984</u>	<u>\$ -</u>				<u>\$ (19,492,348)</u>	<u>\$ (172,019)</u>
General revenues:									
Taxes:									
General property taxes					29,916,484	-	29,916,484	-	-
Other local taxes:									
Local sales and use					10,251,438	-	10,251,438	-	-
Food and lodging					12,583,712	-	12,583,712	-	-
Consumer utility					934,708	-	934,708	-	-
Motor vehicle license and fees					513,671	-	513,671	-	-
Business and occupation license					4,001,384	-	4,001,384	-	-
Other					1,348,997	-	1,348,997	-	-
Payments from City					-	-	-	29,045,208	240,000
Intergovernmental, non-categorical aid					3,427,203	-	3,427,203	-	-
Use of money and property					2,068,088	-	2,068,088	-	-
Miscellaneous					405,548	-	405,548	252,935	-
Transfers (Note 6)					(355,000)	355,000	-	-	-
Total general revenues					<u>65,096,233</u>	<u>355,000</u>	<u>65,451,233</u>	<u>29,298,143</u>	<u>240,000</u>
Change in net position					8,831,349	2,375,486	11,206,835	9,805,795	67,981
NET POSITION AT JULY 1					<u>70,253,092</u>	<u>15,668,453</u>	<u>85,921,545</u>	<u>13,703,359</u>	<u>124,619</u>
NET POSITION AT JUNE 30					<u>\$ 79,084,441</u>	<u>\$ 18,043,939</u>	<u>\$ 97,128,380</u>	<u>\$ 23,509,154</u>	<u>\$ 192,600</u>

The Notes to Financial Statements are an integral part of this statement.

Balance Sheet
Governmental Funds
June 30, 2024

	General	Capital Projects	Emergency Response	Total Governmental Funds
ASSETS				
Cash and investments	\$ 31,474,563	\$ -	\$ -	\$ 31,474,563
Receivables, net	19,319,859	218,303	2,930	19,541,092
Due from other governments	3,678,765	437,459	-	4,116,224
Due from component unit	2,685	-	-	2,685
Inventories	100,711	-	-	100,711
Prepays	5,709	-	-	5,709
Restricted cash	1,153,233	8,064,987	-	9,218,220
Total assets	<u>\$ 55,735,525</u>	<u>\$ 8,720,749</u>	<u>\$ 2,930</u>	<u>\$ 64,459,204</u>
LIABILITIES				
Accounts payable and other current liabilities	\$ 1,991,082	\$ 632,270	\$ 407,271	\$ 3,030,623
Due to other funds	-	3,044,552	-	3,044,552
Due to component unit	3,689,072	-	-	3,689,072
Customer security deposits	266,824	-	-	266,824
Total liabilities	<u>5,946,978</u>	<u>3,676,822</u>	<u>407,271</u>	<u>10,031,071</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	17,729,935	-	-	17,729,935
Unavailable revenue - opioid settlement	463,723	-	-	463,723
Total deferred inflows of resources	<u>18,193,658</u>	<u>-</u>	<u>-</u>	<u>18,193,658</u>
FUND BALANCES (Note 15)				
Nonspendable	106,420	-	-	106,420
Restricted	1,234,089	5,043,927	-	6,278,016
Committed	1,150,346	-	-	1,150,346
Assigned	3,735,752	-	-	3,735,752
Unassigned	25,368,282	-	(404,341)	24,963,941
Total fund balances	<u>31,594,889</u>	<u>5,043,927</u>	<u>(404,341)</u>	<u>36,234,475</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 55,735,525</u>	<u>\$ 8,720,749</u>	<u>\$ 2,930</u>	<u>\$ 64,459,204</u>

City of Colonial Heights, Virginia

Exhibit 4

**Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2024**

Total Fund Balance - Governmental Funds		\$ 36,234,475
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds.		
Nondepreciable	\$ 25,143,198	
Depreciable, net	61,180,899	86,324,097
Certain receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Property taxes	1,310,733	
Opioid settlements	463,723	1,774,456
Deferred outflows and inflows of resources related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources - pensions	4,078,208	
Deferred outflows of resources - other postemployment benefits	528,488	
Deferred inflows of resources - pensions	(1,783,340)	
Deferred inflows of resources - other postemployment benefits	(1,819,500)	
Net pension liability	(9,413,910)	
Net other postemployment benefits liabilities	(2,531,022)	(10,941,076)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds payable, including unamortized premiums	(30,087,387)	
Landfill post-closure liability	(20,000)	
Compensated absences	(3,695,000)	
Subscription liabilities	(170,661)	
Arbitrage Liability	(243,689)	
Accrued interest payable	(90,774)	(34,307,511)
Total Net Position - Governmental Activities		\$ 79,084,441

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
 Year Ended June 30, 2024

	General	Capital Projects	Emergency Response	Total Governmental Funds
REVENUES				
General property taxes	\$ 30,157,491	\$ -	\$ -	\$ 30,157,491
Other local taxes	29,633,910	-	-	29,633,910
Permits, privilege fees, and regulatory licenses	506,863	-	-	506,863
Fines and forfeitures	382,208	-	-	382,208
Charges for services	3,423,000	-	-	3,423,000
Use of money and property	1,578,959	489,129	-	2,068,088
Miscellaneous	405,548	-	-	405,548
Reimbursement from School Board	1,429,755	-	-	1,429,755
Intergovernmental	9,745,956	4,802,051	393,526	14,941,533
Total revenues	<u>77,263,690</u>	<u>5,291,180</u>	<u>393,526</u>	<u>82,948,396</u>
EXPENDITURES				
Current:				
General government	6,479,374	-	-	6,479,374
Judicial administration	6,071,590	-	-	6,071,590
Public safety	16,655,969	-	427,154	17,083,123
Public works	5,563,368	-	-	5,563,368
Health and welfare	1,697,106	-	-	1,697,106
Parks, recreation, and cultural	2,852,132	-	-	2,852,132
Community development	948,862	-	-	948,862
Education	27,085,599	1,959,609	-	29,045,208
Human services	566,995	-	-	566,995
Nondepartmental	199,737	-	-	199,737
Debt service:				
Principal retirement	2,799,295	-	-	2,799,295
Interest and fiscal charges	940,642	-	-	940,642
Capital outlays	-	9,021,995	-	9,021,995
Total expenditures	<u>71,860,669</u>	<u>10,981,604</u>	<u>427,154</u>	<u>83,269,427</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,403,021</u>	<u>(5,690,424)</u>	<u>(33,628)</u>	<u>(321,031)</u>
OTHER FINANCING SOURCES (USES)				
Inception of subscriptions	42,149	-	-	42,149
Transfers in (Note 6)	-	193,549	-	193,549
Transfers out (Note 6)	(548,549)	-	-	(548,549)
Total other financing sources (uses)	<u>(506,400)</u>	<u>193,549</u>	<u>-</u>	<u>(312,851)</u>
Net change in fund balances	4,896,621	(5,496,875)	(33,628)	(633,882)
FUND BALANCES AT JULY 1	26,698,268	10,540,802	(370,713)	36,868,357
FUND BALANCES AT JUNE 30	<u>\$ 31,594,889</u>	<u>\$ 5,043,927</u>	<u>\$ (404,341)</u>	<u>\$ 36,234,475</u>

**Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Statement of Activities**
Year Ended June 30, 2024

Net Change in Fund Balances - Governmental Funds		\$ (633,882)
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 are allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlays	\$ 9,914,421	
Depreciation expense	<u>(3,663,763)</u>	6,250,658
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(241,007)	
Opioid settlements	<u>463,723</u>	222,716
The issuance of long-term debt and inception of subscriptions provides current financial resources to governmental funds, while the repayment of the principal of long-term debt and subscription liabilities consumes current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of those differences.		2,757,147
Some expenses reported in the Statement of Activities, such as compensated absences and landfill post-closure costs do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in compensated absences	(388,790)	
Change in landfill post-closure liability	<u>102,596</u>	(286,194)
Governmental funds report employer pension contributions as expenditures. However, in the Statement of Activities the cost of pension benefits earned, net of employee contributions, is reported as pension expense.		
Employer pension contributions	2,384,650	
Pension expense	<u>(2,103,014)</u>	281,636
Governmental funds report employer other postemployment benefit contributions as expenditures. However, in the Statement of Activities the cost of these benefits earned, net of employee contributions, is reported as other postemployment benefit expense.		
Employer other postemployment benefit contributions	83,668	
Other post-employment benefits expense	<u>201,967</u>	285,635
Governmental funds report the effect of bond premiums and discounts when debt is first issued; whereas, these amounts are deferred and amortized in the Statement of Activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the Statement of Activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of those differences is as follows:		
Amortization of premiums	203,755	
Change in accrued interest payable	(6,433)	
Change in arbitrage liability	<u>(243,689)</u>	(46,367)
Change in Net Position - Governmental Activities		<u><u>\$ 8,831,349</u></u>

Statement of Net Position
Proprietary Funds
June 30, 2024

	Business-Type Activities – Enterprise Funds		
	Water and Sewer	Storm Water Management	Totals
ASSETS			
Current assets:			
Cash and investments	\$ 2,000,407	\$ 975,022	\$ 2,975,429
Receivables, net	848,598	108,520	957,118
Due from other funds	3,044,552	-	3,044,552
Total current assets	<u>5,893,557</u>	<u>1,083,542</u>	<u>6,977,099</u>
Noncurrent assets:			
Capital assets, net	13,926,927	1,825,068	15,751,995
Total noncurrent assets	<u>13,926,927</u>	<u>1,825,068</u>	<u>15,751,995</u>
Total assets	<u>19,820,484</u>	<u>2,908,610</u>	<u>22,729,094</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	233,489	44,432	277,921
Deferred outflows related to other postemployment benefits	41,215	6,083	47,298
Total deferred outflows of resources	<u>274,704</u>	<u>50,515</u>	<u>325,219</u>
LIABILITIES			
Current liabilities:			
Accounts payable and other current liabilities	302,606	7,489	310,095
Accrued interest	4,978	3,156	8,134
Customer security deposits	155,627	-	155,627
Compensated absences	58,265	4,302	62,567
Net other postemployment benefit liabilities	7,000	2,000	9,000
Debt obligations	153,893	81,644	235,537
Total current liabilities	<u>682,369</u>	<u>98,591</u>	<u>780,960</u>
Noncurrent liabilities:			
Compensated absences	146,026	10,783	156,809
Net pension liability	538,972	102,565	641,537
Net other postemployment benefit liabilities	193,783	24,520	218,303
Debt obligations	1,879,755	1,049,410	2,929,165
Total noncurrent liabilities	<u>2,758,536</u>	<u>1,187,278</u>	<u>3,945,814</u>
Total liabilities	<u>3,440,905</u>	<u>1,285,869</u>	<u>4,726,774</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	102,101	19,430	121,531
Deferred inflows related to other post-employment benefits	136,512	25,557	162,069
Total deferred inflows of resources	<u>238,613</u>	<u>44,987</u>	<u>283,600</u>
NET POSITION			
Net investment in capital assets	13,477,107	694,014	14,171,121
Unrestricted	2,938,563	934,255	3,872,818
Total net position	<u>\$ 16,415,670</u>	<u>\$ 1,628,269</u>	<u>\$ 18,043,939</u>

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
 Year Ended June 30, 2024

	Business-Type Activities – Enterprise Funds		
	Water and Sewer	Storm Water Management	Totals
OPERATING REVENUES			
Charges for services	\$ 5,471,154	\$ 746,320	\$ 6,217,474
Connection fees	174,995	-	174,995
Miscellaneous	8,349	-	8,349
Total operating revenues	5,654,498	746,320	6,400,818
OPERATING EXPENSES			
Personnel	952,483	153,708	1,106,191
Fringe benefits	413,785	49,948	463,733
Utilities	110,403	-	110,403
Repairs and maintenance	68,741	863	69,604
Materials and supplies	107,544	1,923	109,467
Sewage treatment costs	1,421,427	-	1,421,427
Water purchased for resale	650,972	-	650,972
Depreciation and amortization	471,092	56,328	527,420
Other charges	-	153,563	153,563
Total operating expenses	4,196,447	416,333	4,612,780
Operating income	1,458,051	329,987	1,788,038
NONOPERATING REVENUE (EXPENSES)			
Capital Contributions	166,000	157,000	323,000
Interest expense	(56,506)	(34,046)	(90,552)
Total nonoperating revenue (expenses)	109,494	122,954	232,448
Income before transfers	1,567,545	452,941	2,020,486
TRANSFERS IN (Note 6)	355,000	-	355,000
Change in net position	1,922,545	452,941	2,375,486
NET POSITION AT JULY 1	14,493,125	1,175,328	15,668,453
NET POSITION AT JUNE 30	\$ 16,415,670	\$ 1,628,269	\$ 18,043,939

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2024

	Business-Type Activities – Enterprise Funds		
	Water and Sewer	Storm Water Management	Totals
OPERATING ACTIVITIES			
Receipts from customers and properties	\$ 5,731,711	\$ 750,807	\$ 6,482,518
Receipts from other sources	8,349	-	8,349
Payments to suppliers	(2,352,338)	(156,308)	(2,508,646)
Payments to employees	(1,353,537)	(216,081)	(1,569,618)
Net cash provided by operating activities	<u>2,034,185</u>	<u>378,418</u>	<u>2,412,603</u>
NONCAPITAL FINANCING ACTIVITIES			
Transfers in	355,000	-	355,000
Advances to other funds	(1,442,324)	-	(1,442,324)
Net cash used in noncapital financing activities	<u>(1,087,324)</u>	<u>-</u>	<u>(1,087,324)</u>
CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(1,967,765)	(157,000)	(2,124,765)
Principal paid	(150,069)	(79,436)	(229,505)
Interest paid	(62,493)	(39,587)	(102,080)
Net cash used in capital and related financing activities	<u>(2,180,327)</u>	<u>(276,023)</u>	<u>(2,456,350)</u>
Net increase (decrease) in cash and cash equivalents	<u>(1,233,466)</u>	<u>102,395</u>	<u>(1,131,071)</u>
CASH AND CASH EQUIVALENTS			
Beginning at July 1	3,067,873	715,627	3,783,500
Ending at June 30	<u>\$ 1,834,407</u>	<u>\$ 818,022</u>	<u>\$ 2,652,429</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 1,458,051	\$ 329,987	\$ 1,788,038
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	471,092	56,328	527,420
Pension expense net of employer contributions	(16,125)	(3,068)	(19,193)
Other post-employment benefit expense net of employer contributions	(5,205)	(11,474)	(16,679)
Change in assets and liabilities:			
Decrease in:			
Receivables, net	77,869	4,487	82,356
Increase in:			
Accounts payable and other current liabilities	33,340	949	34,289
Customer security deposits	7,693	-	7,693
Compensated absences	7,470	1,209	8,679
Net cash provided by operating activities	<u>\$ 2,034,185</u>	<u>\$ 378,418</u>	<u>\$ 2,412,603</u>

City of Colonial Heights, Virginia

Notes to Financial Statements

June 30, 2024

Note 1 – Summary of Significant Accounting Policies

The financial statements of the City of Colonial Heights, Virginia, (the “City”) conform with accounting principles generally accepted in the United States of America (GAAP) as applied to government units promulgated by the Governmental Accounting Standards Board (GASB). The City’s significant accounting policies are described below.

