

SHOP & DINE

*Colonial*  
HEIGHTS  
VIRGINIA



Thomas L. Mattis  
City Manager

William E. Johnson  
Director of Finance

# City of Colonial Heights, Virginia

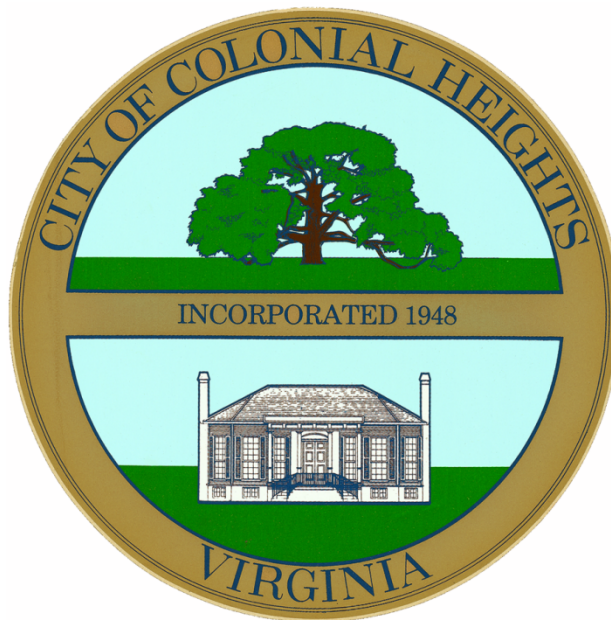
## Comprehensive Annual Financial Report

Ending June 30, 2016





**CITY OF COLONIAL HEIGHTS, VIRGINIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**YEAR ENDED June 30, 2016**



Prepared by the Department of Financial Administration

William E. Johnson  
Director of Finance



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## INTRODUCTORY SECTION

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**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**DIRECTORY OF PRINCIPAL OFFICIALS**

**June 30, 2016**

**CITY COUNCIL**

T. Gregory Kochuba, Mayor

Diane H. Yates, Vice Mayor

Kenneth B. Frenier

W. Joe Green, Jr.

John E. Piotrowski

Betsy G. Luck

John T. Wood

**OTHER OFFICIALS**

Thomas L. Mattis.....City Manager

Hugh P. Fisher, III .....City Attorney

Pamela B. Wallace .....City Clerk

William E. Johnson ..... Director of Finance

Jeffrey W. Faries ..... Chief of Police

William E. Henley ..... Director of Public Works

Craig Skalak ..... Director of Recreation and Parks

Bruce N. Hansen..... Library Director

Dr. Joseph O. Cox ..... Superintendent of Schools



Government Finance Officers Association

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

Presented to

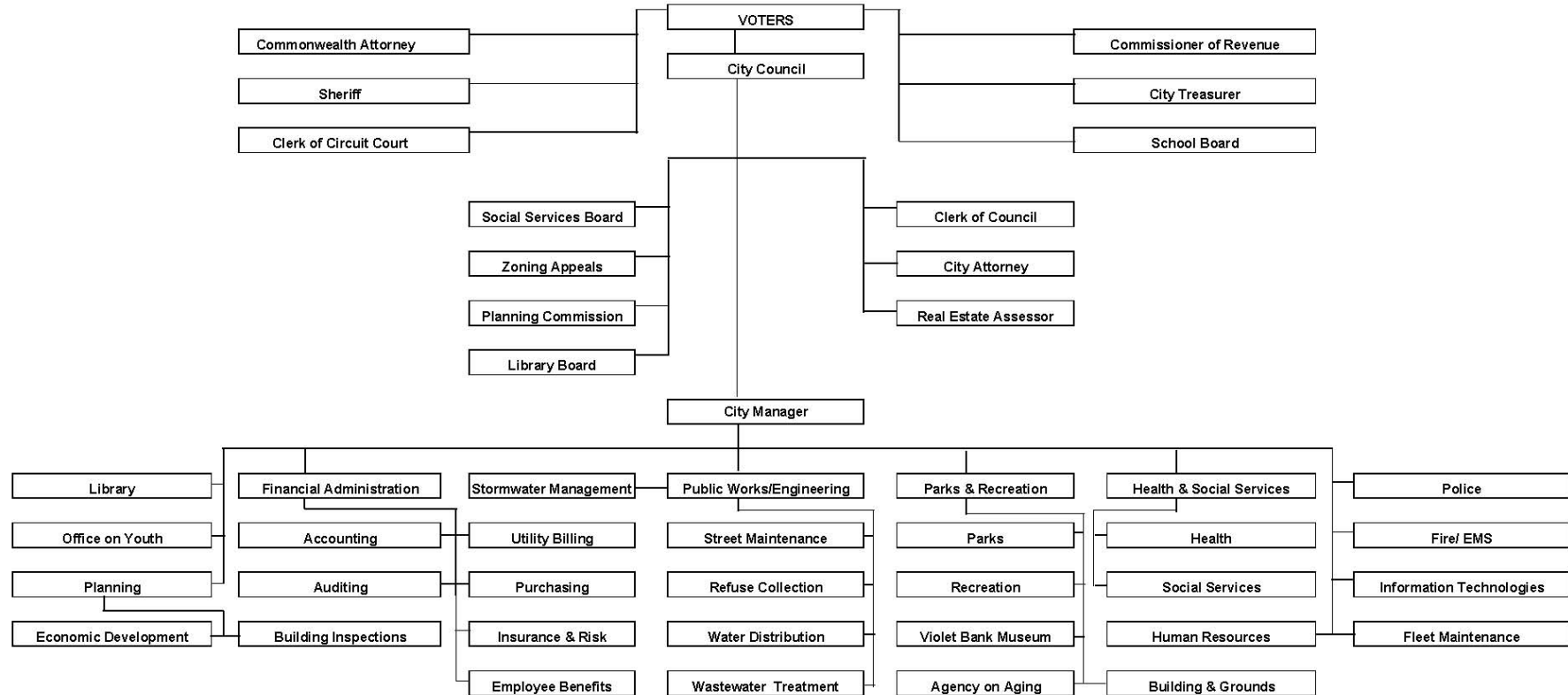
**City of Colonial Heights  
Virginia**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

Executive Director/CEO

# CITY OF COLONIAL HEIGHTS, VIRGINIA ORGANIZATIONAL CHART





# CITY OF COLONIAL HEIGHTS

William E. Johnson  
Acting City Manager /  
Director of Finance

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

November 18, 2016

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

The Comprehensive Annual Financial Report (CAFR) of the City of Colonial Heights, Virginia (the "City") for the fiscal year ending June 30, 2016, is transmitted herewith. This report was prepared by the Department of Financial Administration, which assumes full responsibility for the accuracy of data, completeness, and the fairness of presentation. We believe the data, as presented, is accurate in all material respects, and that it is presented in a manner designed to fairly set forth the financial position and results as measured by the financial activity of its various governmental activities, business-type activities, and funds. All disclosures necessary for a reader to fully understand the City's financial affairs have been included.

Upon completing your review of this introductory section, you are encouraged to turn to the narrative introduction, overview, and analysis found in management's discussion and analysis (MD&A) for a more detailed overview of the City's financial position.

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. This independent audit's yearly goal is to provide reasonable assurance that the basic financial statements are free of material misstatement. The Independent auditors concluded, based upon the 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, 2016, are fairly presented in conformity with generally accepted accounting principals (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 the *Single Audit Act Amendment of 1996* and 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 CAFR.

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, 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 is reported as a discretely presented component unit. For additional information on the City's financial status go to the Management's Discussion and Analysis section of this report.

## **Economic Condition and Outlook**

The City has a land area of 8.14 square miles, and is located in southeastern Virginia. Strategically located on Interstate 95 near its intersection with interstates, I85 and I64, thus giving the City 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. The City of Petersburg lies just across the Appomattox River, which bisects the two cities, with Colonial Heights on the north bank. Richmond's deep water 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 17,411 as reported by the Virginia Employment Commission. 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, six Fortune 500 companies, manufacturing, distribution, and international trade.

In the immediate Tri-Cities area (Petersburg, Colonial Heights, and Hopewell), government continues to be a major employer. Government facilities include Central State Hospital, Richard Bland College, Virginia State University, and the United States Army Quartermaster Center and Fort Lee.

The City has a civilian labor force of 8,915 and an average unemployment rate of 4.3% for 2015-2016. The City's goal is to promote the attraction of new businesses and expansion of existing businesses for the purpose of creating new investment for increasing the tax base, and jobs, which will enhance the quality of life for its citizens.

The City has added over 2.0 million square feet of retail, office, and service industry development in the City's regionally based commercial center area known as "Southpark". Beginning with the opening of the area's only regional mall in 1989, the area has become a Mecca for giant retailers, specialty retailers, medical office, and office seekers. Recent construction includes the area's first 15,000 square feet Aldi Grocery. The City has completed negotiations with The Kroger Company for the sale of the former courthouse located on Temple Avenue for the construction of a 95,000 square feet grocery store with an estimated completion in 2017. Reuse improvements have been made to a former auto dealership creating sales of medical condo space, which has become a strong market in the City within the last few years. Transportation access and diversity have been two key elements in the sustained success of the area. Fort Lee is a vital component to the City's economy as well as the regional economy. With the possibility of sequestration cuts by 2020, Fort Lee could see a potential loss of local Army positions, including soldiers and civilians which could impact the region's large and small business alike. Local and regional groups, as well as citizens, continue to provide public input regarding the potential reductions at Fort Lee. The City's older retail areas along the US1/301 corridor continue to benefit from the increased exposure of the City's regional emphasis and the new Courthouse in the Southern end of the City. Boulevard business district revitalization initiative has spurred an explosion of commercial development.

The City's Capital Improvement Program is centered on infrastructure improvements to update or expand the current services. Other major projects include modernization of major roadways and the replacement and improvement of other infrastructure.

The closure of the former landfill has been completed and approved by the Virginia Department of Waste Management. This closure has opened additional land for development in the Southpark commercial center, which the City is actively marketing.

The City has endured the past economic challenges by maintaining a good local tax base that softened the effects of the Commonwealth's budget and economic cutbacks. This year's financial operations continued to effectively maintain existing service levels. For 2016, there has been a return to more traditional retail sales and food taxes, while lodging taxes still are showing reductions due to reduced Federal travel. The City continues to adhere to a conservative budget in order to keep existing programs funded and salaries of public employees competitive while dealing with changing budgetary challenges.