A – The Financial Reporting Entity

The City of Colonial Heights, Virginia was incorporated in 1948 and its current charter was granted in 1960. The City is a political subdivision of the Commonwealth of Virginia operating under a Council/Manager form of government. City Council consists of a mayor and six council members. The City is not part of a county and has taxing powers subject to statewide restrictions and tax limits.

The City provides the full range of municipal services including police and fire, sanitation, health and social services, education, parks and recreation, water, sewer, and trash services. The City provides education through its school system administered by the Colonial Heights School Board.

Discretely Presented Component Unit – School Board

The City of Colonial Heights public school system is responsible for elementary and secondary education within the City. The elected five-member School Board serves staggered four-year terms of office. The School Board functions independently of the City Council, but is required to prepare and submit an annual budget to the City Council for approval. The School Board may not levy taxes or incur indebtedness under Virginia law and, therefore, funds for school operations are provided, in part, by appropriation from the City’s General Fund. Funds for constructing school facilities are provided by City approved and issued general obligation bonds and appropriations from the City’s General Fund. The School Board is presented as a governmental fund type and consists of one operating fund and one special revenue fund.

The School Board’s financial reports, herein presented, were prepared by the City’s Financial Administration Office using information provided by the School Board. Details specific to School Board information communicated in the City’s Financial Report may be obtained by contacting the School Board’s administrative offices located at:

City of Colonial Heights School Board
512 Boulevard
Colonial Heights, Virginia 23834

Discretely Presented Component Unit – Economic Development Authority

The Colonial Heights Economic Development Authority (the “EDA”) was established under the *Industrial Development and Revenue Act, Code of the Commonwealth of Virginia*. The EDA has the responsibility to promote industry and development of trade by inducing manufacturing, industrial, and commercial enterprise to locate or to remain in the City. The EDA is governed by seven directors appointed by the City Council and the City is financially accountable for the EDA. Separate financial statements are not issued.

City of Colonial Heights, Virginia

Notes to Financial Statements

June 30, 2024

B – Government-Wide and Fund Financial Statements

Government-Wide Statements

The Statement of Net Position and the Statement of Activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. Likewise, the *primary government* is reported separately from the legally separate *component units* for which the primary government is financially accountable.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. *Direct expenses* are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a *particular* function. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. *Program revenues* include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as *general revenues*.

Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category – governmental and proprietary – are presented.

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

Government-Wide and Proprietary Fund Financial Statements

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus*. The government-wide and proprietary fund financial statements are reported using the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from the property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements

Governmental funds are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within 90 days after year-end, except property taxes which are recognized as revenue if they have been collected within 45 days after year-end. Property taxes, sales tax, franchise tax, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt, acquisitions under financed purchases, and sales of capital assets are reported as other financing sources.

City of Colonial Heights, Virginia

Notes to Financial Statements

June 30, 2024

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Operating expenses include cost of services, administrative expenses, and depreciation on capital assets. All expenses not meeting this definition are reported as nonoperating expenses.

The City reports the following major governmental funds:

General Fund. This is the basic operating fund of the City and all regular activities not expressly allocable to another fund are accounted for in this fund.

Capital Projects Fund. This is used to account for financial resources, which have been segregated for the acquisition or construction of major capital facilities (other than those financed or constructed by the proprietary funds).

Emergency Response Fund. This is used to account for financial resources obtained from various sources, which have been segregated for the response to declared emergencies.

The City reports the following major enterprise funds:

Water and Sewer Fund. This is used to account for the acquisition, operation, and maintenance of facilities which are primarily supported by user charges. This fund accounts for services to the general public which are financed primarily by charges to users of such services.

Storm Water Management Fund. This is used to account for the operation and maintenance for stormwater management which are primarily supported by dedicated utility fees. This fund accounts for services to the general public which are financed primarily by fees based on a property's impervious surface.

D – Budgets and Budgetary Accounting

The City established the following procedures for the budgetary data reflected in the Comparative Schedule of Revenues and Expenditures – Budget and Actual:

1. At least 60 days prior to June 30, the City Manager submits to City Council a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A capital improvement plan (CIP) is prepared simultaneously with the budget. The CIP plans the City's major capital projects over a five-year period, and once approved, the first year of the CIP is appropriated in conjunction with the operating budget.
3. Public hearings are conducted to obtain citizen comments on the proposed budget. Prior to July 1, the budget is legally adopted at the function level through passage of an appropriation ordinance by City Council.
4. The City Manager is authorized to transfer amounts within functions, with any other transfers being approved by City Council. These amendments consisted primarily of appropriations of prior year encumbrances, the appropriation of fund balance, and the appropriation of additional intergovernmental grants received during the year.
5. Actual expenditures and operating transfers out may not legally exceed budget appropriations for each function. City Council legally adopts an annual budget for the General Fund.

City of Colonial Heights, Virginia

Notes to Financial Statements

June 30, 2024

E – Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Equity

Investments

The City considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Cash and investments include cash on hand, demand deposits, certificates of deposit, money market funds and the State Treasurer's Local Government Investment Pool (LGIP). Cash resources of the individual funds are combined to form a pool of cash and investments to maximize earnings. All investment earnings are allocated to the various funds based on equity in the investment pool. Investments are stated at fair value based on quoted market prices.

Prepaid Items

Prepaid items in the governmental funds are accounted for using the consumption method. The payments are recorded as expenditures in the fiscal year in which they relate to.

Property Taxes

Real Property

The City levies real estate taxes on all real estate within its boundaries except those specifically exempted by statute. These levies are assessed on a calendar year basis as of January 1 on the estimated fair market value of property. The City reassesses real property biennially.

For real estate assessed on January 1, payment is due in two installments on May 15 and November 15 and is considered delinquent if not received by the due date. On January 1, real estate taxes become an enforceable lien on related property. The real estate taxes reported as current year revenue are the second installment (November 15) of the levy on assessed value at January 1 of the prior year and the first installment (May 15) of the levy at January 1 of the current year. The tax rate for calendar year 2023 and 2024 was \$1.20 per \$100 of assessed value.

Personal Property

The City levies personal property taxes on motor vehicles and personal and business property. These levies are assessed on a calendar year basis as of January 1. Personal property taxes are payable in two installments, which are due on June 5 and December 5. Taxes become delinquent if not received by the due date. On January 1, personal property taxes become an enforceable lien on related property. The personal property taxes reported as revenue are the second installment (December 5) of the levy on assessed value at January 1 of the prior year, and the first installment (June 5) of the levy at January 1 of the current year. The tax rate for calendar year 2023 and 2024 was \$3.50 per \$100 of assessed value. Under the provisions of the Personal Property Tax Relief Act of 1998 (PPTRA), the City received \$1,753,369 for the State's share of the local personal property tax payment with the remainder collected from City residents.

Inventories

Inventories are valued at cost and are determined by using the first-in, first-out method. Inventories are accounted for under the consumption method, where inventories are recorded as expenditures when consumed, rather than when purchased.

City of Colonial Heights, Virginia

Notes to Financial Statements

June 30, 2024

Capital Assets

Capital assets with a value of \$5,000 or greater are recorded in the applicable government or business-type activities columns in the government-wide financial statements. Capital assets belonging to proprietary funds are also reported in the applicable fund financial statements. All purchased capital assets are valued at historical or estimated historical cost if actual historical cost is not available. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value. Depreciation and amortization has been provided over the estimated useful lives using the straight-line method. No depreciation or amortization expense is recorded for land, easements, or construction-in-progress. Capital assets placed in service during the year will begin depreciation on the date they are placed into service. The estimated useful lives are:

<u>Assets</u>	<u>Years of Service</u>
Land improvements	5-20 years
Buildings and structures	20-50 years
Intangibles	5-10 years
Equipment	4-20 years
Infrastructure	30-50 years

The City's capitalized infrastructure includes infrastructure acquired prior to 1980.

The City's intangible assets consist of easements previously recorded and classified as land; a utility system testing study, previously recorded and classified as infrastructure; and software.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements that present net position report a separate section for deferred outflows of resources. These items represent a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statements that present financial position report a separate section for deferred inflows of resources. These items represent an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

Pensions and Other Postemployment Benefits (OPEB)

For purposes of measuring all financial statement elements related to pension and OPEB plans, information about the fiduciary net position of the City's and Schools' Plans and the additions to/deductions from the City's and Schools' Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Compensated Absences Payable

It is the City's and Schools' policy to permit employees to accumulate earned but unused compensated absences. For government-wide reporting, a liability is recorded for compensated absences when services are rendered and employees have earned the right to receive compensation for such services.

City of Colonial Heights, Virginia

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Liabilities for compensated absences are not liquidated until leave is actually taken by employees or leave balances are paid or forfeited upon termination. Accordingly, in the governmental fund financial statements, no expenditure is reported for compensated absences until they are paid.

Compensated absences earned by employees and charged to proprietary funds are expensed and accrued as a liability of the appropriate fund when incurred.

Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activity, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable deferred amounts. Bond issuance costs are reported as expenditures or expenses as they are incurred.

Fund Equity

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

- **Nonspendable** – Amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.
- **Restricted** – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed** – Amounts constrained to specific purposes by the City, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purposes unless the same highest level of action is taken to remove or change the constraint.
- **Assigned** – Amounts the City intends to use for a specified purpose; intent can be expressed by the governing body or management of the City.
- **Unassigned** – Amounts that are available for any purpose; positive amounts are reported only in the general fund.

Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. The degree of difficulty to remove an ordinance is greater than a resolution; therefore, an ordinance is the most binding. Assigned fund balance is established for use by Council through adoption or amendment of the budget as intended for a specific purpose (such as the purchase of capital assets, debt service, or for other purposes).

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Minimum Fund Balance Policy

The City’s unassigned fund balance policy sets a minimum of 10% of the General Fund budgeted expenditures with a desired goal of 12%.

City of Colonial Heights, Virginia

Notes to Financial Statements

June 30, 2024

Other governmental funds of the City do not have specified fund balance targets. Recommended levels of committed and/or assigned fund balance will be determined case by case, based on the needs of each fund and as recommended by officials and approved by Council.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Encumbrances as of June 30 total \$1,150,346 in the general fund and \$5,043,927 in the capital projects fund. The capital projects fund balance is restricted on Exhibit 3 due to unspent bond proceeds.

Net Position

Net position represents the difference between assets, deferred outflows, liabilities, and deferred inflows. Net investment in capital assets, consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds. To manage debt proceeds, all unspent proceeds are retained in the capital projects fund, while the related debt is included in the fund that will ultimately use the debt proceeds. For presenting net investment in capital assets, the unspent debt proceeds are allocated to the respective fund in which the debt is maintained. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted net position for public safety and judicial administration represents unspent forfeited assets and fees.

By law, the School Board does not have taxing authority and, therefore, it cannot incur debt through general obligation bonds to fund the acquisition, construction, or improvement to its capital assets. That responsibility lies with the local governing body who issues the debt on behalf of the School Board. However, the *Code of Virginia* requires the School Board to hold title to the capital assets (buildings and equipment) due to its responsibility for maintaining the asset.

In the Statement of Net Position, this scenario presents a dilemma for the primary government. Debt issued on behalf of the School Board is reported as a liability of the primary government, thereby reducing the net position of the primary government. The corresponding capital assets are reported as assets of the School Board (titleholder), thereby increasing the School Board's net position.

The Virginia General Assembly amended the *Code of Virginia* to allow a tenancy in common with the School Board whenever the locality incurs a financial obligation which is payable over more than one fiscal year for any school property. The tenancy in common terminates when the associated debt has been paid in full. For financial reporting purposes, the legislation permits the locality to report the portion of the school property related to any outstanding financial obligation, thus eliminating a potential deficit from financing capital assets with debt. The legislation also allows local governments to elect not to acquire a tenancy in common by adopting a resolution to that effect.

The City concluded that, while joint tenancy would resolve a deficit in the primary government's net position, the continual computation process that would be required to allocate principal, interest, asset amount, and depreciation between the City and the School Board would be cumbersome and not provide any added benefit to the financial statement users. Therefore, the City Council adopted a resolution declining tenancy in common for current and future obligations.

City of Colonial Heights, Virginia

Notes to Financial Statements

June 30, 2024

F – Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Note 2 – Deposits and Investments

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the “Act”) Section 2.2-4400 et. seq. of the *Code of Virginia*. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments

Statutes authorize local governments and other public bodies to invest in obligations of the United States or its agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes, bankers’ acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP).

The LGIP is a professionally managed money market fund which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Section 2.2-4605 *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 carrying value of the LGIP is the same as the value of the pool shares, i.e., the LGIP maintains a stable net asset value of \$1 per share in accordance with GASB No. 79. The LGIP has been assigned an “AAAm” rating by Standard & Poor’s. The maturity of the LGIP is less than one year.

The City has invested bond proceeds subject to rebate of arbitrage earnings in the Virginia State Non-Arbitrage Program (SNAP). SNAP is designed to assist local governments in complying with the arbitrage rebate requirements of the Tax Reform Act of 1986. These programs provide comprehensive investment management, accounting, and arbitrage rebate calculation services for proceeds of general obligation and revenue tax-exempt financing of Virginia local governments. The SNAP has been assigned an “AAAm” rating by Standard & Poor’s. The maturity of the SNAP is less than one year.

The City’s investment policy only allows investments in types approved by state statutes. The City will not invest in any derivatives or securities with maturities over one year.

City of Colonial Heights, Virginia

Notes to Financial Statements

June 30, 2024

At June 30, the City's deposit and investment balances were as follows:

Deposits	
Demand deposits	\$ 2,629,057
Cash on hand	11,450
	<hr/>
	2,640,507
Investments (Fair Value)	
LGIP	33,553,734
SNAP	7,473,971
	<hr/>
Total deposits and investments	\$ 43,668,212

Exhibit 1 total deposits and investments is composed as follows:

Cash and investments	\$ 34,449,992
Restricted cash	9,218,220
	<hr/>
Total deposits and investments	\$ 43,668,212

At June 30, the School Board's deposit and investment balances were as follows:

Deposits	
Demand deposits	\$ 16,834,065

At June 30, the Economic Development Authority's deposit and investment balances were as follows:

Deposits	
Demand deposits	\$ 192,600

Credit Risk

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, and Fitch Investors Service, provided that the issuing corporation has a net worth of at least \$50 million and its long-term debt is rated "A" or better by Moody's and Standard & Poor's. Banker's acceptances and Certificates of Deposit 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 Investors Service.

Restricted Cash

The Capital Projects fund has restricted certain cash balances, representing unspent debt proceeds, in accordance with debt agreements.

City of Colonial Heights, Virginia

Notes to Financial Statements

June 30, 2024

Note 3 – Receivables

Receivables at June 30, including applicable allowances for uncollectible accounts, are as follows:

	General	Capital Projects Fund	Emergency Response Fund	Water and Sewer	Storm Water Management	Total
Taxes	\$ 19,529,133	\$ -	\$ -	\$ -	\$ -	\$ 19,529,133
Accounts	332,457	-	-	1,200,849	152,254	1,685,560
Other	617,255	218,303	2,930	-	-	838,488
Gross receivables	20,478,845	218,303	2,930	1,200,849	152,254	22,053,181
Less allowance for uncollectible accounts	(1,158,986)	-	-	(352,251)	(43,734)	(1,554,971)
Net receivables	<u>\$ 19,319,859</u>	<u>\$ 218,303</u>	<u>\$ 2,930</u>	<u>\$ 848,598</u>	<u>\$ 108,520</u>	<u>\$ 20,498,210</u>

The allowance for uncollectible accounts is based on prior experience with respect to collections.

Note 4 – Due from Other Governmental Units

A summary of funds due from other governmental units is as follows:

	Governmental Activities	School Board
Federal		
Highway planning and construction	\$ 437,459	\$ -
CDBG	7,995	-
Parent Resource	-	3,078
Title I	-	283,781
Title II, III, IV	-	38,776
ESSER II and III	-	39,823
CSLFRF	-	3,472
Perkins	-	39,621
Child Nutrition	-	13,580
Commonwealth of Virginia		
Other aid, grants, and reimbursements	264,534	482,417
Sales tax	1,652,866	646,461
PPTRA	1,753,370	-
Other	-	21,118
	<u>\$ 4,116,224</u>	<u>\$ 1,572,127</u>

Note 5 – Interfund Obligations

Interfund receivable and payable balances at June 30 are as follows:

	Receivables	Payables
Capital Projects	\$ -	\$ 3,044,552
Water and Sewer	3,044,552	-
	<u>\$ 3,044,552</u>	<u>\$ 3,044,552</u>

City of Colonial Heights, Virginia

Notes to Financial Statements

June 30, 2024

The proceeds from the 2016 bond issuance is presented as restricted cash in the Capital Projects Fund. A portion of the interfund receivables and payables represents each respective fund's portion of the proceeds. The Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of various capital assets for the City.

Note 6 – Interfund Transfers

	Transfer from Fund General
Transfer to fund	
Capital projects	\$ 193,549
Water and sewer	355,000
	\$ 548,549

The transfer from the General Fund to the Water and Sewer Fund was to help fund emergency sewer repairs. The transfer from the General Fund to the Capital Projects Fund was to provide local matches for multiple projects, to fund certain projects from assigned fund balance, and City infrastructure improvements.

Note 7 – Capital Assets

Capital asset activity was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 2,642,227	\$ 431,494	\$ -	\$ 3,073,721
Easements	2,794,676	461,479	-	3,256,155
Construction in progress	16,040,396	5,076,238	(2,303,312)	18,813,322
Total capital assets, not being depreciated	21,477,299	5,969,211	(2,303,312)	25,143,198
Capital assets, being depreciated				
Buildings and structures	34,372,020	628,459	-	35,000,479
Infrastructure	86,227,225	4,153,458	-	90,380,683
Equipment	17,961,200	1,424,456	-	19,385,656
Software	224,414	-	-	224,414
SBITA asset	186,922	42,149	-	229,071
Total assets, being depreciated	138,971,781	6,248,522	-	145,220,303
Less accumulated depreciation/amortization				
Buildings and structures	(13,237,877)	(823,887)	-	(14,061,764)
Infrastructure	(52,746,443)	(1,685,297)	-	(54,431,740)
Equipment	(14,161,848)	(1,098,283)	-	(15,260,131)
Software	(198,977)	(8,077)	-	(207,054)
SBITA asset	(30,496)	(48,219)	-	(78,715)
Total accumulated depreciation/amortization	(80,375,641)	(3,663,763)	-	(84,039,404)
Capital assets, being depreciated, net	58,596,140	2,584,759	-	60,680,111
Governmental activities capital assets, net	\$ 80,073,439	\$ 8,553,970	\$ (2,303,312)	\$ 86,324,097

City of Colonial Heights, Virginia

Notes to Financial Statements

June 30, 2024

Depreciation and amortization expense was charged to functions/programs of the governmental activities as follows:

Governmental activities	
General government	\$ 93,333
Judicial administration	4,345
Public safety	849,374
Public works	2,312,172
Health and welfare	3,798
Parks, recreation, and cultural	400,741
	\$ 3,663,763

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 136,300	\$ -	\$ -	\$ 136,300
Total capital assets, not being depreciated	136,300	-	-	136,300
Capital assets, being depreciated				
Land improvements	48,927	-	-	48,927
Buildings and structures	5,577,131	1,311,046	-	6,888,177
Infrastructure	19,491,856	553,554	-	20,045,410
Equipment	4,176,518	260,162	-	4,436,680
Intangibles	303,982	-	-	303,982
Purchased capacity	9,874,437	-	-	9,874,437
Total capital assets, being depreciated	39,472,851	2,124,762	-	41,597,613
Less accumulated depreciation/amortization				
Land improvements	(41,956)	(245)	-	(42,201)
Buildings and structures	(3,118,183)	(107,355)	-	(3,225,538)
Infrastructure	(8,656,166)	(267,852)	-	(8,924,018)
Equipment	(3,459,777)	(151,968)	-	(3,611,745)
Intangibles	(303,982)	-	-	(303,982)
Purchased capacity	(9,874,437)	-	-	(9,874,437)
Total accumulated depreciation/amortization	(25,454,501)	(527,420)	-	(25,981,921)
Capital assets, being depreciated	14,018,350	1,597,345	-	15,615,695
Business-type activities capital asset, net	\$ 14,154,650	\$ 1,597,345	\$ -	\$ 15,751,995

Depreciation and amortization expense was charged to functions/programs of the business-type activities as follows:

Business-type activities	
Water and Sewer	\$ 471,092
Storm Water	56,328
	\$ 527,420

City of Colonial Heights, Virginia

Notes to Financial Statements

June 30, 2024

South Central Wastewater Authority (SCWA) Treatment Plant Rights

The City and other participating localities have an agreement with SCWA to benefit from a certain wastewater treatment plant of the SCWA. The City and other participating localities are not authorized to hold legal title to the plant; thus SCWA holds title to these assets. Through long-term contracts, the risks and benefits of operating and maintaining the assets have been transferred to the City and other participating localities, and thus have been included in the City's capital assets as purchased capacity. The City and other participating localities are responsible for a portion of the debt incurred for these facilities.

Component Unit – School Board	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 1,090,102	\$ -	\$ -	\$ 1,090,102
CIP	4,362,648	-	(4,188,349)	174,299
Total capital assets, not being depreciated	<u>5,452,750</u>	<u>-</u>	<u>(4,188,349)</u>	<u>1,264,401</u>
Capital assets, being depreciated				
Buildings and structures	43,206,462	9,496,170	(99,117)	52,603,515
Equipment	5,555,197	1,587,606	(55,428)	7,087,375
Lease asset - equipment	373,965	466,137	-	840,102
SBITA asset	654,689	595,097	(595,097)	654,689
Total capital assets, being depreciated	<u>49,790,313</u>	<u>12,145,010</u>	<u>(749,642)</u>	<u>61,185,681</u>
Less accumulated depreciation/amortization				
Buildings and structures	(19,972,149)	(1,112,074)	25,078	(21,059,145)
Equipment	(3,421,397)	(528,301)	55,428	(3,894,270)
Lease asset - equipment	(49,490)	(317,500)	-	(366,990)
SBITA asset	(188,688)	(545,292)	595,097	(138,883)
Total accumulated depreciation/amortization	<u>(23,631,724)</u>	<u>(2,503,167)</u>	<u>675,603</u>	<u>(25,459,288)</u>
Capital assets, being depreciated, net	<u>26,158,589</u>	<u>9,641,843</u>	<u>(73,859)</u>	<u>35,726,393</u>
School Board capital assets, net	<u>\$ 31,611,339</u>	<u>\$ 9,641,843</u>	<u>\$ (4,262,208)</u>	<u>\$ 36,990,794</u>

City of Colonial Heights, Virginia

Notes to Financial Statements

June 30, 2024

Note 8 – Long-Term Liabilities

The following is a summary of changes in long-term liabilities:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
General obligation bonds	\$ 26,734,999	\$ -	\$ (2,440,000)	\$ 24,294,998	\$ 2,500,001
General obligation – direct borrowing	4,381,824	-	(300,494)	4,081,330	309,464
Issuance premiums	1,914,814	-	(203,755)	1,711,059	-
Subscription liability	187,313	42,149	(58,801)	170,661	68,096
Landfill post-closure liability	122,596	20,000	(122,596)	20,000	20,000
Compensated absences*	3,306,210	388,790	-	3,695,000	1,053,832
	<u>\$ 36,647,756</u>	<u>\$ 450,939</u>	<u>\$(3,125,646)</u>	<u>\$ 33,973,048</u>	<u>\$ 3,951,393</u>
Business-Type Activities					
General obligation bonds	\$ 2,780,002	\$ -	\$ (195,001)	\$ 2,585,001	\$ 200,000
General obligation – direct borrowing	503,176	-	(34,506)	468,670	35,537
Issuance premiums	122,133	-	(11,102)	111,031	-
Compensated absences*	210,697	8,679	-	219,376	62,567
	<u>\$ 3,616,008</u>	<u>\$ 8,679</u>	<u>\$(240,609)</u>	<u>\$ 3,384,078</u>	<u>\$ 298,104</u>
Component Unit – School Board					
Financed purchases	\$ 170,648	\$ -	\$ (84,076)	\$ 86,572	\$ 86,572
Lease liability	260,969	416,823	(185,539)	492,253	166,640
Subscription liability	595,097	-	(111,482)	483,615	115,083
Compensated absences*	1,680,570	54,517	-	1,735,087	86,754
	<u>\$ 2,707,284</u>	<u>\$ 471,340</u>	<u>\$(381,097)</u>	<u>\$ 2,797,527</u>	<u>\$ 455,049</u>

* The change in the compensated absences liability is presented as a net change.

School Board as Lessee

On July 10, 2019, the School Board entered into a lease for laptop computers for a term of 60 months. Minimum annual lease payments are \$27,452. For purposes of discounting future payments, the School Board imputed an interest rate of 5.2493%. On September 1, 2022, the School Board entered a lease for additional laptop computers for a term of 60 months. Minimum annual lease payments are \$64,814. For purposes of discounting future payments, the School Board imputed an interest rate of 3.990%.

On March 1, 2023, the School Board entered a lease for print services for a term of 48 months. Minimum annual lease payments are \$121,250. For purposes of discounting future payments, the School Board imputed an interest rate of 4.61%.

Subscription-Based Information Technology Arrangements

The City and School Board have entered into several non-cancellable subscription liability agreements that convey controls of the right-to-use another party's information technology software, along or in combination with tangible capital assets, as specified in the contract in an exchange or exchange-like transaction. At the commencement of the subscription, the

City of Colonial Heights, Virginia

Notes to Financial Statements

June 30, 2024

City and School Board initially measured the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The City used its estimated incremental borrowing rate as the rate for subscriptions, which ranged from 2.3543% to 3.4450%. The School Board used its estimated incremental borrowing rate as the rate for subscriptions, as discount rates implicit in the School Board’s leases cannot be readily determined. The incremental borrowing rate used was 3.25%. The significant contracts are as follows:

Governmental Activities

<u>Subscription Contract*</u>	<u>Contract Date</u>	<u>Maturity Date</u>
Axon Basic & Pro License Bundle	10/01/2022	09/30/2027
Debtbook	03/31/2023	02/28/2027
DLT Subscription	07/29/2022	07/28/2025
LexisNexis Subscription	11/01/2022	10/31/2025
Taser 7	11/01/2022	10/31/2027

* Maturity date includes option years, if applicable.

School Board

<u>Subscription Contract*</u>	<u>Contract Date</u>	<u>Maturity Date</u>
Conterra 2023	07/01/2023	06/30/2028
Malware Defense Features and Missions Critical Support – IBOSS	06/12/2023	06/11/2026

* Maturity date includes option years, if applicable.

Each Enterprise Fund’s revenue sources are used to repay its debt. Other debt, except School Board compensated absences, are expected to be paid out of the General Fund. School Board compensated absences are paid out of the School Operating Fund.

Outstanding long-term liabilities at June 30 are as follows:

	<u>Year Issued</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>
General obligation bonds			
General improvement			
Series 2012	2012	2.50-4.00%	\$ 10,550,000
Series 2015	2015	2.00-5.00%	4,580,000
Series 2016	2016	2.00-5.00%	6,100,000
Series 2018	2018	3.442%	4,550,000
Series 2022	2022	3.00-5.00%	5,650,000
Total general obligation bonds			<u><u>\$ 31,430,000</u></u>

All general obligation bonds are secured by the full faith and credit of the City.

City of Colonial Heights, Virginia

Notes to Financial Statements

June 30, 2024

The City's outstanding note from direct borrowings of \$4,550,000 contain a provision that if required to prevent default, the City shall levy and collect an annual ad valorem tax, over and above all other taxes authorized or limited by law on all locally taxable property in the City sufficient to pay the principal and interest when due for this borrowing. The direct borrowings are secured by the full faith and credit of the City.

Financed purchase payable				
School buses	2021	2.97%	\$	86,572

The gross amount of assets acquired under financed purchase is \$730,739.