The City's Fund Balance goal of an unassigned fund balance of 10% had been exceeded in the past years to provide a rainy day fund in case of economic downturns. No reserves were utilized in the preparation of the Fiscal Year 2013, 2014, 2015, 2016, and 2017 budgets.



## **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, 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. 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 function line-item level by the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. Purchase orders which result in an overrun of line item balances are not released until funds are appropriated or transferred to the specific line item. Open encumbrances are recorded as either committed or assigned fund balances at June 30, 2016.

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 budget study process and a public hearing to receive citizen input, City Council makes its decision on the adopted budget.

## **Capital Financing and Debt Service**

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

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 debt in the amount of \$165,784,310, but has currently utilized 19.59% of its debt obligatory capacity.

Long-term liabilities, excluding notes payable, compensated absences, net pension liability, retirement incentive programs and environmental liabilities, for all funds of the primary government as of June 30, 2016, totaled \$32,485,000, of which \$4,371,257 for Enterprise Fund purposes is considered self-supporting and shown only as a liability of the respective fund.

The City's bonds are rated as follows:

Standard & Poor's	Fitch Investors Service	Moody's Investor Service
AA	AA+	Aa2

The City annually develops a 5 Year Capital Operations Program for all operating fixed assets proposed for funding in each City department, this was completed for Fiscal Years 2017-2021. Capital Improvement Program projects are evaluated annually for funding recommendations. This recommendation is evaluated and approved by the City's Planning Commission and submitted to the governing body for future funding consideration. This list is used to allocate future bond and pay-as-you go funding by the City.

### **Certificates of Achievement for Excellence**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Colonial Heights, Virginia for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015. The Certificate of Achievement is a prestigious national award recognizing conformance with highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. The CAFR must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last 36 consecutive years (fiscal years ended 1980 through 2015). We believe our current report conforms to the Certificate of Achievement program requirements, and we are submitting it to the GFOA for consideration.

### **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,



William E. Johnson  
Acting City Manager/Director of Finance

## FINANCIAL SECTION

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## **INDEPENDENT AUDITOR'S REPORT**

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Colonial Heights, Virginia (the "City"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

## Opinions

**In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City, as of June 30, 2016, 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.**

## Other Matters

### *Required Supplementary Information*

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

### *Other 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 introductory section, other supplemental schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2016 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Brown, Edwards & Company, L.L.P." in a cursive script.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
November 18, 2016

**CITY OF COLONIAL HEIGHTS, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

The following discussion and analysis of the City of Colonial Heights, Virginia (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2016. It should be read in conjunction with the transmittal letter and the City's basic financial statements.

**FINANCIAL HIGHLIGHTS**

The City's total net position, excluding those of its component unit, on the government-wide basis, totaled \$42,876,447 at June 30, 2016. Of this amount, \$47,818,401 is net investment in capital assets; \$235,027 is restricted for public safety and judicial administrative grants, which results in a negative unrestricted net position of (\$5,176,981). The *Code of Virginia* requires the School Board to hold title to the capital assets (buildings and equipment) due to their responsibility for maintaining the asset; however, in Virginia, 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 capital assets. This can result in an inequitable distribution of capital assets and corresponding debt presentation in Virginia. See the footnote presentation for further clarification.

On a government-wide basis for governmental activities, the City's general revenues of \$43,288,522, exclusive of transfers were \$3,478,367 more than the expenses net of program revenues of \$39,810,155.

At June 30, 2016, the City's governmental funds balance sheet reported fund balances of \$11,461,358. Of this amount, \$6,444,505 remains in the various governmental funds of the City as unassigned.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's financial statements present two types of statements, each with a different snapshot of the City's finances. The focus is on both the City as a whole (government-wide) and the fund financial statements. The government-wide financial statements provide both short-term and long-term information about the City's overall financial status. The fund financials focus on the individual part of City government, reporting the City's operations in more detail than the government-wide statements, which present a longer-term view. Presentation of both perspectives provides the user a broader overview, enhances the basis for comparisons, and better reflects the City's accountability.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements provide information about the City as a whole using the accrual basis of accounting, which is the method used by most private-sector enterprises. All current year revenues and expenses are reported in the Statement of Activities regardless of when cash is received or paid. These statements allow readers to answer the question, "Is the City's position, as a whole, better or worse as a result of the year's activities?"



**CITY OF COLONIAL HEIGHTS, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016  
(Continued)**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS (Continued)**

One of the main goals of these two statements is to report the City's net position and changes that affected net position during the fiscal year. The change in the City's net position, the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources, is one way to measure the City's financial health, or financial position. Increases or decreases in net position are indicators of whether the City's financial health is improving or declining. Other nonfinancial factors, such as changes in the City's property tax base and the condition of the City's infrastructure should also be considered in assessing the overall financial health of the City.

In the Statement of Net Position and the Statement of Activities, the City's activity is classified as follows:

Governmental activities – Most of the City's basic services are reported here, including general government, judicial administration, public safety, public works, health and welfare, parks, recreation and cultural and community development departments. Property taxes, other local taxes, and federal and state grants finance most of these activities.

Business-type activities – The City's water, sewage and storm water operations are reported here as the City charges a fee to customers designed to cover all of the cost of services it provides.

Component unit – The City includes a discretely presented component unit in this report, the School Board of the City of Colonial Heights. Although legally separate, the component unit is important because the City is financially accountable for it.

**FUND FINANCIAL STATEMENTS**

Traditional users of governmental financial statements will find the fund financial statement presentation more familiar. The fund financial statements begin on page 8 and provide detailed information about the most significant funds, not the City as a whole. The City has two types of funds:

Governmental funds – Most of the City's basic services are included with the governmental funds. Fund-based statements focus on how resources flow into and out of those funds and the balances left at year-end that are available for future spending. These funds are reported on the modified accrual basis of accounting, which measures cash and other liquid assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term overview that helps the reader determine the financial resources that can be spent in the near future to finance the City's programs. The differences between governmental activities as reported in the government-wide and fund financial statements are reconciled in Exhibits 4 and 6 as listed in the table of contents.

Proprietary funds – When the City charges customers for services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, utilize the accrual basis of accounting, and their statements provide both short and long-term financial information.

**CITY OF COLONIAL HEIGHTS, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016  
(Continued)**

**FUND FINANCIAL STATEMENTS (Continued)**

Proprietary funds (Continued) –The City's enterprise funds, one type of proprietary fund, are the same as the government-wide, business-type activities; however, the fund financial statements provide more detail and additional information, such as cash flows. The City's enterprise funds are the Water, Sewer, and Storm Water Management funds.

The following table presents a condensed comparison of net assets:

**Summary Statement of Net Position  
June 30, 2016 and 2015  
(In Millions)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>		<b>Component Unit</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Current and Other Assets	\$ 24.7	\$ 22.8	\$ 2.7	\$ 3.8	\$ 27.4	\$ 26.6	\$ 7.6	\$ 6.4
Capital Assets, net	65.3	67.1	14.5	13.6	79.8	80.7	17.6	18.2
Total Assets	90.0	89.9	17.2	17.4	107.2	107.3	25.2	24.6
Deferred Outflows	2.7	2.5	0.2	0.1	2.9	2.6	2.7	2.7
Other Liabilities	1.9	2.0	0.3	0.3	2.2	2.3	3.2	3.6
Non-current Liabilities	47.0	48.3	5.7	5.9	52.7	54.2	34.9	34.2
Total Liabilities	48.9	50.3	6.0	6.2	54.9	56.5	38.1	37.8
Deferred Inflows	12.2	14.0	0.1	0.2	12.3	14.2	3.9	5.4
Net Position								
Net Investment in Capital								
Assets	35.9	34.9	11.9	11.9	47.8	46.8	17.7	18.1
Restricted	0.3	0.3	-	-	0.3	0.3	-	-
Unrestricted	(4.6)	(7.1)	(0.6)	(0.8)	(5.2)	(7.9)	(31.8)	(34.0)
Total Net Position	\$ 31.6	\$ 28.1	\$ 11.3	\$ 11.1	\$ 42.9	\$ 39.2	\$ (14.1)	\$ (15.9)

The City's combined net position increased from \$39.2 million to \$42.9 million. Net position of the governmental activities increased from \$28.1 million to \$31.6 million. Governmental activities' unrestricted net position, the portion of net position that can be used to finance the day-to-day operations of the City, reflect an increase of \$2.5 million. Net investment in capital assets increased \$1 million. This represents the amount of capital assets owned by the City including infrastructure, net of any outstanding debt used to fund the asset purchase or construction. Net position is reported as restricted when constraints on asset use are externally imposed by creditors, grantors, contributors, regulators, or are imposed by law through constitutional provisions or enabling legislation. The component unit net position reflects an increase of \$1.8 million.

**CTY OF COLONIAL HEIGHTS, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016  
(Continued)**

**FUND FINANCIAL STATEMENTS (Continued)**

The following table presents a condensed comparison of the changes in net assets:

**Summary Statement of Changes in Net Position  
Years Ended June 30, 2016 and 2015  
(In Millions)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>		<b>Component Unit</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Revenues:								
Program revenues:								
Charges for services	\$ 6.4	\$ 6.6	\$ 5.2	\$ 4.6	\$ 11.6	\$ 11.2	\$ 0.4	\$ 0.5
Operating grants and contributions	5.5	5.3	-	-	5.5	5.3	15.8	15.1
Capital grants and contributions	0.9	4.2	-	-	0.9	4.2	-	-
General revenues:								
Property taxes	21.6	21.6	-	-	21.6	21.6	-	-
Other local taxes	17.5	16.9	-	-	17.5	16.9	-	-
Payment from other governments	-	-	-	-	-	-	20.5	19.4
Intergovernmental, non-categorical aid	1.8	1.8	-	-	1.8	1.8	-	-
Use of money and property	0.2	0.2	-	-	0.2	0.2	-	-
Miscellaneous	0.2	0.2	-	-	0.2	0.2	0.1	0.1
Gain (loss) on sale of capital assets	2.0	-	-	-	2.0	-	-	-
Total revenues	<u>56.1</u>	<u>56.8</u>	<u>5.2</u>	<u>4.6</u>	<u>61.3</u>	<u>61.4</u>	<u>36.8</u>	<u>35.1</u>
Expenses:								
General government	4.2	4.0	-	-	4.2	4.0	-	-
Judicial administration	5.3	5.4	-	-	5.3	5.4	-	-
Public safety	11.0	11.3	-	-	11.0	11.3	-	-
Public works	5.9	5.6	-	-	5.9	5.6	-	-
Health and welfare	0.9	0.7	-	-	0.9	0.7	-	-
Parks, recreation and cultural	3.0	2.9	-	-	3.0	2.9	-	-
Community development	0.5	0.4	-	-	0.5	0.4	-	-
Education	20.5	19.4	-	-	20.5	19.4	35.1	35.9
Human services	0.5	0.4	-	-	0.5	0.4	-	-
Interest	0.8	1.3	-	-	0.8	1.3	-	-
Water, sewer, solid waste, and storm water management	-	-	5.0	4.6	5.0	4.6	-	-
Total expenses	<u>52.6</u>	<u>51.4</u>	<u>5.0</u>	<u>4.6</u>	<u>57.6</u>	<u>56.0</u>	<u>35.1</u>	<u>35.9</u>
Change in Net Position	3.5	5.4	0.2	-	3.7	5.4	1.7	(0.8)
Net Position, beginning	28.1	22.7	11.1	11.1	39.2	33.8	(15.8)	(15.1)
Net Position, ending	<u>\$ 31.6</u>	<u>\$ 28.1</u>	<u>\$ 11.3</u>	<u>\$ 11.1</u>	<u>\$ 42.9</u>	<u>\$ 39.2</u>	<u>\$ (14.1)</u>	<u>\$ (15.9)</u>

**CITY OF COLONIAL HEIGHTS, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016  
(Continued)**

**FUND FINANCIAL STATEMENTS (Continued)**

The property tax classification, which comprised approximately 38.5% of total revenue generated by governmental activities, includes real estate tax, the local portion of personal property tax, and public services corporation taxes. Real estate tax revenue, the largest source of revenue for the City totaled \$17.5 million. The assessed value of real property in the City increased overall 0.44% for the calendar year due to new biannual assessment.

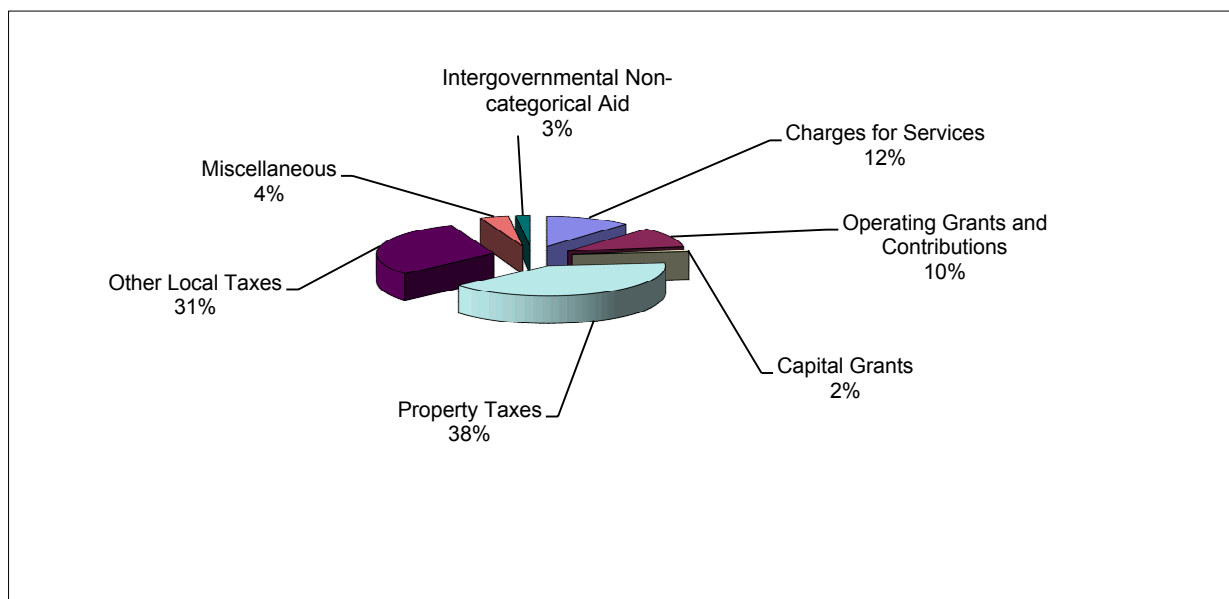
In 1998, the Commonwealth enacted the Personal Property Tax Relief Act (PPTRA). The Commonwealth's share of personal property taxes allocated to the City was 61% of vehicle loan values for the current fiscal year and is included in the intergovernmental category. Personal property tax revenue, including the Commonwealth share, remained \$4.4 million for fiscal year 2016. The net assessed value of taxable personal property increased \$5.4 million or 4.2% from 2015 to 2016 after an increase of \$1.1 million or 0.85% from 2014 to 2015.

Sales tax, utility tax, business and professional occupational tax, prepared food and beverage tax, transient room tax, and utility tax comprise the majority of other local taxes collected by the City which comprised approximately 31.2% of total revenues generated for governmental activities.

Operating grants and contributions comprised approximately 9.8% of governmental activities revenues. Street maintenance funds, funding received under House Bill 599 for law enforcement, and reimbursement for shared expenses of the constitutional officers are some of the major sources of revenue included in this category.

Charges for services include items such as EMS transport fees, court fees, inspection fees, reimbursements for housing prisoners, and garbage collection fees which comprise approximately 11.4% of total revenue generated by governmental activities.

Revenue generated for governmental activities is presented below by category:



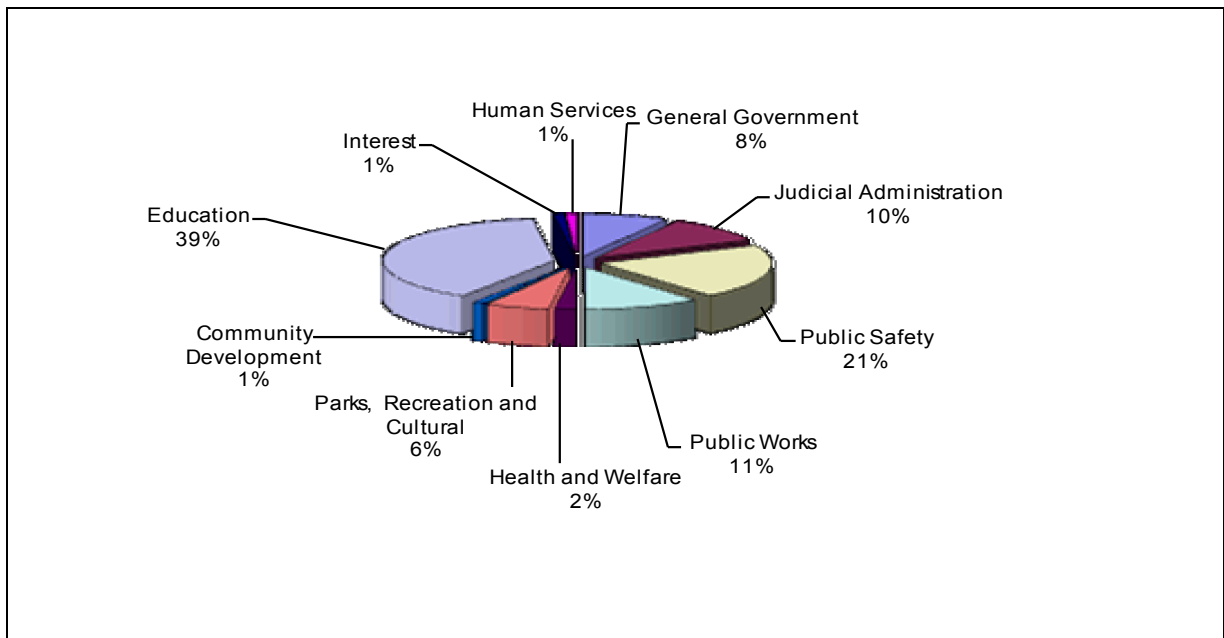
**CITY OF COLONIAL HEIGHTS, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016  
(Continued)**

**FUND FINANCIAL STATEMENTS (Continued)**

Funding, established by the revenue sharing agreement, of \$19.8 million was provided to the City of Colonial Heights School Board to support School operations. This was slightly below the original budget estimated at \$19.9 million. Funding, established by the sale of the Courthouse property, of about \$700,000 was provided to the City of Colonial Heights School Board to support Capital Projects.

Public Works and Health and Welfare expenses comprised approximately 11.2% and 1.7% respectively, of governmental activities expenses. Expenses for Building Maintenance, Street Paving, and Street Maintenance are included in Public Works category. The Comprehensive Services Act and social services programs incurred the majority of expenses reported in the Health and Welfare category and reflect an increase over last year.

Expenses of the governmental activities are shown by functional area:



The net position of business-type activities increased \$210,074 during 2016.

The enterprise rate structure was increased 2.5% for fiscal year 2016 sewer charges and the new rate structure implemented for Fiscal Year 2015 was continued. These changes were a result of a rate study conducted in fiscal year 2014 for a 5 year rate plan. No major changes in operations were experienced. The City's established Stormwater Management fee to deal with operational and capital expenses for State and Federal mandates was maintained at current levels.

**CITY OF COLONIAL HEIGHTS, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016  
(Continued)**

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

For the fiscal year ended June 30, 2016, the governmental funds reflect a total fund balance of \$11,461,358. Approximately \$6.4 million of this amount constitutes fund balances which are available for spending services and capital projects. Restricted, Committed and Assigned fund balances are designated to purchase capital equipment, pay claims, fund future debt service requirements, pay for future years' capital projects expenditures and encumbrances, which indicates that it has already been committed to liquidate contracts and purchase orders outstanding at year-end.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the General Fund spendable fund balance was \$10,709,374 while the total fund balance was \$10,774,245. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 14.7% of the total General Fund expenditures, while total fund balance represents 20.0% of that same amount.

The fund balance of the General Fund reflects an increase of \$1,019,367 during the current fiscal year. The General Fund began Fiscal Year 2016 with budgeted revenue and expenditure amounts that are equal. This includes \$826,982 transferred to the Capital Projects fund for local share of VDOT projects and street paving.

Local taxes generated the majority of General Fund revenue, totaling approximately \$39.1 million in fiscal 2016. Lodging taxes were up about \$100,000 to \$1.1 million, food tax collections rose \$200,000 to \$6.6 million, while personal property collections remained steady at \$2.6 million and real estate property collections went down about \$200,000 to \$17.5 million.

Intergovernmental revenue is the second largest source of General Fund revenues, generating approximately \$6.8 million in fiscal year 2016. The majority of this revenue is received from the Commonwealth and includes law enforcement funding received under Virginia House Bill 599, and street maintenance funds. This is about a \$100,000 increase from fiscal year 2015. This increase is partially attributable to the additional funding of nearly \$38,000 for a new School Resource Officer (SRO) at Tussing Elementary. Each school in the City now has an SRO.

**CAPITAL PROJECTS FUND HIGHLIGHTS**

The Capital Projects Fund reflects the receipt of \$115,000 from Virginia State University for Dupuy Avenue Project costs, \$798,850 of Federal and State funding for ongoing road improvement projects and transfers of \$826,982 from the General Fund for matching grants and donations in Animal Shelter expansion, Violet Bank Museum renovations, and road reconstructions. Project expenditures totaled \$855,647, which resulted in a net increase in fund balances of \$885,876 for an ending fund balance of \$687,113.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

General Fund revenues were under original budgeted revenues by nearly a half million and under final budgeted revenues by \$800,000 or (1.5%). The City raised the Meals Tax from 5% to 6% and raised the Real property rate from \$1.10 to \$1.14 per hundred on March 1, 2012 to pay for the construction of the new City Court House, and those rates have remained effective since inception. Under the Revenue Sharing Agreement with the City's School System, some revenue surpluses are also shared with the component unit based on their percentage allocation of these revenue; hence, the aforementioned additional funding to the City's School System for one time capital project funding.

**CITY OF COLONIAL HEIGHTS, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016  
(Continued)**

**GENERAL FUND BUDGETARY HIGHLIGHTS (Continued)**

This plan was modified due to the above tax increases for the Courthouse, with any surplus funds generated by these increases being allocated under the original agreement. Fiscal Year 2013 revenues reflected the first full fiscal year of increased collections. The food and lodging taxes have continued to increase from \$6.8 million in 2014 to \$7.3 million in 2015, to \$7.7 million in 2016. This, along with the increase in assessed Real Estate value increased Education transfers under the agreement by nearly \$420,000.

General Fund expenditures and transfers were over the original budget by \$1,364,393, and were under the final, amended budget by \$1,392,602 or (2.5%). During fiscal year 2016, City Council amended the budget to appropriate the awarding of donations, receipt of operational grants, and reappropriation of prior year encumbrances at June 30, 2015.

**CAPITAL ASSETS**

As of June 30, 2016, the City's capital assets for its governmental and business-type activities amounted to \$79,809,554 (net of accumulated depreciation and amortization). This investment includes land, easements, construction in progress, land improvements, buildings and structures, equipment, software, and infrastructure. The total net decrease (additions less retirements and depreciation and amortization) in the City's investment in capital assets for the current fiscal year was \$951,516 or (0.1%). This decrease is a result of the former Courthouse sale to Kroger. The proceeds from this sale amounted to \$2,641,368, which resulted in a gain of sale of capital assets of \$2,027,297.

**Summary Statement of  
Capital Assets, Net of Accumulated Depreciation and Amortization  
June 30, 2016 and 2015  
(In Millions)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land and Easements	\$ 4.8	\$ 4.8	\$ 0.1	\$ 0.2	\$ 4.9	\$ 5.0
Construction in Process	14.4	13.8	2.1	1.0	16.5	14.8
Building and Structures	27.0	28.3	1.4	1.5	28.4	29.8
Infrastructure	15.5	16.4	7.8	7.5	23.3	23.9
Equipment and Software	3.6	3.8	1.5	1.5	5.1	5.3
Purchased Capacity	-	-	1.6	2.0	1.6	2.0
Total	<u>\$ 65.3</u>	<u>\$ 67.1</u>	<u>\$ 14.5</u>	<u>\$ 13.7</u>	<u>\$ 79.8</u>	<u>\$ 80.8</u>

The changes in each category of Capital Assets are presented in detail in Note 7 to the Basic Financial Statements.

Major capital asset events during the fiscal year included the following:

- Sale of former Courthouse Building to Kroger
- Road improvements
- Utility improvements

**CITY OF COLONIAL HEIGHTS, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016  
(Continued)**

**LONG-TERM DEBT**

At June 30, 2016, the City's long-term liabilities, including the landfill obligation, OPEB and not including compensated absences, totaled \$36,691,358 consisting of \$31,936,837 related to governmental activities, and \$4,754,521 related to business-type activities.

The City maintained ratings of AA and Aa2 from Standard & Poor's., and Moody's Investor Service, respectively. The City received an upgrade from AA to AA+ from Fitch Investors Service. The City continues to maintain a rating with all three rating agencies of AA or higher.

The Charter of the City and *Code of Virginia* limits the City's net debt to 10% of the assessed valuation of real estate. The City's entity-wide debt of \$32,485,000 is below the legal debt limit of \$165,784,310.

The School Board Component Unit relies upon the City to provide full faith and credit for any debt obligations incurred. Therefore, the City reports School Board Component Unit long-term liabilities, other than compensated absences, as its own. In addition to bonded debt, the City's long-term obligations include compensated absences. Additional information concerning the City's long-term liabilities is presented in Notes 8, 9, and 12 to the Basic Financial Statements.

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

The unemployment rate for the City at June 30, 2016 was 4.3% compared to a June 30, 2015 rate of 5.3%. This is above the state average of 4.0% and compares favorably with the national average unemployment rate of 5.1%.

The City had a population of 17,411, according to the 2010 census, an increase of 510 since the 2000 census. Current estimation of the City's population by the U.S. Census Bureau is 17,820.

Primary revenue sources for the City's General Fund are property taxes, sales tax, business and occupational licenses, meals tax, and state revenues. In establishing the budget, historical and trend data are analyzed. In addition economic indicators and the impact the economy will have on the historical data is taken into consideration. Throughout the year, management monitors revenues and economic indicators to determine if they are on target with the analysis used to develop the budget. A monthly analysis is prepared for City Council that presents current financial position and a year to date comparison to the prior year's position.

The adopted fiscal 2017 General Fund budget increased \$1,677,132 over 2016 amounts that maintained basic current services to the community and current operating capital investments, and includes a 6 cent Real Estate Tax increase effective 1/1/2017. Increased tax revenues equal amount budgeted for new Debt Interest of \$485,873 and transfer to schools of \$246,483, which is equal to the amount budgeted back in to pay for School debt interest. All proceeds are segregated into identifiable receipts and proceeds are for Capital Projects. The projected revenues for fiscal year 2017 are \$55,125,754 or 3.1% greater than fiscal 2016 actual. Since its passage, the Commonwealth of Virginia's estimated funding has been increased slightly due to mostly increases in projected street maintenance revenues, but the City will be expected to refund estimated State revenues to balance current State revenue reduction estimates.



**CITY OF COLONIAL HEIGHTS, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016  
(Continued)**

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the resources it receives and their uses. Questions concerning this report or requests for additional information should be directed to the Director of Finance, P.O. Box 3401, Colonial Heights, Virginia 23834, telephone (804) 520-9332. The City's website address is [www.colonialheightsva.gov](http://www.colonialheightsva.gov).

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# **BASIC FINANCIAL STATEMENTS**

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## CITY OF COLONIAL HEIGHTS, VIRGINIA

## STATEMENT OF NET POSITION

June 30, 2016

	Primary Government			Discretely Presented Component Unit School Board
	Governmental Activities	Business-Type Activities	Totals	
<b>ASSETS</b>				
Cash and investments (Note 2)	\$ 8,009,296	\$ 360,158	\$ 8,369,454	\$ 5,801,665
Receivables, net (Note 3)	12,068,122	913,658	12,981,780	12,283
Due from other governments (Note 4)	3,770,772	17,537	3,788,309	1,585,418
Due from primary government	-	-	-	114,218
Due from component unit	1,728	-	1,728	-
Internal balances (Note 5)	(1,450,976)	1,450,976	-	-
Inventories	56,038	-	56,038	23,136
Prepays	8,833	-	8,833	17,673
Restricted cash (Note 2)	2,192,697	-	2,192,697	-
Net pension asset (Note 11)	-	-	-	1,489
Capital assets: (Note 7)				
Nondepreciable	19,233,505	2,257,172	21,490,677	1,090,102
Depreciable, net	46,078,599	12,240,278	58,318,877	16,568,923
Total assets	89,968,614	17,239,779	107,208,393	25,214,907
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charge on refunding	417,888	19,535	437,423	-
Pension contributions subsequent to measurement date (Note 11)	1,979,661	122,559	2,102,220	2,673,343
Differences between expected and actual experience (Note 11)	389,865	24,136	414,001	-
Total deferred outflows of resources	2,787,414	166,230	2,953,644	2,673,343
<b>LIABILITIES</b>				
Accounts payable and other current liabilities	1,724,186	196,060	1,920,246	3,229,601
Due to component unit	114,218	-	114,218	-
Due to primary government	-	-	-	1,728
Unearned revenue	-	-	-	8,406
Accrued interest	75,413	11,655	87,068	-
Customer security deposits	46,913	146,961	193,874	-
Noncurrent liabilities:				
Net pension liability (Note 11)	13,378,727	828,265	14,206,992	30,936,000
Due within one year (Note 8)	3,198,578	344,847	3,543,425	76,877
Due in more than one year (Note 8)	30,398,828	4,495,068	34,893,896	3,825,433
Total liabilities	48,936,863	6,022,856	54,959,719	38,078,045
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property taxes and grants	10,923,484	-	10,923,484	-
Net difference between projected and actual investment earnings on pension plan investments (Note 11)	1,320,628	81,759	1,402,387	2,012,325
Differences between expected and actual experience (Note 11)	-	-	-	466,008
Changes in proportion – teacher cost sharing pool (Note 11)	-	-	-	1,457,000
Total deferred inflows of resources	12,244,112	81,759	12,325,871	3,935,333
<b>NET POSITION</b>				
Net investment in capital assets	35,926,630	11,891,771	47,818,401	17,659,025
Restricted for public safety and judicial administration grants	235,027	-	235,027	-
Unrestricted	(4,586,604)	(590,377)	(5,176,981)	(31,784,153)
Total net position	\$ 31,575,053	\$ 11,301,394	\$ 42,876,447	\$ (14,125,128)