The annual requirements to amortize certain long-term liabilities are as follows:

Fiscal Year Ending	General Obligation Bonds			
	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2025	\$ 2,809,464	\$ 919,287	\$ 235,537	\$ 96,980
2026	2,912,918	816,892	247,082	85,737
2027	3,006,887	716,688	253,112	78,151
2028	2,790,343	603,551	259,656	70,370
2029	2,888,798	509,603	266,202	62,387
2030-2034	11,053,391	1,222,269	1,471,610	183,351
2035-2039	2,404,527	199,052	320,472	8,964
2040-2044	510,000	24,116	-	-
	\$ 28,376,328	\$ 5,011,458	\$ 3,053,671	\$ 585,940

Fiscal Year Ending	Component Unit – School Board					
	Financed Purchases Payable		Lease Liability		Subscription Liability	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 86,572	\$ 2,570	\$ 166,640	\$ 19,425	\$ 115,083	\$ 14,013
2026	-	-	174,115	11,949	118,879	10,217
2027	-	-	151,498	4,252	122,801	6,295
2028	-	-	-	-	126,852	2,244
2029	-	-	-	-	-	-
	\$ 86,572	\$ 2,570	\$ 492,253	\$ 35,626	\$ 483,615	\$ 32,769

Note 9 – Environmental Liabilities

State and federal laws and regulations required the City to place a final cover on each phase of its landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for a certain number of years after closure. For purposes of determining the required years for post-closure testing, the former landfill is treated as a solid waste landfill that stopped receiving waste prior to the passing of Subtitle D of the Environmental Protection Act Regulations.

The City meets all federal laws, regulations, and tests of financial assurance related to the financing of closure and post-closure care. As of 2024, the City is no longer required to submit to DEQ an annual demonstration of financial assurance in conjunction with closure, post-closure, or corrective action with the City's closed landfill. With regard to certain

City of Colonial Heights, Virginia

Notes to Financial Statements

June 30, 2024

underground storage tanks, the City must provide an annual \$20,000 financial responsibility demonstration. This is recorded as landfill post-closure liability.

Note 10 – Commitments and Contingent Liabilities

Litigation

Various claims are pending against the City. In the opinion of management, after consulting with legal counsel, any potential loss on all claims after the application of insurance coverage will not materially affect the City's financial position.

Grant Programs

The City participates in a number of federally assisted grant programs. Although the City has been audited in accordance with the provisions of Uniform Guidance, these programs are still subject to financial and compliance audits by the grantors or their representatives. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of grants. Based on prior experience, City management believes such disallowances, if any, will be immaterial.

Utility Commitments

The utility department has entered into various contracts for the purchase of water and the treatment of sewage. These commitments are considered by the water and sewer department in establishing water and sewer rates.

Construction Commitments

The City has entered into various construction contracts with \$6,759,619 still outstanding to be completed at year-end. The School Board has entered into various construction contracts with \$489,521 still outstanding to be completed at year-end.

Health Department Commitments

The City entered into a contract with the Virginia Department of Health to help support the cooperative budget of the Colonial Heights Health Department. The City's payment for 2024 totals approximately \$307,000.

Note 11 – Defined Benefit Pension Plan

Primary Government – City

Plan Description

All full-time, salaried permanent employees of the City of Colonial Heights, (the "Political Subdivision") are automatically covered by the VRS Retirement Plan upon employment. This multi-employer agent plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

City of Colonial Heights, Virginia

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The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are available at

- <https://www.varetire.org/members/benefits/defined-benefit/plan1.asp>,
- <https://www.varetire.org/members/benefits/defined-benefit/plan2.asp>,
- <https://www.varetirement.org/hybrid.html>.

Employees Covered by Benefit Terms

As of the June 30, 2022 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	241
Inactive members	
Vested inactive members	48
Non-vested inactive members	37
Inactive members active elsewhere in VRS	148
Total inactive members	<u>233</u>
Active members	<u>247</u>
Total covered employees	<u><u>721</u></u>

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to Political Subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The political subdivision's contractually required contribution rate for the year ended June 30, 2024 was 15.63% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were \$2,547,159 and \$2,318,263 for the years ended June 30, 2024 and June 30, 2023, respectively.

Net Pension Liability

The net pension liability is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For Political Subdivisions, the net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2022 rolled forward to the measurement date of June 30, 2023. The City typically uses the General Fund first of the governmental funds to liquidate net pension liability.

City of Colonial Heights, Virginia

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Actuarial Assumptions

The total pension liability for General Employees and Public Safety employees with Hazardous Duty Benefits in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2022, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023.

Inflation	2.50%
General Employees – Salary increases, including inflation	3.50 – 5.35%
Public Safety Employees with hazardous duty benefits – Salary increases, including inflation	3.50 – 4.75%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Mortality rates: General employees – 15 to 20% of deaths are assumed to be service related. Public Safety Employees – 45% to 70% of deaths are assumed to be service related. Mortality is projected using the applicable Pub-2010 Mortality Table with various setbacks or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees – Largest 10 – Non-Hazardous Duty and All Others (Non 10 Largest): Update mortality table; adjusted retirement rates to better fit experience; adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service; no change to disability rates, no change to salary scale, no change to line of duty disability; and no change to discount rate.

Public Safety Employees – Largest 10 – Hazardous Duty and All Others (Non 10 Largest): Update mortality table; adjusted retirement rate to better fit experience and increase final retirement age to 70; decreased rates of withdrawal; no change to disability rates; no changes to salary scale; no change to line of duty disability; and no change to discount rate.

City of Colonial Heights, Virginia

Notes to Financial Statements

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Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	34.00%	6.14%	2.09%
Fixed Income	15.00	2.56	0.38
Credit Strategies	14.00	5.60	0.78
Real Assets	14.00	5.02	0.70
Private Equity	16.00	9.17	1.47
MAPS – Multi-Asset Public Strategies	4.00	4.50	0.18
PIP – Private Investment Partnership	2.00	7.18	0.14
Cash	1.00	1.20	0.01
Total	100%		5.75%
	Inflation		2.50%
	* Expected arithmetic nominal return		8.25%

- * The above allocation provides for a one-year return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%. On June 15, 2023, the VRS Board elected a long-term rate of 6.75% which is roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation, providing a median return of 7.14%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions, Political Subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2023, the alternate rate was the employer contribution rate used in the fiscal year 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2022, actuarial valuations, whichever was greater. From July 1, 2023 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

City of Colonial Heights, Virginia

Notes to Financial Statements

June 30, 2024

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2022	\$ 92,640,017	\$ 84,593,391	\$ 8,046,626
Changes for the year			
Service cost	2,055,149	-	2,055,149
Interest	6,230,862	-	6,230,862
Differences between expected and actual experience	2,153,587	-	2,153,587
Contributions— employer	-	2,318,263	(2,318,263)
Contributions – employee	-	733,433	(733,433)
Net investment income	-	5,431,156	(5,431,156)
Benefit payments, including refunds of employee contributions	(4,772,195)	(4,772,195)	-
Administrative expenses	-	(54,260)	54,260
Other changes	-	2,185	(2,185)
Net changes	5,667,403	3,658,582	2,008,821
Balance at June 30, 2023	<u>\$ 98,307,420</u>	<u>\$ 88,251,973</u>	<u>\$ 10,055,447</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Political Subdivision using the discount rate of 6.75%, as well as what the Political Subdivision's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Political Subdivision's net pension liability (asset)	\$ 22,615,974	\$ 10,055,447	\$ (223,043)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2024, the Political Subdivision recognized pension expense of \$2,246,229. At June 30, 2024, the Political Subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,463,334	\$ 546,013
Change in assumptions	345,636	-
Net difference between projected and actual earnings on pension plan investments	-	1,358,858
Employer contributions subsequent to the measurement date	2,547,159	-
	<u>\$ 4,356,129</u>	<u>\$ 1,904,871</u>

City of Colonial Heights, Virginia

Notes to Financial Statements

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The \$2,547,159 reported as deferred outflows of resources related to pensions resulting from the Political Subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the Fiscal Year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Effect on Pension Expenses</u>
2025	\$ (369,902)
2026	(1,067,567)
2027	1,297,754
2028	43,814
2029	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2023 Annual Report. A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2023-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

School Nonprofessionals

Plan Description

All full-time, salaried permanent non-professional employees (non-teachers) of the City of Colonial Heights, Virginia, (the "School Division") are automatically covered by the VRS Retirement Plan upon employment. This multi-employer agent plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. The plan provisions and features of the plans, as well as all actuarial assumptions, are substantially the same as those described for the Primary Government.

City of Colonial Heights, Virginia

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Employees Covered by Benefit Terms

As of the June 30, 2022 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	48
Inactive members	
Vested inactive members	6
Non-vested inactive members	10
Inactive members active elsewhere in VRS	6
Total inactive members	22
Active members	40
Total covered employees	110

Contributions

The School Division's contractually required contribution rate for the year ended June 30, 2024 was 4.90% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

Contributions to the pension plan from the School Division were \$85,336 and \$80,460 for the years ended June 30, 2024 and June 30, 2023, respectively.

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at June 30, 2022	\$ 5,671,917	\$ 6,180,963	\$ (509,046)
Changes for the year			
Service cost	127,810	-	127,810
Interest	380,110	-	380,110
Differences between expected and actual experience	17,227	-	17,227
Contributions— employer	-	28,958	(28,958)
Contributions – employee	-	59,997	(59,997)
Net investment income	-	392,763	(392,763)
Benefit payments, including refunds of employee contributions	(336,935)	(336,935)	-
Administrative expenses	-	(4,040)	4,040
Other changes	-	(136)	136
Net changes	188,212	140,607	47,605
Balance at June 30, 2023	\$ 5,860,129	\$ 6,321,570	\$ (461,441)

City of Colonial Heights, Virginia

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Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the School Division using the discount rate of 6.75%, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
School Division's net pension liability (asset)	\$ 204,791	\$ (461,441)	\$ (1,021,833)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2024, the School Division recognized pension expense (benefit) of (\$27,280). At June 30, 2024, the School Division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,108	\$ 12,742
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	100,686
Employer contributions subsequent to the measurement date	85,336	-
	\$ 95,444	\$ 113,428

The \$85,336 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the Fiscal Year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Effect on Pension Expense
2025	\$ (77,323)
2026	(117,931)
2027	88,744
2028	3,190
2029	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2023 Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2023-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

City of Colonial Heights, Virginia

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Teacher Cost Sharing Plan

General Information about the Teacher Cost Sharing Plan

Plan Description

All full-time, salaried permanent (professional) employees of Virginia public school divisions, including the City of Colonial Heights, Virginia, (the "School Division"), are automatically covered by the VRS Teacher Retirement Plan upon employment. This multiple employer, cost sharing plan is administered by the Virginia Retirement System (the "System") along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employers pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees in the VRS Teacher Retirement Plan – Plan 1, Plan 2, and Hybrid. The provisions and features of the plans, as well as all actuarial assumptions, are substantially the same as those described for the Primary Government.

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each school division's contractually required contribution rate for the year ended June 30, 2024 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Division were \$3,863,215 and \$3,586,604 for the years ended June 30, 2024 and June 30, 2023, respectively.

In June 2023, the Commonwealth made a special contribution of approximately \$147.5 million to the VRS Teacher Employee plan. This special payment was authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I, as amended by Chapter 769, 2023 Acts of Assembly Reconvened Session, and is classified as a non-employer contribution.

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

At June 30, 2024, the School Division reported a liability of \$22,964,580 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2023 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2022, and rolled forward to the measurement date of June 30, 2023. The School Division's proportion of the Net Pension Liability was based on the School Division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2023 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2023, the School Division's proportion was 0.22721% as compared to 0.22507% at June 30, 2022.

For the year ended June 30, 2024, the school division recognized pension expense of \$2,127,845. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of

City of Colonial Heights, Virginia

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employer contributions. Beginning with the June 30, 2022 measurement date, the difference between the expected and actual contributions is included with the pension expense calculation.

At June 30, 2024, the School Division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,972,677	\$ 896,176
Change in assumptions	1,041,065	-
Net difference between projected and actual earnings on pension plan investments	-	1,493,161
Changes in proportion and differences between employer contributions and proportionate share of contributions	180,914	417,199
Employer contributions subsequent to the measurement date	3,863,215	-
	\$ 7,057,871	\$ 2,806,536

The \$3,863,215 reported as deferred outflows of resources related to pensions resulting from the School Division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the Fiscal Year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Effect on Pension Expense
2025	\$ (568,149)
2026	(1,359,550)
2027	1,832,587
2028	483,232
2029	-
Thereafter	-

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2023, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

Total pension liability	\$ 57,574,609
Plan fiduciary net position	47,467,405
Employers' net pension liability	\$ 10,107,204
Plan fiduciary net position as a percentage of the total pension liability	82.45%

City of Colonial Heights, Virginia

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The total pension liability is calculated by the System’s actuary, and each plan’s fiduciary net position is reported in the System’s financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System’s notes to the financial statements and required supplementary information.

Sensitivity of the School Division’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the School Division’s proportionate share of the net pension liability of the school division using the discount rate of 6.75%, as well as what the School Division’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
School Division’s proportionate share of the VRS Teacher Employee Retirement plan net pension liability	\$ 40,708,009	\$ 22,964,580	\$ 8,378,021

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan’s Fiduciary Net Position is available in the separately issued VRS 2023 Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2023-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 12 – Summary of Pension Elements

A summary of the pension-related financial statement elements is as follows:

	Governmental Activities	Business-Type Activities	Total Primary Government
Net pension liability			
VRS Basic Pension Plan	\$ 9,413,910	\$ 641,537	\$ 10,055,447
Deferred outflows of resources			
Difference between expected and actual experience	\$ 1,369,973	\$ 93,361	\$ 1,463,334
Change in assumptions	323,585	22,051	345,636
Pension contributions subsequent to measurement date	2,384,650	162,509	2,547,159
Total deferred outflows of resources	\$ 4,078,208	\$ 277,921	\$ 4,356,129
Deferred inflows of resources			
Differences between expected and actual experience	\$ 511,177	\$ 34,836	\$ 546,013
Net difference between projected and actual earnings on plan investments	1,272,163	86,695	1,358,858
Total deferred inflows of resources	\$ 1,783,340	\$ 121,531	\$ 1,904,871
Net pension expense	\$ 2,102,919	\$ 143,310	\$ 2,246,229

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	Teachers' Plan	Non-Teachers' Plan	Total School Board
Net pension liability/(asset)			
VRS Basic Pension Plan	\$ 22,964,580	\$ (461,441)	\$ 22,503,139
Deferred outflows of resources			
Differences between expected and actual experience	\$ 1,972,677	\$ 10,108	\$ 1,982,785
Change in assumptions	1,041,065	-	1,041,065
Change in proportion and differences between employer contributions and proportionate share of contributions	180,914	-	180,914
Employer contributions subsequent to the measurement date	3,863,215	85,336	3,948,551
Total deferred outflows of resources	\$ 7,057,871	\$ 95,444	\$ 7,153,315
Deferred inflows of resources			
Differences between expected and actual experience	\$ 896,176	\$ 12,742	\$ 908,918
Change in proportion and differences between employer contributions and proportionate share of contributions	417,199	-	417,199
Net difference between projected and actual earnings on plan investments	1,493,161	100,686	1,593,847
Total deferred inflows of resources	\$ 2,806,536	\$ 113,428	\$ 2,919,964
Net pension expense (benefit)	\$ 2,127,845	\$ (27,280)	\$ 2,100,565

Note 13 – Other Postemployment Benefits Liabilities

Primary Government – City – Local Plan

Plan Description and Benefits Provided

Other post-employment benefits (OPEB) provided by the City consist of single-employer defined benefit retiree health insurance premium plans.

A City retiree, eligible for the plan, is defined as a full-time employee who retires directly from the City and is eligible to receive an early or regular retirement benefit from the VRS. For pre-Medicare coverage, the City will provide a premium credit toward a retiree's health insurance premium at a rate of \$50.00 per month plus \$5.00 per year of service per month not to exceed \$100 per month based on 20 years of service in the VRS. For post-Medicare coverage, retirees may participate in an Anthem Advantage plan at full cost. Those with at least 15 years of service in the VRS receive a credit of \$1.50 per month of VRS service, to a maximum of \$45 per month. The plan was established by City Council and any amendments to the plan must be approved by the Council.

The plan is not administered through a trust and, therefore, there are no assets accumulated in a GASB-compliant trust. The plan does not issue a stand-alone financial report.

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The City's Council establishes employer contribution rates for its plan participants. The Council has chosen to fund the healthcare benefits on a pay as you go basis. The City typically uses the General Fund first of the governmental funds to liquidate net OPEB liability.

Employees Covered by Benefit Terms

As of the January 1, 2023 actuarial valuation, the following employees were covered by the benefit terms of the plan:

	<u>Number</u>
Inactive employees or beneficiaries	
Currently receiving benefits	29
Total inactive employees	
Active plan members	212
	<u>241</u>

Total OPEB Liability

The City's total OPEB liability of \$1,977,212 was measured as of June 30, 2024 and was determined based on an actuarial valuation performed as of January 1, 2023.

Actuarial Assumptions and other inputs

The total OPEB liability was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases, including inflation	2.50%
Investment return	3.50%
Healthcare cost trend rates	6.00% initially, grading down to 4.50% ultimate (3.75% for dental)
Discount rate	4.00%

Mortality rates: PUB2010G tables with SSA 2020 Mortality generally.

The actuarial assumptions were measured as of June 30, 2024 and was determined based on an actuarial valuation performed as of January 1, 2023.

Changes in assumptions and other inputs reflect changes in the discount rate as well as updates to the mortality, retirement, termination, disability rates, and trend.

City of Colonial Heights, Virginia

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Changes in the Total OPEB Liability

Balance at June 30, 2023	\$ 2,005,377
Changes for the year	
Service cost	21,900
Interest	76,540
Difference between expected and actual experience	-
Assumption or other input changes	(26,637)
Benefit payments	(99,968)
Net changes	<u>(28,165)</u>
Balance at June 30, 2024	<u><u>\$ 1,977,212</u></u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.00%) or one percentage point higher (5.00%) than the current discount rate:

	1.00% Decrease (3.00%)	Current Discount Rate (4.00%)	1.00% Increase (5.00%)
Total OPEB liability	<u>\$ 2,189,682</u>	<u>\$ 1,977,212</u>	<u>\$ 1,807,395</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (3.50%) or one percentage point higher (5.50%) than the current healthcare cost trend rates:

	1.00% Decrease (3.50%)	Current Healthcare Cost Trend Rate (4.50%)	1.00% Increase (5.50%)
Total OPEB liability	<u>\$ 1,838,097</u>	<u>\$ 1,977,212</u>	<u>\$ 2,151,431</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2024, the City recognized OPEB expense of (\$122,993). At June 30, 2024, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 57,181	\$ 1,418,277
Change in assumptions	323,147	414,592
Total	<u><u>\$ 380,328</u></u>	<u><u>\$ 1,832,869</u></u>

City of Colonial Heights, Virginia

Notes to Financial Statements

June 30, 2024

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

Year Ended June 30,	Increase (Reduction) to OPEB Expense
2025	\$ (221,433)
2026	(221,433)
2027	(221,433)
2028	(221,430)
2029	(219,375)
Thereafter	(347,437)

Component Unit – School Board – Local Plan

Plan Description and Benefits Provided

Other post-employment benefits (OPEB) provided by the School Board consist of single-employer defined benefit retiree health insurance premium plans.

A School Board retiree, eligible for the School Board’s post-retirement medical coverage, is defined as a full-time employee who retires directly from the School, and is eligible to receive an early or regular retirement benefit from the VRS. To be eligible for School Credits, the employee must also have participated in the School Board’s health insurance plan for a minimum of five years immediately preceding retirement, and have at least 15 years of VRS Service. For pre-Medicare coverage, retirees may elect to remain on the School Board’s policy and pay the same premium as participants. Retirees with at least 15 years of service receive a School credit of \$4.50 per month per year of service to a maximum of \$135 per month for their lifetime. This School service credit will supplement any State Health Care Credits that the retiree may be eligible for from the State. Post-Medicare retirees may participate in a Medicare supplemental plan at full cost (less any School service credits). The plan was established by the School Board and any amendments to the plan must be approved by the School Board.

The plan is not administered through a trust and, therefore, there are no assets accumulated in a GASB-compliant trust. The plan does not issue a stand-alone financial report.

The School’s Board establishes employer contribution rates for its plan participants. The Board has chosen to fund the healthcare benefits on a pay as you go basis.

Employees Covered by Benefit Terms

As of the January 1, 2023 actuarial valuation, the following employees were covered by the benefit terms of the plan:

	Number
Inactive employees or beneficiaries	
Currently receiving benefits	142
Total inactive employees	
Active plan members	371
	513

City of Colonial Heights, Virginia

Notes to Financial Statements

June 30, 2024

Total OPEB Liability

The School Board’s total OPEB liability of \$4,995,588 was measured as of June 30, 2024 and was determined based on an actuarial valuation performed as of January 1, 2023.

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases, including inflation	2.50%
Investment return	3.50%
Healthcare cost trend rates	6.25% initially, grading down to 4.25% ultimate
Discount rate	4.00%

Mortality rates: PUB2010T headcount tables with generational mortality improvements using Scale SSA 2022.

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial valuation as of January 1, 2023.

Changes in assumptions and other inputs reflect updated mortality rates, retirement, disability and withdrawal rates, and discount rate.

Changes in the Total OPEB Liability

Balance at June 30, 2023	\$ 5,021,578
Changes for the year	
Service cost	99,304
Interest	193,061
Difference between expected and actual experience	-
Assumption or other input changes	(51,372)
Benefit payments	(266,983)
Net changes	<u>(25,990)</u>
Balance at June 30, 2024	<u><u>\$ 4,995,588</u></u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the School Board, as well as what the School Board’s total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.00%) or one percentage point higher (5.00%) than the current discount rate:

	1.00% Decrease (3.00%)	Current Discount Rate (4.00%)	1.00% Increase (5.00%)
Total OPEB liability	\$ 5,420,763	\$ 4,995,588	\$ 4,614,375

City of Colonial Heights, Virginia

Notes to Financial Statements

June 30, 2024

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the School Board, as well as what the School Board’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (3.00%) or one percentage point higher (5.00%) than the current healthcare cost trend rates:

	1.00% Decrease (3.00%)	Current Ultimate Trend Rate (4.00%)	1.00% Increase (5.00%)
Total OPEB liability	\$ 4,726,342	\$ 4,995,588	\$ 5,305,658

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2024, the School Board recognized OPEB expense of (\$65,409). At June 30, 2024, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,734,489
Change in assumptions	546,474	808,889
Total	\$ 546,474	\$ 2,543,378

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

Year Ended June 30,	Increase (Reduction) to OPEB Expense
2025	\$ (357,774)
2026	(357,774)
2027	(351,063)
2028	(224,243)
2029	(308,925)
Thereafter	(397,125)

Primary Government – City – Virginia Retirement System Plans

In addition to their participation in the pension plans offered through the Virginia Retirement System (VRS), the City also participates in various cost-sharing multi-employer other postemployment benefit plans, described as follows.

Plan Descriptions

Group Life Insurance Program

All full-time teachers and employees of political subdivisions are automatically covered by the VRS Group Life Insurance (GLI) Program upon employment.

City of Colonial Heights, Virginia

Notes to Financial Statements

June 30, 2024

In addition to the Basic Group Life Insurance Benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI Program OPEB.

Specific information for the GLI is available at <https://www.varetire.org/members/benefits/life-insurance/basic-group-life-insurance.asp>.

Contributions

Contributions to the VRS OPEB programs were based on actuarially determined rates from an actuarial valuation as of June 30, 2021. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

Group Life Insurance Program

Governed by:	<i>Code of Virginia</i> 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.
Total rate:	1.34% of covered employee compensation. Rate allocated 60/40; 0.80% employee and 0.54% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2024 Contribution	\$91,156
June 30, 2023 Contribution	\$82,841

In June 2023, the Commonwealth made a special contribution of approximately \$10.1 million to the Group Life Insurance plan. This special payment was authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I, as amended by Chapter 769, 2023 Acts of Assembly Reconvened Session.

OPEB Liabilities, OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB

The net OPEB liabilities were measured as of June 30, 2023 and the total OPEB liabilities used to calculate the net OPEB liabilities was determined by an actuarial valuation performed as of June 30, 2022 and rolled forward to the measurement date of June 30, 2023. The covered employer's proportion of the net OPEB liabilities were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2023 relative to the total of the actuarially determined employer contributions for all participating employers.

Group Life Insurance Program

June 30, 2024 proportionate share of liability	\$781,113
June 30, 2023 proportion	0.06513%
June 30, 2022 proportion	0.06568%
June 30, 2024 expense	18,411

City of Colonial Heights, Virginia

Notes to Financial Statements

June 30, 2024

At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 78,014	\$ 23,711
Change in assumptions	16,697	54,119
Net difference between projected and actual earnings on OPEB plan investments	-	31,390
Changes in proportion	9,591	39,480
Employer contributions subsequent to the measurement date	91,156	-
Total	\$ 195,458	\$ 148,700

The deferred outflows of resources related to OPEB resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB Liability in the Fiscal Year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future reporting periods as follows:

Year Ended June 30,	Increase (Reduction) to OPEB Expense
2025	\$ (17,000)
2026	(39,365)
2027	9,644
2028	(4,240)
2029	6,563

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2022, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023:

Inflation	2.50%
Salary increases, including inflation:	
• Locality – general employees	3.50 – 5.35%
• Locality – hazard duty employees	3.50 – 4.75%
• Teachers	3.50 – 5.95%
Healthcare cost trend rates:	
• Under age 65	7.00 – 4.75%
• Ages 65 and older	5.25 – 4.75%
Investment rate of return, net of expenses, including inflation	GLI: 6.75%

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail at Note 11.

City of Colonial Heights, Virginia

Notes to Financial Statements

June 30, 2024

Net OPEB Liabilities

The net OPEB liabilities represent each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2023, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	Group Life Insurance Program
Total OPEB Liability	\$ 3,907,052
Plan fiduciary net position	2,707,739
Employers' net OPEB liability	<u>\$ 1,199,313</u>
Plan fiduciary net position as a percentage of total OPEB liability	69.30%

The total liability is calculated by the VRS actuary and each plan's fiduciary net position is reported in the VRS financial statements. The net OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the VRS notes to the financial statements and required supplementary information. The City typically uses the General Fund first of the governmental funds to liquidate net pension liability.

Long-Term Expected Rate of Return

Group Life Insurance Program

The long-term expected rate of return on VRS investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in Note 11.

Discount Rate

The discount rate used to measure the GLI OPEB liabilities was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2023, the rate contributed by the employer for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 113% of the actuarially determined contribution rate for GLI and 100% of the actuarially determined contribution rate for all other OPEB plans. From July 1, 2023 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

City of Colonial Heights, Virginia

Notes to Financial Statements

June 30, 2024

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liabilities of the City, as well as what the City's net OPEB liabilities would be if it were calculated using a discount rate that is one percentage point lower (5.75% GLI) or one percentage point higher (7.75% GLI) than the current discount rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
GLI Net OPEB liability	<u>\$ 1,157,853</u>	<u>\$ 781,113</u>	<u>\$ 476,516</u>

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2023 Annual Report. A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2023-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Component Unit – School Board – Virginia Retirement System Plans

In addition to their participation in the pension plans offered through the Virginia Retirement System (VRS), the School Board also participates in various cost-sharing and agent multi-employer other postemployment benefit plans, described as follows.

Plan Descriptions

Group Life Insurance Program

All full-time teachers and employees of political subdivisions are automatically covered by the VRS Group Life Insurance (GLI) Program upon employment.

In addition to the Basic Group Life Insurance Benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI Program OPEB.

Specific information for the GLI is available at <https://www.varetire.org/members/benefits/life-insurance/basic-group-life-insurance.asp>.

Teacher Employee Health Insurance Credit Program

All full time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee Health Insurance Credit (HIC) Program. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

City of Colonial Heights, Virginia

Notes to Financial Statements

June 30, 2024

Specific information about the Teacher HIC is available at <https://www.varetire.org/retirees/insurance/healthinscredit/index.asp>.

The GLI and Teacher HIC are administered by the VRS along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Both of these plans are considered multiple-employer, cost-sharing plans.

General Employee Health Insurance Credit Program

The General Employee Health Insurance Credit Program (HIC) is available for all full time, salaried employees of local government entities other than teachers. The General Employee HIC provides all the same benefits as the Teacher HIC, except that this plan is considered a multi-employer, agent defined benefit plan.