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

## EXHIBIT 2

## CITY OF COLONIAL HEIGHTS, VIRGINIA

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Totals	Discretely Presented Component Unit School Board
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business- Type Activities		
Primary Government:								
Governmental activities:								
General government	\$ 4,222,021	\$ 3,652,240	\$ 829,571	\$ -	\$ 259,790		\$ 259,790	
Judicial administration	5,298,386	438,930	761,947	-	(4,097,509)		(4,097,509)	
Public safety	11,043,829	1,061,923	966,232	-	(9,015,674)		(9,015,674)	
Public works	5,867,451	1,093,227	2,519,337	913,850	(1,341,037)		(1,341,037)	
Health and welfare	900,875	-	-	-	(900,875)		(900,875)	
Parks, recreation, and cultural	2,978,081	196,353	-	-	(2,781,728)		(2,781,728)	
Community development	536,782	-	-	-	(536,782)		(536,782)	
Education	20,503,749	-	381,605	-	(20,122,144)		(20,122,144)	
Human services	447,513	-	5,266	-	(442,247)		(442,247)	
Interest	831,949	-	-	-	(831,949)		(831,949)	
Total governmental activities	52,630,636	6,442,673	5,463,958	913,850	(39,810,155)		(39,810,155)	
Business-type activities:								
Water and sewer	4,668,983	4,784,973	-	-		\$ 115,990	115,990	
Storm water management	290,846	384,930	-	-		94,084	94,084	
Total business-type activities	4,959,829	5,169,903	-	-		210,074	210,074	
Total primary government	\$ 57,590,465	\$ 11,612,576	\$ 5,463,958	\$ 913,850	(39,810,155)	210,074	(39,600,081)	
Discretely Presented Component Unit:								
School Board	\$ 35,087,111	\$ 390,422	\$ 15,801,934	\$ -				\$ (18,894,755)
General revenues:								
Taxes:								
General property taxes					21,547,059	-	21,547,059	-
Other local taxes:								
Local sales and use					7,602,518	-	7,602,518	-
Food and lodging					7,668,016	-	7,668,016	-
Consumer utility and communications sales and use					1,645,700	-	1,645,700	-
Other					605,652	-	605,652	-
Payments from City					-	-	-	20,503,749
Intergovernmental, non-categorical aid					1,759,131	-	1,759,131	-
Use of money and property					215,801	-	215,801	-
Miscellaneous					217,348	-	217,348	110,631
Gain (loss) on sale of capital assets (Note 7)					2,027,297	-	2,027,297	(31,686)
Total general revenues					43,288,522	-	43,288,522	20,582,694
Change in net position					3,478,367	210,074	3,688,441	1,687,939
NET POSITION AT JULY 1					28,096,686	11,091,320	39,188,006	(15,813,067)
NET POSITION AT JUNE 30					\$ 31,575,053	\$ 11,301,394	\$ 42,876,447	\$ (14,125,128)

## CITY OF COLONIAL HEIGHTS, VIRGINIA

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2016**

	<b>General</b>	<b>Capital Projects</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and investments	\$ 8,006,197	\$ 3,099	\$ 8,009,296
Receivables, net	12,068,122	-	12,068,122
Due from other governments	2,622,460	1,148,312	3,770,772
Due from other funds	968,337	-	968,337
Inventories	56,038	-	56,038
Prepays	8,833	-	8,833
Restricted cash	-	2,192,697	2,192,697
Total assets	<u>\$ 23,729,987</u>	<u>\$ 3,344,108</u>	<u>\$ 27,074,095</u>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	\$ 1,486,504	\$ 237,682	\$ 1,724,186
Due to other funds	-	2,419,313	2,419,313
Due to component unit	112,490	-	112,490
Customer security deposits	46,913	-	46,913
Total liabilities	<u>1,645,907</u>	<u>2,656,995</u>	<u>4,302,902</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable/unearned revenue	11,309,835	-	11,309,835
Total deferred inflows of resources	<u>11,309,835</u>	<u>-</u>	<u>11,309,835</u>
<b>FUND BALANCES (Note 13)</b>			
Nonspendable	64,871	-	64,871
Restricted	235,027	2,192,697	2,427,724
Committed	554,259	-	554,259
Assigned	1,969,999	-	1,969,999
Unassigned	7,950,089	(1,505,584)	6,444,505
Total fund balances	<u>10,774,245</u>	<u>687,113</u>	<u>11,461,358</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 23,729,987</u>	<u>\$ 3,344,108</u>	<u>\$ 27,074,095</u>

## CITY OF COLONIAL HEIGHTS, VIRGINIA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION

June 30, 2016

<b>Total Fund Balance - Governmental Funds</b>		\$ 11,461,358
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	\$ 19,233,505	
Depreciable, net	<u>46,078,599</u>	65,312,104
Certain receivables are not available to pay for current-period expenditures and therefore are deferred in the funds.		386,351
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources for 2016 employer contributions	1,979,661	
Deferred outflows of resources for the differences between expected and actual experience	389,865	
Deferred inflows of resources for the net differences between projected and actual investment earnings on pension plan investments	(1,320,628)	
Net pension liability	<u>(13,378,727)</u>	(12,329,829)
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	(29,902,749)	
Deferred charge on refunding	417,888	
Landfill post-closure liability	(356,000)	
Compensated absences	(1,660,569)	
Other post-employment benefits	(1,585,942)	
Capital lease payable	(92,146)	
Accrued interest payable	<u>(75,413)</u>	(33,254,931)
<b>Total Net Position - Governmental Activities</b>		<u><u>\$ 31,575,053</u></u>



## EXHIBIT 5

## CITY OF COLONIAL HEIGHTS

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

## GOVERNMENTAL FUNDS

Year Ended June 30, 2016

	General	Capital Projects	Total Governmental Funds
<b>REVENUES</b>			
General property taxes	\$ 21,520,136	\$ -	\$ 21,520,136
Other local taxes	17,521,886	-	17,521,886
Permits, privilege fees, and regulatory licenses	3,766,603	-	3,766,603
Fines and forfeitures	438,930	-	438,930
Charges for services	2,237,140	-	2,237,140
Use of money and property	215,110	691	215,801
Miscellaneous	217,348	-	217,348
Reimbursement from School Board	381,605	-	381,605
Intergovernmental	6,841,484	913,850	7,755,334
Total revenues	53,140,242	914,541	54,054,783
<b>EXPENDITURES</b>			
Current:			
General government	3,860,820	-	3,860,820
Judicial administration	5,375,979	-	5,375,979
Public safety	11,219,742	-	11,219,742
Public works	4,235,724	-	4,235,724
Health and welfare	897,077	-	897,077
Parks, recreation, and cultural	2,707,421	-	2,707,421
Community development	547,914	-	547,914
Education	20,503,749	-	20,503,749
Human services	458,317	-	458,317
Nondepartmental	417,516	-	417,516
Debt service:			
Principal retirement	2,783,005	-	2,783,005
Interest and fiscal charges	927,997	-	927,997
Capital outlays	-	855,647	855,647
Total expenditures	53,935,261	855,647	54,790,908
Excess (deficiency) of revenues over expenditures	(795,019)	58,894	(736,125)
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale of capital assets	2,641,368	-	2,641,368
Transfers in (Note 6)	-	826,982	826,982
Transfers out (Note 6)	(826,982)	-	(826,982)
Total other financing sources (uses)	1,814,386	826,982	2,641,368
Net change in fund balances	1,019,367	885,876	1,905,243
<b>FUND BALANCES AT JULY 1</b>	9,754,878	(198,763)	9,556,115
<b>FUND BALANCES AT JUNE 30</b>	\$ 10,774,245	\$ 687,113	\$ 11,461,358

## CITY OF COLONIAL HEIGHTS, VIRGINIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

<b>Net Change in Fund Balances - Governmental Funds</b>			\$ 1,905,243
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	\$ 1,541,702		
Depreciation expense	(2,766,887)		
			(1,225,185)
Governmental funds report proceeds from the sale of capital assets as an increase in financial resources while governmental activities report the gain or loss on the sale of capital assets.			
			(614,071)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.			
			26,923
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of those differences.			
			2,783,005
Some expenses reported in the Statement of Activities, such as compensated absences and other post-employment benefits do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.			
Change in compensated absences	100,450		
Change in other post-employment benefits	(145,282)		
			(44,832)
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 \$1,979,661 exceed pension expense of \$1,428,425 in the current period.			
			551,236
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	175,682		
Amortization of gain/loss from refundings	(87,502)		
Change in accrued interest payable	7,868		
			96,048
<b>Change in Net Position - Governmental Activities</b>			<u>\$ 3,478,367</u>

## CITY OF COLONIAL HEIGHTS, VIRGINIA

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS

June 30, 2016

	Business-Type Activities – Enterprise Funds		
	Water and Sewer	Storm Water Management	Totals
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 126,675	\$ 233,483	\$ 360,158
Receivables, net	840,045	73,613	913,658
Due from other governments	17,537	-	17,537
Due from other funds	314,925	1,136,051	1,450,976
Total current assets	1,299,182	1,443,147	2,742,329
Noncurrent assets:			
Capital assets, net	12,971,774	1,525,676	14,497,450
Total noncurrent assets	12,971,774	1,525,676	14,497,450
Total assets	14,270,956	2,968,823	17,239,779
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	19,535	-	19,535
Pension contributions subsequent to measurement date	105,111	17,448	122,559
Differences between expected and actual experience	20,700	3,436	24,136
Total deferred outflows of resources	145,346	20,884	166,230
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and other current liabilities	189,322	6,738	196,060
Accrued interest	6,504	5,151	11,655
Customer security deposits	146,961	-	146,961
Compensated absences	47,262	1,530	48,792
Debt obligations, current	180,806	115,249	296,055
Total current liabilities	570,855	128,668	699,523
Noncurrent liabilities:			
Compensated absences	34,503	2,099	36,602
Other post-employment benefits	118,558	9,585	128,143
Net pension liability	710,350	117,915	828,265
Debt obligations	2,121,632	2,208,691	4,330,323
Total noncurrent liabilities	2,985,043	2,338,290	5,323,333
Total liabilities	3,555,898	2,466,958	6,022,856
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Net difference between projected and actual investment earnings on pension plan investments	70,119	11,640	81,759
<b>NET POSITION</b>			
Net investment in capital assets	11,553,984	337,787	11,891,771
Unrestricted	(763,699)	173,322	(590,377)
Total net position	\$ 10,790,285	\$ 511,109	\$ 11,301,394