As of the June 30, 2023 actuarial valuation, the following employees were covered by the benefit terms of the General Employee Health Insurance Credit Program:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	-
Inactive members	
Vested inactive members	9
Total inactive members	<u>9</u>
Active members	<u>40</u>
Total covered employees	<u><u>49</u></u>

Contributions

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2021. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

Group Life Insurance Program

Governed by:	<i>Code of Virginia</i> 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.
Total rate:	1.34% of covered employee compensation. Rate allocated 60/40; 0.80% employee and 0.54% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2024 Contribution	\$143,368
June 30, 2023 Contribution	\$132,106

City of Colonial Heights, Virginia

Notes to Financial Statements

June 30, 2024

In June 2023, the Commonwealth made a special contribution of approximately \$10.1 million to the Group Life Insurance plan. This special payment was authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I, as amended by Chapter 769, 2023 Acts of Assembly Reconvened Session.

Teacher Health Insurance Credit Program

Governed by:	<i>Code of Virginia</i> 51.1-1401 and may be impacted as a result of funding provided to school divisions by the Virginia General Assembly.
Total rate:	1.21% of covered employee compensation.
June 30, 2024 Contribution	\$295,500
June 30, 2023 Contribution	\$272,443

General Employee Insurance Credit Program

Governed by:	<i>Code of Virginia</i> 51.1-1400 and may be impacted as a result of funding provided to school divisions by the Virginia General Assembly.
Total rate:	0.58% of covered employee compensation.
June 30, 2024 Contribution	\$11,668
June 30, 2023 Contribution	\$11,130

In June 2023, the Commonwealth made a special contribution of approximately \$4.0 million to the VRS Teacher Health Insurance Credit Program. This special payment was authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I, as amended by Chapter 769, 2023 Acts of Assembly Reconvened Session, and is classified as a non-employer contribution.

OPEB Liabilities, OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB

The net OPEB liabilities were measured as of June 30, 2023 and the total OPEB liabilities used to calculate the net OPEB liabilities was determined by actuarial valuation performed as of June 30, 2022 and rolled forward to the measurement date of June 30, 2023. The covered employer's proportion of the net OPEB liabilities were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions for all participating employers.

Group Life Insurance Program

June 30, 2024 proportionate share of liability	\$1,245,607
June 30, 2023 proportion	0.10386%
June 30, 2022 proportion	0.10233%
June 30, 2024 expense	45,372

City of Colonial Heights, Virginia

Notes to Financial Statements

June 30, 2024

Teacher Health Insurance Credit Program

June 30, 2024 proportionate share of liability	\$2,735,502
June 30, 2023 proportion	0.22581%
June 30, 2022 proportion	0.22422%
June 30, 2024 expense	\$157,264

Since there was a change in proportionate share between measurement dates, a portion of the OPEB expense above was related to deferred amount from changes in proportion.

General Employee Health Insurance Credit Program

Changes in net OPEB liability of the General Employee Health Insurance Credit Program were as follows:

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balance at June 30, 2022	\$ 108,281	\$ 16,776	\$ 91,505
Changes for the year			
Service cost	1,246	-	1,246
Interest	7,339	-	7,339
Changes in assumptions	-	-	-
Differences between expected and actual experience	(58,226)	-	(58,226)
Contributions— employer	-	10,057	(10,057)
Net investment income	-	1,406	(1,406)
Benefit payments	(1,604)	(1,604)	-
Administrative expenses	-	(41)	41
Net changes	<u>(51,245)</u>	<u>9,818</u>	<u>(61,063)</u>
Balance at June 30, 2023	<u>\$ 57,036</u>	<u>\$ 26,594</u>	<u>\$ 30,442</u>

In addition, for the year ended June 30, 2023, the School Board recognized OPEB expense of \$(6,716) related to the General Employee Health Insurance Credit Program.

At June 30, 2024, the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

City of Colonial Heights, Virginia

Notes to Financial Statements

June 30, 2024

Group Life Insurance Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 124,405	\$ 37,810
Change in assumptions	26,626	86,301
Net difference between projected and actual earnings on OPEB plan investments	-	50,055
Changes in proportion	22,621	35,976
Employer contributions subsequent to the measurement date	143,368	-
Total	\$ 317,020	\$ 210,142

Teacher Health Insurance Credit Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 120,403
Change in assumptions	63,678	2,757
Net difference between projected and actual earnings on OPEB plan investments	1,373	-
Changes in proportion	17,267	77,265
Employer contributions subsequent to the measurement date	295,500	-
Total	\$ 377,818	\$ 200,425

General Employee Health Insurance Credit Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 47,660
Change in assumptions	1,236	8,724
Net difference between projected and actual earnings on OPEB plan investments	255	-
Employer contributions subsequent to the measurement date	11,668	-
Total	\$ 13,159	\$ 56,384

City of Colonial Heights, Virginia

Notes to Financial Statements

June 30, 2024

The deferred outflows of resources related to OPEB resulting from the School's contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB Liability in the Fiscal Year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future reporting periods as follows:

Group Life Insurance Program

Year Ended June 30,	Increase (Reduction) to OPEB Expense
2025	\$ (17,187)
2026	(57,251)
2027	34,090
2028	2,377
2029	1,481
Thereafter	-

Teacher Health Insurance Credit Program

Year Ended June 30,	Increase (Reduction) to OPEB Expense
2025	\$ (34,423)
2026	(28,480)
2027	(16,346)
2028	(18,824)
2029	(16,233)
Thereafter	(3,801)

General Employee Health Insurance Credit Program

Year Ended June 30,	Increase (Reduction) to OPEB Expense
2025	\$ (13,925)
2026	(14,325)
2027	(12,363)
2028	(10,984)
2029	(3,296)
Thereafter	-

Actuarial Assumptions and Other Inputs

The actuarial assumptions and other inputs used for the Schools' VRS OPEB are disclosed previously in this note.

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail at Note 11.

City of Colonial Heights, Virginia

Notes to Financial Statements

June 30, 2024

Net OPEB Liabilities

The net OPEB liabilities represent each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2023, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	Group Life Insurance Program	Teacher Employee HIC OPEB Plan
Total OPEB Liability	\$ 3,907,052	\$ 1,475,471
Plan fiduciary net position	2,707,739	264,054
Employers' net OPEB liability	\$ 1,199,313	\$ 1,211,417
Plan fiduciary net position as a percentage of total OPEB liability	69.30%	17.90%

The total liability is calculated by the VRS actuary and each plan's fiduciary net position is reported in the VRS financial statements. The net OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the VRS notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

Group Life Insurance and Health Insurance Credit Programs

The long-term expected rate of return on VRS investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in Note 11.

Discount Rate

The discount rate used to measure the GLI and HIC OPEB liabilities was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2023, the rate contributed by the employer for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 113% of the actuarially determined contribution rate for GLI and 100% of the actuarially determined contribution rate for all other OPEB plans. From July 1, 2023 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

City of Colonial Heights, Virginia

Notes to Financial Statements

June 30, 2024

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liabilities of the School Board, as well as what the School Board's net OPEB liabilities would be if it were calculated using a discount rate that is one percentage point lower (5.75% HIC; GLI) or one percentage point higher (7.75% HIC; GLI) than the current discount rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
GLI Net OPEB liability	\$ 1,846,378	\$ 1,245,607	\$ 759,879
Teacher HIC Net OPEB liability	\$ 3,094,158	\$ 2,735,502	\$ 2,431,572
General Employee HIC Net OPEB liability	\$ 36,975	\$ 30,442	\$ 24,876

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2023 Annual Report. A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2023-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 14 – Summary of Other Post-Employment Benefit Elements

A summary of the other post-employment benefits-related financial statement elements is as follows:

	Governmental Activities	Business-Type Activities	Total Primary Government	School Board
Net other post-employment benefits liability				
Local Sponsored Health Insurance	\$ (1,814,266)	\$ (162,946)	\$ (1,977,212)	\$ (4,995,588)
VRS – Group Life Insurance	(716,756)	(64,357)	(781,113)	(1,245,607)
VRS – HIC	-	-	-	(2,765,944)
Total net other post-employment benefit liability	<u>\$ (2,531,022)</u>	<u>\$ (227,303)</u>	<u>\$ (2,758,325)</u>	<u>\$ (9,007,139)</u>
Deferred outflows of resources				
Change in proportion				
VRS – Group Life Insurance	\$ 8,803	\$ 788	\$ 9,591	\$ 22,621
VRS – HIC	-	-	-	17,267
Contributions subsequent to measurement date				
VRS – Group Life Insurance	83,668	7,488	91,156	143,368
VRS – HIC	-	-	-	307,168
Difference between expected and actual experience				
Local Sponsored Health Insurance	52,484	4,697	57,181	-
VRS – Group Life Insurance	71,606	6,408	78,014	124,405
Difference between projected and actual investment earnings				
VRS – HIC	-	-	-	1,628
Changes in actuarial assumptions				
Local Sponsored Health Insurance	296,602	26,545	323,147	546,474
VRS – Group Life Insurance	15,325	1,372	16,697	26,626
VRS – HIC	-	-	-	64,914
Total deferred outflows of resources	<u>\$ 528,488</u>	<u>\$ 47,298</u>	<u>\$ 575,786</u>	<u>\$ 1,254,471</u>

City of Colonial Heights, Virginia

Notes to Financial Statements

June 30, 2024

	Governmental Activities	Business-Type Activities	Total Primary Government	School Board
Deferred inflows of resources				
Differences between expected and actual experience				
Local Sponsored Health Insurance	\$ (1,302,278)	\$ (115,999)	\$ (1,418,277)	\$ (1,734,489)
VRS – Group Life Insurance	(21,772)	(1,939)	(23,711)	(37,810)
VRS – HIC	-	-	-	(168,063)
Difference between projected and actual investment earnings				
VRS – Group Life Insurance	(28,823)	(2,567)	(31,390)	(50,055)
VRS – HIC	-	-	-	-
Change in actuarial assumptions				
Local Sponsored Health Insurance	(380,683)	(33,909)	(414,592)	(808,889)
VRS – Group Life Insurance	(49,693)	(4,426)	(54,119)	(86,301)
VRS – HIC	-	-	-	(11,481)
Change in proportion				
Local Sponsored Health Insurance				
VRS – Group Life Insurance	(36,251)	(3,229)	(39,480)	(35,976)
VRS – HIC	-	-	-	(77,265)
Total deferred inflows of resources	\$ (1,819,500)	\$ (162,069)	\$ (1,981,569)	\$ (3,010,329)
Net other post-employment benefits expense (benefit)				
Local Sponsored Health Insurance	\$ (112,890)	\$ (10,103)	\$ (122,993)	\$ (65,409)
VRS – Group Life Insurance	16,899	1,512	18,411	45,372
VRS – HIC	-	-	-	150,548
Total net other post-employment benefit expense (benefit)	\$ (95,991)	\$ (8,591)	\$ (104,582)	\$ 130,511

City of Colonial Heights, Virginia

Notes to Financial Statements

June 30, 2024

Note 15 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the funds. The constraints placed on fund balance are presented below:

	General Fund	Capital Projects Fund	Emergency Response Fund
Nonspendable			
Inventories	\$ 100,711	\$ -	\$ -
Prepays	5,709	-	-
Total nonspendable	106,420	-	-
Restricted			
General government	10,813	-	-
Judicial administration	124,240	-	-
Public safety – funds restricted for forfeited assets	488,703	-	-
Public works	610,283	-	-
Health and Welfare	50	-	-
Other capital projects – unspent bond proceeds for various capital projects	-	5,043,927	-
Total restricted	1,234,089	5,043,927	-
Committed			
General government	40,256	-	-
Judicial administration	47,636	-	-
Public safety	83,763	-	-
Public works	43,562	-	-
Health and welfare	6,947	-	-
Parks, recreation, and cultural	924,781	-	-
Community development	2,962	-	-
Nondepartmental	439	-	-
Total committed	1,150,346	-	-
Assigned			
General government	2,008,664	-	-
Public safety	617,500	-	-
Public works	726,126	-	-
Parks, recreation, and cultural	41,962	-	-
Community development	341,500	-	-
Total assigned	3,735,752	-	-
Unassigned			
Total fund balance	\$ 31,594,889	\$ 5,043,927	\$ (404,341)

Note 16 – Risk Management

The City and School Board are exposed to various losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and others; and natural disasters. The City is covered by property/casualty insurance policies or participation in public entity risk pools on real and personal property, workers' compensation, public

City of Colonial Heights, Virginia

Notes to Financial Statements

June 30, 2024

entity and officers' excess liability, and volunteer liability. There were no material reductions in insurance coverage from coverage in the prior year nor did settlements exceed coverage for any of the past three fiscal years.

Risk Pools

The City participates in the Commonwealth of Virginia's Law Enforcement Liability Plan, called VA Risk2, operated by the Division of Risk Management of the Commonwealth's Department of General Services. It was created in accordance with Sec. 2.1-526.8:l of the *Code of Virginia*, which says that the State shall have the right and duty to defend any suit seeking damages or compensation against the City's officials and employees on account of wrongful acts even if any of the allegations of the suits are groundless, false, or fraudulent and may make investigation and settlement of any claims or suit as deemed expedient. The limits of VA Risk2 coverage are \$1,000,000 per claim.

Under the provisions of the Virginia Workers' Compensation Act, the City has secured the payment of compensation benefits and employers' liability coverage with the Virginia Municipal Group Self Insurance Association (VMGSIA). VMGSIA is a public entity risk pool providing a comprehensive workers' compensation insurance program and risk management services with emphasis on loss control and claims administration.

The City has secured real and personal property coverage and general liability insurance, including automobiles, with the Virginia Municipal Liability Pool. The pool is a public entity risk pool providing compensative liability coverage risk management services with emphasis on loss control and claims administration.

The School Board carries commercial insurance through VACORP for property, casualty, general liability, and automobile coverage. Workers' compensation insurance is provided through VACORP.

Note 17 – Jointly Governed Organizations

Riverside Regional Jail Authority

The Authority was created by Chapter 726 of the 1990 Acts of the General Assembly and was formed on June 21, 1990. The Authority is comprised of the Cities of Colonial Heights, Hopewell, and Petersburg and the Counties of Charles City, Chesterfield, Prince George, and Surry. The Authority is governed by a fourteen-member board comprised of two members from each participating jurisdiction.

The general purpose of the Authority is to acquire, construct, equip, maintain, and operate a regional jail facility to meet the needs of the participating jurisdictions for additional jail facilities. The Authority completed the feasibility study and conceptual design of the jail and proceeded with the preparation of the Service Agreement. The Service Agreement is a long-term contract regulating usage of the jail and establishing payment terms applicable to participating jurisdictions. It guarantees that the facility will be used and provides for the issuance of revenue bonds to fund the final design and construction of the regional jail facility. The City's cost for adult incarceration services for 2024 was \$2,168,140.

Complete financial statements for the Jail Authority can be obtained from the Jail Authority at 500 Folar Trail, N. Prince George, Virginia 23860.

Appomattox River Water Authority

The City, in conjunction with the Counties of Chesterfield, Dinwiddie, and Prince George and the City of Petersburg, participated in the creation of the Authority. The 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

City of Colonial Heights, Virginia

Notes to Financial Statements

June 30, 2024

the Authority. In accordance with the joint venture agreement, each participating entity is required to purchase water from the Authority. The City retains an ongoing financial responsibility for the joint venture due to this requirement of the agreement. The City's purchase of water for 2024 was \$650,972. Complete financial statements for the Authority can be obtained from the Authority's office at 21300 Chesdin Road, South Chesterfield, Virginia 23803.

South Central Wastewater Authority (SCWWA)

The Authority was created on July 2, 1996, and currently provides wastewater treatment to the Cities of Colonial Heights and Petersburg, the Counties of Chesterfield and Prince George and the Dinwiddie County Water Authority. The City has 4.6 million gallons per day of wastewater treatment capacity reserved at SCWWA's plant pursuant to a long-term service contract which is further described in Note 7. The City's cost of wastewater treatment for 2024 was \$1,854,075. Complete financial statements for the Authority can be obtained from the Authority's office at 900 Magazine Road, Petersburg, Virginia 23803.

Central Virginia Waste Management Authority

The Authority's board is comprised of representatives from the Cities of Colonial Heights, Petersburg, and Richmond, as well as the Counties of Charles City, Chesterfield, Goochland, Hanover, Henrico, New Kent, Powhatan, Prince George, and the Town of Ashland. The Authority is comprised of a 20-member board with member jurisdictions making at least one but no more than three appointments. The City appoints one board member. The Authority is responsible for creating and implementing recycling and solid waste management programs for 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 an ongoing financial interest or responsibility in the Authority. The City's 2024 contribution requirement and direct payments for special projects totaled \$1,274,590. Complete financial statements for the Authority can be obtained from the Authority's office at 2100 W. Laburnum Ave., Suite 105, Richmond, Virginia 23227.

Virginia's Gateway Region

The Virginia's Gateway Region (VGR) serves the Cities of Colonial Heights, Hopewell, and Petersburg, as well as the Counties of Dinwiddie and Prince George in their efforts to provide balanced industrialization to corporation members. The City appoints two members of the board and contributed \$58,628 to VGR during 2024.

Note 18 – Health Coverage

City

City employees are covered by a professionally administered risk sharing program which provides health coverage for employees of the City on a cost-reimbursement basis. Dependents are covered by the program provided they pay a premium to the City. Under the program, health insurance claims are separately rated from other groups, and the City's claims experience is factored into the premiums assessed in subsequent periods. However, gains and losses resulting from the City's claims experience is not settled directly with the City but instead is shared by the pool. If the City were to exit the risk pool, it could be assessed a settlement charge that would not exceed any net loss resulting from the City's most recent year's claims experience. The City has no plans to exit the pool.

City of Colonial Heights, Virginia

Notes to Financial Statements

June 30, 2024

Schools

Schools employees are covered by a limited risk management program for their dental and, starting in fiscal year 2024, their health. Premiums are paid into a reserve account and are available to pay claims, reinsurance, and administrative costs of the program. The risk assumed by the Schools is based on the number of participants in the program. The Schools have a \$452,268 liability for June withholdings from employee payroll. Incurred but not reported claims of \$258,862 have been accrued as a liability based primarily on actual cost incurred prior to June 30 but paid after yearend. Changes in the claims liability for the current and prior fiscal year are as follows:

<u>Fiscal Year</u>	<u>Balance at Beginning of Fiscal Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at End of Fiscal Year</u>
2024	\$ -	\$ 6,016,920	\$ (5,758,058)	\$ 258,862

Note 19 – New Accounting Standards

In June 2022, the GASB issued **Statement No. 101**, *Compensated Absences*. This statement updates the recognition and measurement guidance for compensated absences and amends certain previously required disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.

In December 2023, the GASB issued **Statement No. 102**, *Certain Risk Disclosures*. This statement defines and requires governments to disclose the risks related to concentrations of inflows or outflows of resources. The requirements of this Statement are effective for reporting periods beginning after June 15, 2024.

In April 2024, the GASB issued **Statement No. 103**, *Financial Reporting Model Improvements*. This statement improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability as well as addresses certain application issues. The requirements of this Statement are effective for reporting periods beginning after June 15, 2025.

Management has not determined the effects these new GASB Statements may have on prospective financial statements.



Supplementary Information

City of Colonial Heights, Virginia

Exhibit 10

Discretely Presented Component Unit – School Board
Balance Sheet – Governmental Funds
June 30, 2024

	School Operating Fund	School Activity Fund	Total Governmental Funds
ASSETS			
Cash and investments	\$ 16,225,014	\$ 609,051	\$ 16,834,065
Receivables, net	15,478	-	15,478
Due from other governments	1,572,127	-	1,572,127
Due from primary government	3,689,072	-	3,689,072
Inventories	40,423	-	40,423
Total assets	<u>\$ 21,542,114</u>	<u>\$ 609,051</u>	<u>\$ 22,151,165</u>
LIABILITIES			
Accounts payable and other current liabilities	\$ 3,007,232	\$ -	\$ 3,007,232
Due to primary government	2,685	-	2,685
Unearned revenue	977,963	-	977,963
Total liabilities	<u>3,987,880</u>	<u>-</u>	<u>3,987,880</u>
FUND BALANCE			
Nonspendable	40,423	-	40,423
Restricted	977,498	-	977,498
Committed	8,128,551	-	8,128,551
Assigned	8,407,762	609,051	9,016,813
Total fund balance	<u>17,554,234</u>	<u>609,051</u>	<u>18,163,285</u>
Total liabilities and fund balance	<u>\$ 21,542,114</u>	<u>\$ 609,051</u>	<u>\$ 22,151,165</u>
Adjustments for the Statement of Net Position (Exhibit 1):			
Total Fund Balance – School Board			\$ 18,163,285
Amounts reported for the School Board’s governmental activities in the Statement of Net Position are different because:			
Long-term assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.			
Net pension asset			461,441
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.			
Nondepreciable	\$ 1,264,401		
Depreciable, net	<u>35,726,393</u>		36,990,794
Certain receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			
VPSA Grant			185,387
Deferred outflows and inflows of resources related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.			
Deferred outflows related to:			
Pensions	\$ 7,153,315		
Other postemployment benefits	1,254,471		
Deferred inflows related to:			
Pensions	(2,919,964)		
Other postemployment benefits	(3,010,329)		
Net pension liability	(22,964,580)		
Net other postemployment benefits liability	<u>(9,007,139)</u>		(29,494,226)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.			
Financed purchases			(86,572)
Lease liabilities			(492,253)
Subscription liabilities			(483,615)
Compensated absences			(1,735,087)
Total Net Position - School Board Governmental Activities			<u>\$ 23,509,154</u>

City of Colonial Heights, Virginia

Exhibit 11

Discretely Presented Component Unit – School Board
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balance – Governmental Funds
 Year Ended June 30, 2024

	School Operating Fund	School Activity Fund	Total Governmental Funds
REVENUES			
Charges for services	\$ 110,815	\$ 478,367	\$ 589,182
Miscellaneous	252,935	-	252,935
Payments from City	29,045,208	-	29,045,208
Intergovernmental	29,975,984	-	29,975,984
Total revenue	<u>59,384,942</u>	<u>478,367</u>	<u>59,863,309</u>
EXPENDITURES			
Education:			
Administration, attendance, and health	2,970,116	-	2,970,116
Instruction	36,585,388	467,438	37,052,826
Operation and maintenance	5,482,674	-	5,482,674
Pupil transportation	2,442,687	-	2,442,687
Food service	2,005,070	-	2,005,070
Facilities	5,199,260	-	5,199,260
Technology	1,918,290	-	1,918,290
Reimbursement to City	1,153,291	-	1,153,291
Debt service			
Principal retirement	381,097	-	381,097
Interest	50,659	-	50,659
Total expenditures	<u>58,188,532</u>	<u>467,438.00</u>	<u>58,655,970</u>
Excess of revenues over expenditures	<u>1,196,410</u>	<u>10,929</u>	<u>1,207,339</u>
OTHER FINANCING SOURCES			
Inception of leases	416,823	-	416,823
Total other financing sources	<u>416,823</u>	<u>-</u>	<u>416,823</u>
Net change in fund balance	<u>1,613,233</u>	<u>10,929</u>	<u>1,624,162</u>
FUND BALANCE AT JULY 1	<u>15,941,001</u>	<u>598,122</u>	<u>16,539,123</u>
FUND BALANCE AT JUNE 30	<u>\$ 17,554,234</u>	<u>\$ 609,051</u>	<u>\$ 18,163,285</u>
Reconciliation to the Statement of Activities (Exhibit 2):			
Net Change in Fund Balance - School Board			\$ 1,624,162
Governmental funds report capital outlays, subscriptions, and leases as expenditures; however, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation and amortization expense.			
Capital outlays		\$ 7,956,481	
Book value of assets disposed		(73,859)	
Depreciation and amortization expense		<u>(2,503,167)</u>	5,379,455
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.			
VPSA Grant			185,387
Governmental funds report employer pension contributions as expenditures. However, in the Statement of Activities the cost of pension benefits earned net of employee contributions is reported as pension expense. This is the amount by which employer pension contributions of \$3,863,215 and non-professional pension contributions of \$85,336 exceed pension expense of \$1,817,031 in the current period.			2,131,520
The issuance of long-term debt and inception of leases and subscriptions provides current financial resources to governmental funds, while the repayment of the principal of long-term debt and subscription and lease liabilities consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of those differences.			(35,726)
Governmental funds report employer other postemployment benefit contributions as expenditures. However, in the Statement of Activities the cost of other postemployment benefits earned net of employee contributions is reported as other postemployment benefit expense. This is the amount by which employer other postemployment contributions of \$450,536 exceed other postemployment expense of \$124,978 in the current period.			575,514
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 funds.			
Compensated absences			(54,517)
Change in Net Position - School Board Governmental Activities			<u>\$ 9,805,795</u>

City of Colonial Heights, Virginia
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Schedule 1

<u>Federal Granting Agency/Recipient State Agency/Grant Program</u>	<u>Assistance Listing Number</u>	<u>Entity Identifying Pass-Through Number</u>	<u>Cluster Amounts</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture				
Pass-through payments:				
Commonwealth of Virginia Department of Agriculture and Consumer Services				
Child Nutrition Cluster				
School Breakfast Program	10.553	-	\$ 517,736	
National School Lunch Program	10.555	-	1,302,742	
National School Lunch Program - Commodities	10.555	-	96,935	
Summer Food Service Program for Children	10.559	-	<u>24,739</u>	
Total Child Nutrition Cluster				\$ 1,942,152
Child & Adult Care Food Program (CACFP)	10.558	-		3,683
COVID-19 Pandemic EBT Administrative Costs	10.649	-		<u>3,256</u>
Total U.S. Department of Agriculture				<u>1,949,091</u>
Federal Communications Commission (FCC)				
COVID-19 Emergency Connectivity Fund Program	32.009	-		<u>117,974</u>
Total Federal Communications Commission				<u>117,974</u>
U.S. Department of Housing and Urban Development				
Direct payments:				
Community Development Block Grant - Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants	14.218	-	<u>95,192</u>	
Total Community Development Block Grants/Entitlement Grants Cluster				<u>95,192</u>
Total U.S. Department of Housing and Urban Development				<u>95,192</u>
U.S. Department of the Interior				
Pass-through payments:				
Department of Conservation and Recreation				
Land and Water Conservation Fund	15.916	-		<u>218,303</u>
Total U.S. Department of the Interior				<u>218,303</u>
U.S. Department of Justice				
Pass-through payments:				
Department of Criminal Justice Services				
COVID-19 Coronavirus Emergency Supplemental Funding	16.034	-		1,700
Crime Victim Assistance	16.575	-		71,300
Local Law Enforcement Block "LOLE" Grant Program Funding	16.738	-		<u>5,418</u>
Total U.S. Department of Justice				<u>78,418</u>
U.S. Department of Treasury				
Pass-through payments:				
Department of Criminal Justice Services				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	-		393,526
Commonwealth of Virginia Department of Education				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	-		<u>477,838</u>
Total U.S. Department of Treasury				<u>871,364</u>
U.S. Department of Transportation				
Pass-through payments:				
Federal Highway Administration				
Highway Planning and Construction	20.205	-		<u>4,434,175</u>
Total U.S. Department of Transportation				<u>4,434,175</u>
U.S. Department of Education				
Pass-through payments:				
Commonwealth of Virginia Department of Education				
Title I Grants to Local Educational Agencies	84.010	-		650,356
Special Education Cluster (IDEA)				
Special Education - Grants to States	84.027	-	599,093	
Special Education - Preschool Grants	84.173	-	<u>16,468</u>	
Total Special Education Cluster (IDEA)				615,561
Career and Technical Education - Basic Grants to States	84.048	-		79,866
English Language Acquisition State Grants	84.365	-		9,853
Improving Teacher Quality State Grants	84.367	-		83,045
Student Support and Academic Enrichment	84.424	-		17,655
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	-		381,082
COVID-19 American Rescue Plan Elementary and Secondary School Emergency Relief Fund (ARP ESSER)	84.425U	-		<u>1,470,650</u>
Total U.S. Department of Education				<u>3,308,068</u>

City of Colonial Heights, Virginia
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Schedule 1

<u>Federal Granting Agency/Recipient State Agency/Grant Program</u>	<u>Assistance Listing Number</u>	<u>Entity Identifying Pass-Through Number</u>	<u>Cluster Amounts</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services:				
Pass-through Payments:				
Commonwealth of Virginia Department of Medical Assistance Services				
Medicaid Cluster				
Grants to States for Medicaid	93.778	-	<u>132,911</u>	
Total Medicaid Cluster				<u>132,911</u>
Total U.S. Department of Health and Human Services				<u>132,911</u>
U.S. Department of Homeland Security:				
Pass-through Payments:				
Department of Emergency Management				
Emergency Management Performance Grants	97.042	-		<u>7,500</u>
Total U.S. Department of Homeland Security				<u>7,500</u>
Total Expenditures of Federal Awards				<u>\$ 11,212,996</u>

Notes:

Basis of Presentation

The accompanying schedule of expenditures of federal awards is presented on the modified accrual basis of accounting as contemplated by generally accepted accounting principles.

The information presented in this Schedule is presented in accordance with the Requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the City's financial statements.