## CITY OF COLONIAL HEIGHTS, VIRGINIA

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**Year Ended June 30, 2016**

	<b>Business-Type Activities – Enterprise Funds</b>		
	<b>Water and Sewer</b>	<b>Storm Water Management</b>	<b>Totals</b>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 4,643,374	\$ 381,603	\$ 5,024,977
Connection fees	76,476	-	76,476
Penalties	61,219	3,327	64,546
Miscellaneous	3,904	-	3,904
Total operating revenues	<u>4,784,973</u>	<u>384,930</u>	<u>5,169,903</u>
<b>OPERATING EXPENSES</b>			
Personnel	744,051	118,858	862,909
Fringe benefits	319,755	24,616	344,371
Utilities	85,399	-	85,399
Repairs and maintenance	35,247	1,292	36,539
Materials and supplies	123,230	5,828	129,058
Sewage treatment costs	1,557,938	-	1,557,938
Water purchased for resale	526,754	-	526,754
Depreciation and amortization	778,116	39,785	817,901
Other charges	448,874	64,740	513,614
Total operating expenses	<u>4,619,364</u>	<u>255,119</u>	<u>4,874,483</u>
Operating income	<u>165,609</u>	<u>129,811</u>	<u>295,420</u>
<b>NONOPERATING EXPENSES</b>			
Interest expense	<u>(49,619)</u>	<u>(35,727)</u>	<u>(85,346)</u>
Change in net position	115,990	94,084	210,074
<b>NET POSITION AT JULY 1</b>	<u>10,674,295</u>	<u>417,025</u>	<u>11,091,320</u>
<b>NET POSITION AT JUNE 30</b>	<u><u>\$ 10,790,285</u></u>	<u><u>\$ 511,109</u></u>	<u><u>\$ 11,301,394</u></u>

## CITY OF COLONIAL HEIGHTS, VIRGINIA

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**Year Ended June 30, 2016**

	<b>Business-Type Activities – Enterprise Funds</b>		
	<b>Water and Sewer</b>	<b>Storm Water Management</b>	<b>Totals</b>
<b>OPERATING ACTIVITIES</b>			
Receipts from customers and properties	\$ 4,707,088	\$ 383,393	\$ 5,090,481
Receipts from other sources	8,251	-	8,251
Payments to suppliers	(2,758,819)	(72,696)	(2,831,515)
Payments to employees	(1,066,556)	(175,830)	(1,242,386)
Net cash provided by operating activities	889,964	134,867	1,024,831
<b>NONCAPITAL FINANCING ACTIVITIES</b>			
Interfund borrowing	10,456	1,036,373	1,046,829
Net cash provided by noncapital financing activities	10,456	1,036,373	1,046,829
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchases of capital assets	(607,758)	(1,044,723)	(1,652,481)
Principal paid	(220,263)	(114,514)	(334,777)
Interest paid	(84,874)	(65,303)	(150,177)
Net cash used in capital and related financing activities	(912,895)	(1,224,540)	(2,137,435)
Net decrease in cash and cash equivalents	(12,475)	(53,300)	(65,775)
<b>CASH AND CASH EQUIVALENTS</b>			
Beginning at July 1	139,150	286,783	425,933
Ending at June 30	\$ 126,675	\$ 233,483	\$ 360,158
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating income	\$ 165,609	\$ 129,811	\$ 295,420
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	778,116	39,785	817,901
Pension expense net of employer contributions	(30,703)	(31,811)	(62,514)
Change in assets and liabilities:			
(Increase) decrease in:			
Receivables, net	(76,839)	(1,537)	(78,376)
Due from other governments	4,347	-	4,347
Increase in:			
Accounts payable and other current liabilities	31,845	(966)	30,879
Customer deposits	2,858	-	2,858
Compensated absences	4,095	(1,550)	2,545
Other post-employment benefits	10,636	1,135	11,771
Net cash provided by operating activities	\$ 889,964	\$ 134,867	\$ 1,024,831
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>			
<b>INTEREST CAPITALIZED</b>	\$ 29,141	\$ 24,019	\$ 53,160

## **CITY OF COLONIAL HEIGHTS, VIRGINIA**

### **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

#### **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.

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 Comprehensive Annual 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

## CITY OF COLONIAL HEIGHTS, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

June 30, 2016

#### Note 1. Summary of Significant Accounting Policies (Continued)

##### **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 unit. 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 unit* 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.

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**Note 1. Summary of Significant Accounting Policies (Continued)**

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

*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 capital leases and sales of capital assets are reported as other financing sources.

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).

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, maintenance, and capital needs for storm water 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.



**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Budgets and Budgetary Accounting**

The City adheres to the following procedures in establishing 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. The capital projects budget is prepared on a project length basis under which the total outlay for each project is estimated for the length of the project.
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. During the year, \$2,546,221 in supplemental appropriations were 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. General government and judicial administration expenditures exceeded budgeted appropriations.

**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.

*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.

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**E. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Equity (Continued)**

*Property Taxes.* (Continued)

Real Property (Continued) – 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 2015 and 2016 was \$1.14 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 2016 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.

*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 are valued at their estimated fair market value on the date donated. 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 July 1 of the following year. The estimated useful lives are:

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.

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**E. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Equity (Continued)**

*Capital Assets.* (Continued)

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, which was previously recorded and classified as machinery and equipment.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, \$29,141 and \$24,019 in interest expense was included as part of the cost of capital assets under construction, in the Water and Sewer fund and the Storm Water Management fund, respectively.

*Deferred Outflows/Inflows of Resources.* In addition to assets, the statements which present financial position report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has three items that qualify for reporting in this category. The first is the deferred charge on refunding reported in the government-wide and proprietary funds statements of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding of debt. The second item consists of contributions subsequent to the measurement date for pensions; this will be applied to the net pension liability in the next fiscal year. The third consists of differences between expected and actual experience for economic and demographic factors in the total pension liability measurement.

In addition to liabilities, the statements which present financial position report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has five types of items that qualify for reporting in this category. The first item occurs only under a modified accrual basis of accounting. The item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes and other receivables not collected within 45 days of year-end and property taxes levied to fund future years. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item is the deferred inflow reported in the government-wide statement of net position for unearned revenue in the governmental funds. This deferred inflow is a result of resources received in non-exchange transactions, but not yet earned due to allowable costs not yet having been spent or due to their intention to fund subsequent year expenditures. The third item is the net difference between projected and actual earnings on pension plan investments. This difference will be recognized in pension expense over a closed five year period. The fourth item is the difference in experience similar to the deferred outflow described above, for the teacher cost sharing pool. The final deferred inflow results from participation in the Virginia Retirement System's teacher cost sharing pool, where changes in proportion and differences between employer contributions and the proportionate share of employer contributions are reported as a deferred inflow or outflow, as appropriate.

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**E. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Equity (Continued)**

*Compensated Absences Payable.* It is the City's 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 received compensation for such services.

Liabilities for compensated absences are not liquidated until leave is actually taken by employees or leave balances are paid 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.

*Pensions.* For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Political Subdivision's Retirement Plan and the additions to/deductions from the Political Subdivision's Retirement 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.

*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.

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**E. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Equity (Continued)**

*Fund Equity.* (Continued)

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 by Council, the City Manager, or the Director of Finance 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%.

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. Significant encumbrances as of June 30 total \$527,958 in the general fund and \$1,241,040 in the capital projects fund. The capital projects fund encumbrances are listed as committed on Table 5, and are broken out among the various departments.

*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.

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**E. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Equity (Continued)**

**Encumbrances: (Continued)**

*Net Position. (Continued)*

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 (title holder), 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.

**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.

## CITY OF COLONIAL HEIGHTS, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

June 30, 2016

#### 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.

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 fair 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. 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, 2016**

**Note 2. Deposits and Investments (Continued)**

**Investments (Continued)**

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

Deposits:	
Demand deposits	\$ 2,822,799
Cash on hand	<u>12,600</u>
	2,835,399
Investments (Fair Value):	
LGIP	7,540,603
SNAP	<u>186,149</u>
	<u>\$ 10,562,151</u>

Exhibit 1 total deposits and investments is composed as follows:

Cash and investments	\$ 8,369,454
Restricted cash	<u>2,192,697</u>
	<u>\$ 10,562,151</u>

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

Deposits:	
Demand deposits	<u>\$ 5,801,665</u>

**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, 2016**

**Note 3. Receivables**

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

	<u>General</u>	<u>Water and Sewer</u>	<u>Storm Water Management</u>	<u>Total</u>	<u>School Board</u>
Taxes	\$ 11,865,201	\$ -	\$ -	\$ 11,865,201	\$ -
Accounts	259,037	915,045	73,613	1,247,695	12,283
Other	28,229	-	-	28,229	-
Gross receivables	12,152,467	915,045	73,613	13,141,125	12,283
Less allowance for uncollectible accounts	(84,345)	(75,000)	-	(159,345)	-
Net receivables	<u>\$ 12,068,122</u>	<u>\$ 840,045</u>	<u>\$ 73,613</u>	<u>\$ 12,981,780</u>	<u>\$ 12,283</u>

The allowance for uncollectibles is based on prior experience with respect to collections. No allowance is recorded for delinquent real estate taxes because of the past history of collections and the City's ability to sell the related property to collect on its tax lien.

**Note 4. Due from Other Governmental Units**

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>School Board</u>
Federal:			
FEMA	\$ 55,181	\$ -	\$ -
Highway planning and construction	1,148,312	-	-
Other grants	12,000	-	569,640
Title I	-	-	427,421
Title II and III	-	-	15,134
Perkins	-	-	41,869
Child nutrition	-	-	39,824
Commonwealth of Virginia:			
Other aid, grants, and reimbursements	337,578	-	-
Sales tax	1,257,436	-	491,530
PPTRA	960,265	-	-
Chesterfield County	-	14,032	-
Virginia State University	-	3,249	-
Other governments	-	256	-
	<u>\$ 3,770,772</u>	<u>\$ 17,537</u>	<u>\$ 1,585,418</u>

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**Note 5. Interfund Obligations**

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

	<u>Receivables</u>	<u>Payables</u>
General	\$ 968,337	\$ -
Capital Projects	-	2,419,313
Water and Sewer	314,925	-
Storm Water Management	<u>1,136,051</u>	<u>-</u>
	<u>\$ 2,419,313</u>	<u>\$ 2,419,313</u>

A portion of the interfund receivables and payables represent past and present operational support received. The interfund payables are not expected to be paid back within one year. They will be paid back over several years as cash flows in the payor funds improve.