Non-Cash Assistance

The City of Colonial Heights participated in the National School Lunch Program, Assistance Listing Number 10.555, which provides non-cash benefits. The accompanying Schedule of Expenditure of Federal Awards includes commodity distributions of \$96,935 from the National School Lunch Program.

De Minimis Indirect Cost Rate

The entity did not elect to use the 10% de minimis indirect cost rate.

Outstanding Loan Balances

At June 30, 2024, the City had no outstanding loan balances requiring continuing disclosure.



Compliance Section



Independent Auditor’s 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

To the Honorable Members of City Council
City of Colonial Heights, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units and each major fund of the City of Colonial Heights, Virginia (the “City”), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated April 15, 2026.

Our report includes reference to other auditors who audited the financial statements of the School Activity Fund as described in our report on the City’s financial statements. This report does not include the results of the other auditor’s testing of internal control over financial reporting or on compliance and other matters that are reported on separately by those auditors.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may

exist that have not been identified. **We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2024-001 and 2024-002, that we consider to be material weaknesses.**

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 financial statements. 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and questioned costs as items 2024-005, 2024-006, and 2024-007.**

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
April 15, 2026

Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Honorable Members of City Council
City of Colonial Heights, Virginia

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the City of Colonial Heights, Virginia’s (the “City”) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the City’s major federal programs for the year ended June 30, 2024. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on Assistance Listing # 84.425D, COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund and 84.425U, COVID-19 American Rescue Plan Elementary and Secondary School Emergency Relief Fund (ARP ESSER).


In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions Section of our report, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on *84.425D COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund and 84.425U COVID-19 American Rescue Plan Elementary and Secondary School Emergency Relief Fund (ARP ESSER)* for the year ended June 30, 2024.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2024.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards



and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal documentation of City’s compliance with the compliance requirements referred to above.

Matter Giving Rise to Qualified Opinion on Assistance Listing # 84.425D, COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund and 84.425U, COVID-19 American Rescue Plan Elementary and Secondary School Emergency Relief Fund (ARP ESSER).

As described in the accompanying schedule of findings and questioned costs, the City did not comply with the requirements regarding *Assistance Listing #84.425D COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund and 84.425U COVID-19 American Rescue Plan Elementary and Secondary School Emergency Relief Fund (ARP ESSER)* as described in finding number 2024-003 for Special Tests and Provisions – Wage Rate.


Compliance with such requirements is necessary, in our opinion for the City to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City’s federal programs.

Auditor’s Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City’s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City’s compliance with the requirements of each major federal program as a whole.



In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as 2024-004. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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

not be prevented, or detected and corrected, on a timely basis. **We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Item 2024-003 to be a material weakness.**

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
April 15, 2026

City of Colonial Heights, Virginia

Summary of Compliance Matters

June 30, 2024

As more fully described in the Independent Auditor's 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, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts, and grants shown below:

State Compliance Matters

Code of Virginia:

- Budget and Appropriation Laws
- Cash and Investment Laws
- Conflicts of Interest Act
- Debt Provisions
- Local Retirement Systems
- Procurement Laws
- Uniform Disposition of Unclaimed Property Act
- Sheriff Internal Controls
- Stormwater Utility Program
- Fire Program Aid to Localities

State Agency Requirements:

- Education
- Highway Maintenance Funds

Federal Compliance Matters

Compliance Supplement for Single Audits of State and Local Governments

Provisions and conditions of agreements related to federal programs selected for testing.

City of Colonial Heights, Virginia
Schedule of Findings and Questioned Costs
June 30, 2024

A – Summary of Auditor’s Results

1. The auditor’s report expresses an **unmodified opinion** on the financial statements.
2. **Two material weaknesses and no significant deficiencies** related to the audit of the financial statements are reported in the Independent Auditor’s 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*.
3. **No instances of noncompliance** material to the financial statements were disclosed.
4. **One material weakness and no significant deficiencies** relating to the audit of the major federal award programs were reported in the Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance required by the Uniform Guidance.
5. The auditor’s report on compliance for the major federal award programs expresses a **qualified opinion**.
6. The audit disclosed **two audit findings** relating to major programs.
7. The programs tested as major programs include:

Name of Program	Assistance Listing Number
Highway Planning and Construction	20.205
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D
COVID-19 American Rescue Plan Elementary and Secondary School Emergency Relief Fund (ARP ESSER)	84.425U
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027

8. The **threshold for** distinguishing Type A and B programs was **\$750,000**.
9. The City **was not** determined to be a low-risk auditee.

B – Findings – Financial Statement Audit

2024-001: Fund Balance Adjustments (Material Weakness)

Condition During our review of beginning fund balances, we noted that several fund balances did not agree to the ending amounts on the previous year’s annual comprehensive financial report. As a result, adjustments were made to beginning fund balances during the audit.

Criteria Manual entries and transactions should balance within a fund. Entries to fund balance accounts should be within the fund balance category unless a prior period adjustment is necessary. The prior year ending fund balance from the annual comprehensive financial report should be reconciled to the current year general ledger.

Cause Fund balance was not reconciled to the prior year ending fund balance from the annual comprehensive financial report.

Effect Fund balance for several funds was materially misstated.

Recommendation We recommend reconciling the prior year ending fund balances from the annual comprehensive financial report to the current year general ledger prior to fiscal year-end.

City of Colonial Heights, Virginia
Schedule of Findings and Questioned Costs
June 30, 2024

View of Responsible Officials and Planned Corrective Action Due to the delay in the fiscal year 2023 audit, and resulting required audit adjustments, management was required to close fiscal year 2024 in the financial system software to open fiscal year 2025. The result was that any adjustments made to fiscal year 2024 were made in period 13, so it was not possible to adjust beginning fiscal year 2024 balances at the time it was discovered that adjustments needed to be made. Going forward, no fiscal year will be hard closed until all beginning balances are tied to the ending audited financial statement balances and verified to be correct.

2024-002: Audit Adjustments (Material Weakness)

Condition During the audit, we noted material year-end audit adjustments were required to ensure that the financial statements were prepared in accordance with accounting principles generally accepted in the United States of America. The adjustments were related to fund balance, trial balance discrepancies, and governmental account receivables.

Criteria Year-end adjustments for fund balance, various trial balance accounts, and governmental accounts receivables should be recorded, reconciled to year-end workpapers, and reviewed before the audit.

Cause Fund balance, various trial balance accounts, and governmental accounts receivables were initially materially misstated before audit adjustments were made.

Effect The ending balance for several accounts were materially misstated.

Recommendation We recommend establishing procedures in which supervisors are reviewing year-end workpapers and reconciliations that feed into the final general ledger and focusing on the accuracy of year-end balances.

View of Responsible Officials and Planned Corrective Action Management concurs with this recommendation.

C – Findings and Questioned Costs – Major Federal Award Programs Audit

2024-003: COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund – ALN #84.425D and COVID-19 American Rescue Plan Elementary and Secondary School Emergency Relief Fund (ARP ESSER) – ALN #84.425U, Special Tests and Provisions – Wage Rate (Material Noncompliance)

Condition During our review of one applicable contract for a federally funded project, we noted that the contract did not include the required Wage Rate (Davis Bacon Act) and DOL regulations.

Criteria Under the ESSER grant guidelines, nonfederal entities must include in their construction contracts subject to the Davis-Bacon Act a provision that the contractor or subcontractor comply with the Davis-Bacon Act and the DOL regulations. The entities must establish internal controls to ensure that contracts related to federally funded projects are reviewed and contain the required language.

Cause The omission of this clause was due to oversight and a lack of controls in place to ensure that the required language was included.

City of Colonial Heights, Virginia
Schedule of Findings and Questioned Costs
June 30, 2024

Effect The written contract was not in compliance with required disclosures related to the Davis Bacon Act.

Recommendation We recommend that a process be put in place that ensures that all contracts related to federally funded projects include necessary DOL regulations.

Repeat Finding Similar condition present in the prior year. See finding 2023-003 in Summary Schedule of Prior Year Audit Findings.

View of Responsible Officials and Planned Corrective Action The School Board agrees that the Davis Bacon Act was not included in the contract language. However, Colonial Heights Public Schools did not request any reimbursements for wages from the federal funding sources, only materials and supplies. Procedures were put in place, and where the Davis-Bacon Act applied, the contract language was added.

2024-004: Highway Planning and Construction – ALN # 20.205, COVID-19 Coronavirus State and Local Fiscal Recovery Funds – ALN # 21.027, COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund – ALN # 84.425D, and COVID-19 American Rescue Plan Elementary and Secondary School Emergency Relief Fund (ARP ESSER) – ALN # 84.425U, Late Filing of Data Collection Form

Condition The City did not submit the data collection form for the year ended June 30, 2024 timely. For June 30, 2024 year-end audits, under the requirements in the Uniform Guidance and the Office of Management and Budget (OMB), all entities are required to submit the annual data collection form with the Federal Audit Clearinghouse the earlier of either 30 days after the issuance of the entity's annual audit or nine months after the entity's fiscal year-end.

Criteria The City is required to submit the annual data collection form with the Federal Audit Clearinghouse the earlier of either 30 days after the issuance of the City's annual audit or nine months after the City's fiscal year-end.

Cause The data collection form was not filed timely due to the timing of the issuance of the City's ACFR.

Effect The City's form was submitted to the Federal Audit Clearinghouse late, delaying completion of all annual audit requirements for the City.

Recommendation Management should take steps to ensure that the form is filed in a timely manner.

Repeat Finding Similar condition present in the prior year. See finding 2023-004 in Summary Schedule of Prior Year Audit Findings.

View of Responsible Officials and Planned Corrective Action Colonial Heights Public Schools will work with the City to ensure that the annual data collection form was filed on behalf of the school district.

Action City management concurs with this recommendation.

City of Colonial Heights, Virginia
Schedule of Findings and Questioned Costs
June 30, 2024

D – Findings – Commonwealth of Virginia

2024-005: Unclaimed Property

Condition Outstanding checks older than one year were not included on the unclaimed property report.

Recommendation We recommend that Colonial Heights Public Schools complete and file the annual unclaimed property report with the State Treasury by November 1.

View of Responsible Officials Management concurs with this recommendation.

2024-006: Annual U-3 Local Finance Survey – Reporting Deadline

Condition The 2023 Annual U-3 Local Finance Survey was not submitted to the Auditor of Public Accounts before the statutory due date.

Recommendation Procedures should be implemented to ensure that the Annual U-3 Local Finance Survey is completed and submitted timely.

View of Responsible Officials Management concurs with this recommendation.

2024-007: Annual U-3 Local Finance Survey – Debt

Condition During our review of the locality's completed Annual U-3 Local Finance Survey, it was noted that the total value of bonds outstanding for the year ended June 30, 2023 did not tie to the City's ACFR.

Recommendation We recommend that the Annual U-3 Local Finance Survey be received and reconciled to the ACFR before submission.

View of Responsible Officials Management concurs with this recommendation.

City of Colonial Heights, Virginia
Summary Schedule of Prior Audit Findings
June 30, 2024

A – Findings – Financial Statement Audit

2023-001: Fund Balance Adjustments (Material Weakness)

Condition During our review of beginning fund balances, we noted that several fund balances did not agree to the ending amounts on the previous year’s annual comprehensive financial report due to issues with a financial software conversion during the fiscal year. As a result, adjustments were made to beginning fund balances during the audit.

Recommendation We recommend correcting software issues and reconciling the prior year ending fund balances from the annual comprehensive financial report to the current year general ledger prior to fiscal year-end.

Current Status Still applicable in the current year.

2023-002: Audit Adjustments (Material Weakness)

Condition During the audit, we noted material year-end audit adjustments were required due to software conversion issues. These audit adjustments were required to ensure that the financial statements were prepared in accordance with accounting principles generally accepted in the United States of America. The adjustments were related to fund balance, trial balance discrepancies, and governmental account receivables.

Recommendation We recommend establishing procedures in which supervisors are reviewing year-end workpapers and reconciliations that feed into the final general ledger and focusing on the accuracy of year-end balances. We also recommend correcting any issues caused by the software conversion.

Current Status Still applicable in the current year.

B – Findings and Questioned Costs – Major Federal Award Programs Audit

2023-003: COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund – ALN #84.425D and COVID-19 American Rescue Plan Elementary and Secondary School Emergency Relief Fund (ARP ESSER) – ALN #84.425U, Special Tests and Provisions – Wage Rate (Material Noncompliance)

Condition During our review of the 1 applicable contract related to a federally funded project, we noted that the contract did not include the Wage Rate (Davis Bacon Act) and DOL regulations.

Recommendation We recommend that a process be put in place that ensures that all contracts related to federally funded projects include necessary DOL regulations.

Current Status Still applicable in the current year. See finding 2024-003 in Schedule of Findings and Questioned Costs.

City of Colonial Heights, Virginia

Summary Schedule of Prior Audit Findings

June 30, 2024

2023-004: Highway Planning and Construction – ALN # 20.205, COVID-19 Coronavirus State and Local Fiscal Recovery Funds – ALN # 21.027, Special Education - Grants to States – ALN # 84.027, Special Education - Preschool Grants – ALN # 84.173, COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund – ALN # 84.425D, and COVID-19 American Rescue Plan Elementary and Secondary School Emergency Relief Fund (ARP ESSER) – ALN # 84.425U, Late Filing of Data Collection Form

Condition The City did not submit the data collection form for the year ended June 30, 2023 timely. For June 30, 2023 year-end audits, under the requirements in the Uniform Guidance and the Office of Management and Budget (OMB), all entities are required to submit the annual data collection form with the Federal Audit Clearinghouse the earlier of either 30 days after the issuance of the entity's annual audit or nine months after the entity's fiscal year-end.

Recommendation Management should take steps to ensure that the form is filed in a timely manner.

Current Status Still applicable in the current year for *Highway Planning and Construction – ALN # 20.205, COVID-19 Coronavirus State and Local Fiscal Recovery Funds – ALN # 21.027, COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund – ALN # 84.425D, and COVID-19 American Rescue Plan Elementary and Secondary School Emergency Relief Fund (ARP ESSER) – ALN # 84.425U*. See finding 2024-004 in Schedule of Findings and Questioned Costs.

C – Findings – Commonwealth of Virginia

2023-005: General Government Budget Appropriation

Condition Education and Transfers Out exceeded budget appropriations. This was caused by year-end and audit adjustments made to expenditures.

Recommendation Steps be taken to ensure that excess expenditures over budgeted appropriations be approved by City Council and budget amended accordingly.

Current Status Condition is no longer present.