The proceeds from the 2015 bond issuance are accounted for 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 is being used to account for financial resources to be used for the acquisition or construction of various capital assets for the City.

**Note 6. Interfund Transfers**

	<u>Transfer From Fund</u>
	<u>General</u>
Transfer to fund:	
Capital Projects	<u>\$ 826,982</u>

The transfer from the General Fund to the Capital Projects Fund was for local funding for capital improvement projects.

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**Note 7. Capital Assets**

Capital asset activity was as follows:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets, not depreciated or amortized:				
Land	\$ 2,568,956	\$ 50,929	\$ (60,000)	\$ 2,559,885
Easements	2,245,247	-	-	2,245,247
Construction in progress	13,844,579	821,312	(237,518)	14,428,373
	<u>18,658,782</u>	<u>872,241</u>	<u>(297,518)</u>	<u>19,233,505</u>
Capital assets, depreciated and amortized:				
Buildings and structures	38,200,158	188,785	(1,989,802)	36,399,141
Infrastructure	58,284,452	135,476	-	58,419,928
Equipment	16,036,915	582,718	(53,984)	16,565,649
Intangibles	106,615	-	-	106,615
	<u>112,628,140</u>	<u>906,979</u>	<u>(2,043,786)</u>	<u>111,491,333</u>
Less accumulated depreciation and amortization for:				
Buildings and structures	(9,896,293)	(991,523)	1,435,731	(9,452,085)
Infrastructure	(41,868,358)	(1,031,086)	-	(42,899,444)
Equipment	(12,285,620)	(739,518)	53,984	(12,971,154)
Intangibles	(85,291)	(4,760)	-	(90,051)
	<u>(64,135,562)</u>	<u>(2,766,887)</u>	<u>1,489,715</u>	<u>(65,412,734)</u>
Capital assets, depreciated and amortized, net	<u>48,492,578</u>	<u>(1,859,908)</u>	<u>(554,071)</u>	<u>46,078,599</u>
Governmental activities capital assets, net	<u>\$ 67,151,360</u>	<u>\$ (987,667)</u>	<u>\$ (851,589)</u>	<u>\$ 65,312,104</u>

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

Governmental activities:	
General government	\$ 19,924
Judicial administration	13,728
Public safety	455,571
Public works	1,873,006
Health and welfare	3,798
Parks, recreation, and cultural	400,860
	<u>\$ 2,766,887</u>

Equipment includes capitalized leases of \$121,475 with a net book value of \$91,106.

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**Note 7. Capital Assets (Continued)**

During 2016, the City completed negotiations with the Kroger Company for the sale of the former courthouse located on Temple Avenue for the construction of a 95,000 square foot grocery store. The proceeds from this sale amounted to \$2,641,368, which resulted in a gain of sale of capital assets of \$2,027,297.

<b>Business-Type Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets, not depreciated or amortized:				
Construction in progress	\$ 1,022,992	\$ 1,249,989	\$ (152,109)	\$ 2,120,872
Land	136,300	-	-	136,300
	<u>1,159,292</u>	<u>1,249,989</u>	<u>(152,109)</u>	<u>2,257,172</u>
Capital assets, depreciated and amortized:				
Land improvements	48,927	-	-	48,927
Buildings and structures	3,790,420	-	-	3,790,420
Infrastructure	14,601,118	184,269	-	14,785,387
Equipment	3,336,175	423,492	-	3,759,667
Intangibles	303,982	-	-	303,982
Purchased capacity	9,874,437	-	-	9,874,437
	<u>31,955,059</u>	<u>607,761</u>	<u>-</u>	<u>32,562,820</u>
Less accumulated depreciation and amortization for:				
Land improvements	(39,964)	(249)	-	(40,213)
Buildings and structures	(2,319,755)	(81,264)	-	(2,401,019)
Infrastructure	(6,791,025)	(194,531)	-	(6,985,556)
Equipment	(2,179,691)	(117,554)	-	(2,297,245)
Intangibles	(274,656)	(29,326)	-	(303,982)
Purchased capacity	(7,899,550)	(394,977)	-	(8,294,527)
	<u>(19,504,641)</u>	<u>(817,901)</u>	<u>-</u>	<u>(20,322,542)</u>
Capital assets, depreciated and amortized, net	<u>12,450,418</u>	<u>(210,140)</u>	<u>-</u>	<u>12,240,278</u>
Business-type activities capital assets, net	<u>\$ 13,609,710</u>	<u>\$ 1,039,849</u>	<u>\$ (152,109)</u>	<u>\$ 14,497,450</u>

Equipment includes capitalized leases of \$126,739 with a net book value of \$105,616.

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**Note 7. Capital Assets (Continued)**

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

Business-type activities:	
Water and Sewer	\$ 778,116
Storm Water	<u>39,785</u>
	<u>\$ 817,901</u>

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.

<u>Component Unit – School Board</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not depreciated or amortized:				
Land	\$ 1,090,102	\$ -	\$ -	\$ 1,090,102
Capital assets, depreciated and amortized:				
Buildings and structures	31,220,905	173,881	-	31,394,786
Equipment	4,579,639	146,258	(1,711,668)	3,014,229
Intangibles	12,155	-	(12,155)	-
	<u>35,812,699</u>	<u>320,139</u>	<u>(1,723,823)</u>	<u>34,409,015</u>
Less accumulated depreciation and amortization for:				
Buildings and structures	(14,920,462)	(642,964)	-	(15,563,426)
Equipment	(3,798,327)	(158,321)	1,679,982	(2,276,666)
Intangibles	(12,155)	-	12,155	-
	<u>(18,730,944)</u>	<u>(801,285)</u>	<u>1,692,137</u>	<u>(17,840,092)</u>
Capital assets, depreciated and amortized, net	<u>17,081,755</u>	<u>(481,146)</u>	<u>(31,686)</u>	<u>16,568,923</u>
School Board capital assets, net	<u>\$ 18,171,857</u>	<u>\$ (481,146)</u>	<u>\$ (31,686)</u>	<u>\$ 17,659,025</u>

(Continued)

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**Note 8. Long-Term Liabilities**

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

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
General obligation bonds	\$ 30,873,958	\$ -	\$ (2,760,215)	\$ 28,113,743	\$ 2,374,672
Issuance premiums	1,964,688	-	(175,682)	1,789,006	-
Capital lease payable	114,936	-	(22,790)	92,146	23,519
Landfill post-closure liability	356,000	-	-	356,000	-
Compensated absences	1,761,019	686,056	(786,506)	1,660,569	800,387
Other post-employment benefits	1,440,660	257,683	(112,401)	1,585,942	-
	<u>\$ 36,511,261</u>	<u>\$ 943,739</u>	<u>\$ (3,857,594)</u>	<u>\$ 33,597,406</u>	<u>\$ 3,198,578</u>
<b>Business-Type Activities</b>					
General obligation bonds	\$ 4,681,042	\$ -	\$ (309,785)	\$ 4,371,257	\$ 270,328
Capital lease payable	70,510	-	(24,992)	45,518	25,727
Issuance premiums	225,580	-	(15,977)	209,603	-
Compensated absences	82,849	46,960	(44,415)	85,394	48,792
Other post-employment benefits	116,372	20,878	(9,107)	128,143	-
	<u>\$ 5,176,353</u>	<u>\$ 67,838</u>	<u>\$ (404,276)</u>	<u>\$ 4,839,915</u>	<u>\$ 344,847</u>
<b>Component Unit – School Board</b>					
Capital lease payable	\$ 90,923	\$ -	\$ (90,923)	\$ -	\$ -
Compensated absences	1,345,856	486,439	(294,761)	1,537,534	76,877
Other post-employment benefits	2,127,314	552,919	(315,457)	2,364,776	-
	<u>\$ 3,564,093</u>	<u>\$ 1,039,358</u>	<u>\$ (701,141)</u>	<u>\$ 3,902,310</u>	<u>\$ 78,877</u>

(Continued)

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**Note 8. Long-Term Liabilities (Continued)**

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 2007	2007	4.00%	\$ 500,000
Series 2010	2010	2.00-4.00%	1,095,000
Series 2012	2012	2.50-4.00%	18,675,000
Series 2015	2015	2.00-5.00%	<u>12,215,000</u>
Total general obligation bonds			<u>\$ 32,485,000</u>
Capital leases payable:			
Motor Grader	2014	2.90%	\$ 45,518
Bucket Truck	2015	3.16%	<u>92,146</u>
			<u>\$ 137,664</u>

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

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

<u>Fiscal Year Ending</u>	<u>General Obligation Bonds</u>			
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 2,374,672	\$ 835,639	\$ 270,328	\$ 139,136
2018	2,428,213	771,375	286,787	122,975
2019	1,971,636	713,203	238,364	117,547
2020	2,024,222	664,088	240,778	112,912
2021	1,600,000	611,800	180,000	100,200
2022-2026	8,890,000	2,193,800	980,000	422,600
2027-2031	7,365,000	852,450	1,135,000	260,100
2032-2035	<u>1,460,000</u>	<u>43,800</u>	<u>1,040,000</u>	<u>79,050</u>
	<u>\$ 28,113,743</u>	<u>\$ 6,686,155</u>	<u>\$ 4,371,257</u>	<u>\$ 1,354,520</u>

(Continued)

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**Note 8. Long-Term Liabilities (Continued)**

<b>Fiscal Year Ending</b>	<b><u>Capital Lease Payable</u> <u>Governmental Activities</u></b>		<b><u>Capital Lease Payable</u> <u>Business-type Activities</u></b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2017	\$ 23,519	\$ 2,581	\$ 25,727	\$ 990
2018	24,271	1,883	19,791	240
2019	25,047	1,107	-	-
2020	19,309	306	-	-
	<u>\$ 92,146</u>	<u>\$ 5,877</u>	<u>\$ 45,518</u>	<u>\$ 1,230</u>

**Prior Year Defeasance of Debt**

In 2015, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service on the refunded bonds through their maturity date. The deferred costs are being amortized over the life of the new bonds as a component of interest expense. As a result, the liability for those bonds has been removed from the financial statements. At June 30, \$6,125,000 of bonds remains outstanding.

**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 has completed the process of closing the former City landfill. The post-closure and corrective action costs for the landfill are currently projected to be approximately \$356,000 based on a minimum ten years of remaining monitoring and remediation. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Effective September 2015, DEQ dismissed the groundwater monitoring portion of the landfill post-closure costs. Management is in the process of estimating the impact of this reduced monitoring on the total City liability.

The City meets all federal laws, regulations, and tests of financial assurance related to the financing of closure and post-closure care.



## CITY OF COLONIAL HEIGHTS, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

June 30, 2016

#### 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 \$1,241,040 still outstanding to be completed at year-end. These construction commitments are listed on Table 5, and are broken down into four main categories: general government, recreational facilities, streets and bridges, and utility improvements. This includes a multi-phase walking trail along the Appomattox River and various street projects.

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 annual payments from this agreement total approximately \$180,000.

#### 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 VRS Retirement Plan upon employment. This plan is an agent multiple-employer plan 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. The *Code of Virginia*, as amended, assigns the authority to establish and amend benefit provisions to the Virginia General Assembly. The System issues a publicly available comprehensive annual financial report for VRS. A copy of that report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report.pdf>.

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**Note 11. Defined Benefit Pension Plan (Continued)**

**Primary Government – City (Continued)**

**Plan Description (Continued)**

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 is as follows:

**Plan 1** – Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

- **Hybrid Opt-In Election** – VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.
- **Retirement Contributions** – Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.
- **Creditable Service** – Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.
- **Vesting** – Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**Note 11. Defined Benefit Pension Plan (Continued)**

**Primary Government – City (Continued)**

**Plan Description (Continued)**

**Plan 1 (Continued)**

- **Calculating the Benefit** – The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier, and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.
- **Average Final Compensation** – A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
- **Service Retirement Multiplier** – The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.
- **Normal Retirement Age** – Age 65 or age 60 for hazardous duty employees.
- **Earliest Unreduced Retirement Eligibility** – Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service, for hazardous duty employees.
- **Earliest Reduced Retirement Eligibility** – Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. 50 with at least five years of creditable service for hazardous duty employees.
- **Cost-of-Living Adjustment (COLA) in Retirement** – The Cost-of-Living Adjustment (COLA) matches the first 3.00% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4.00%) up to a maximum COLA of 5.00%.
- **Disability Coverage** for members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**Note 11. Defined Benefit Pension Plan (Continued)**

**Primary Government – City (Continued)**

**Plan Description (Continued)**

**Plan 2** - Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

- **Hybrid Opt-In Election** – Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.
- **Retirement Contributions** – Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016.
- **Creditable Service** – Same as Plan 1.
- **Vesting** – Same as Plan 1.
- **Calculating the Benefit** – See definition under Plan 1.
- **Average Final Compensation** – A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
- **Service Retirement Multiplier** – Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013. Sheriffs, regional jail superintendents, and hazardous duty employees are same as Plan 1.
- **Normal Retirement Age** – Normal Social Security retirement age. Hazardous duty employees are the same as Plan 1.
- **Earliest Unreduced Retirement Eligibility** – Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. Hazardous duty employees are the same as Plan 1.
- **Earliest Reduced Retirement Eligibility** – Age 60 with at least five years (60 months) of creditable service. Hazardous duty employees are the same as Plan 1.
- **Cost-of-Living Adjustment (COLA) in Retirement** – The Cost-of-Living Adjustment (COLA) matches the first 2.00% increase in the CPI-U and half of any additional increase (up to 2.00%), for a maximum COLA of 3.00%.
- **Disability Coverage** – Same as Plan 1 except that the retirement multiplier is 1.65%.

(Continued)

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**Note 11. Defined Benefit Pension Plan (Continued)**

**Primary Government – City (Continued)**

**Plan Description (Continued)**

**Hybrid Retirement Plan** – The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. The defined benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

- **Eligible Members** – Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes political subdivision employees; members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.
- **Non-Eligible Members** – Some employees are not eligible to participate in the Hybrid Retirement Plan. They include political subdivision employees who are covered by enhanced benefits for hazardous duty employees and those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
- **Retirement Contributions** – A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
- **Creditable Service** –
  - **Defined Benefit Component:** Under the defined benefit component of the plan, creditable service includes active service and is generally subject to the same terms as in Plans 1 and 2.
  - **Defined Contributions Component:** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**Note 11. Defined Benefit Pension Plan (Continued)**

**Primary Government – City (Continued)**

**Plan Description (Continued)**

**Hybrid Retirement Plan (Continued)**

- **Vesting –**
  - **Defined Benefit Component:** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.
  - **Defined Contributions Component:** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. After two years, a member is 50% vested and may withdraw 50% of employer contributions. After three years, a member is 75% vested and may withdraw 75% of employer contributions. After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
- **Calculating the Benefit –**
  - **Defined Benefit Component:** See definition under Plan 1.
  - **Defined Contribution Component:** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
- **Average Final Compensation –** Same as Plan 2 for the defined benefit component of the plan.
- **Service Retirement Multiplier –** The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. This is not applicable to sheriffs, regional jail superintendents, or hazardous duty employees.
- **Normal Retirement Age –**
  - **Defined Benefit Component:** Same as Plan 2, however, not applicable for hazardous duty employees.
  - **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**Note 11. Defined Benefit Pension Plan (Continued)**

**Primary Government – City (Continued)**

**Plan Description (Continued)**

**Hybrid Retirement Plan (Continued)**

- **Earliest Unreduced Retirement Eligibility –**
  - **Defined Benefit Component:** Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. This is not applicable to hazardous duty employees.
- **Earliest Reduced Retirement Eligibility –**
  - **Defined Benefit Component:** Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. This is not applicable to hazardous duty employees.
  - **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Cost-of-Living Adjustment (COLA) in Retirement**
  - **Defined Benefit Component:** Same as Plan 2.
- **Disability Coverage –** Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
- **Purchase of Prior Service –** As with Plans 1 and 2, members may choose to purchase prior service credits subject to the Plan provisions.

**Employees Covered by Benefit Terms**

As of the June 30, 2014 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<b><u>Number</u></b>
Inactive members or their beneficiaries currently receiving benefits	<u>157</u>
Inactive members:	
Vested inactive members	31
Non-vested inactive members	34
Inactive members active elsewhere in VRS	<u>122</u>
Total inactive members	187
Active members	<u>251</u>
Total covered employees	<u><u>595</u></u>

(Continued)

## CITY OF COLONIAL HEIGHTS, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

June 30, 2016

#### Note 11. Defined Benefit Pension Plan (Continued)

##### Primary Government – City (Continued)

##### 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. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The political subdivision's contractually required contribution rate for the year ended June 30, 2016 was 16.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

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 \$2,102,220 and \$2,066,219 for the years ended June 30, 2016 and June 30, 2015, respectively.

##### Net Pension Liability

The political subdivision's net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

##### Actuarial Assumptions

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2014, 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, 2015.

Inflation	2.50%
General Employees - Salary increases, including inflation	3.50 – 5.35%
Public Safety Employees - Salary increases, including inflation	3.50 – 4.75%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation



**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**Note 11. Defined Benefit Pension Plan (Continued)**

**Primary Government – City (Continued)**

**Actuarial Assumptions (Continued)**

Mortality rates: General employees - 14% of deaths are assumed to be service related. Public Safety Employees – 60% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2000 Mortality Table Projected to 2020 with various set backs or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees - Largest 10 – Non-LEOS and all Others (Non 10 Largest): Update mortality table; decrease in rates of service retirement; decrease in rates of disability retirement; and reduce rates of salary increase by 0.25% per year.

Public Safety Employees – Largest 10 – Non-LEOS and all Others (Non 10 Largest): Update mortality table; adjustment to rates of service retirement for females (Non 10 Largest); decrease in rates of male disability (Largest 10, only); decrease in male and female rates of disability (Non 10 Largest) increase in rates of withdrawal, and reduce rates of salary increase by 0.25% per year.

**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:

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**Note 11. Defined Benefit Pension Plan (Continued)**

**Primary Government – City (Continued)**

**Long-Term Expected Rate of Return (Continued)**

<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>
U.S. Equity	19.50 %	6.46 %	1.26 %
Developed Non U.S. Equity	16.50	6.28 %	1.04
Emerging Market Equity	6.00	10.00 %	0.60
Fixed Income	15.00	0.09 %	0.01
Emerging Debt	3.00	3.51 %	0.11
Rate Sensitive Credit	4.50	3.51 %	0.16
Non Rate Sensitive Credit	4.50	5.00 %	0.23
Convertibles	3.00	4.81 %	0.14
Public Real Estate	2.25	6.12 %	0.14
Private Real Estate	12.75	7.10 %	0.91
Private Equity	12.00	10.41 %	1.25
Cash	1.00	(1.50)%	(0.02)
Total	100.00 %		5.83 %
	Inflation		2.50 %
	Expected arithmetic nominal return		8.33 %

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that 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. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Political Subdivision Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed 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, 2016**

**Note 11. Defined Benefit Pension Plan (Continued)**

**Primary Government – City (Continued)**

**Changes in Net Pension Liability**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) – (b)</b>
Balances at June 30, 2014	\$ 66,001,597	\$ 53,472,887	\$ 12,528,710
Changes for the year:			
Service cost	1,776,096	-	1,776,096
Interest	4,525,376	-	4,525,376
Differences between expected and actual experience	566,769	-	566,769
Contributions – employer	-	2,084,048	(2,084,048)
Contributions – employee	-	684,051	(684,051)
Net investment income	-	2,455,417	(2,455,417)
Benefit payments, including refunds of employee contributions	(2,706,743)	(2,706,743)	-
Administrative expenses	-	(33,037)	33,037
Other changes	-	(520)	520
Net changes	4,161,498	2,483,216	1,678,282
Balances at June 30, 2015	\$ 70,163,095	\$ 55,956,103	\$ 14,206,992

**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 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	<b>1.00% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1.00% Increase (8.00%)</b>
Political subdivision's net pension liability	\$ 23,415,043	\$ 14,206,992	\$ 6,551,471

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**Note 11. Defined Benefit Pension Plan (Continued)**

**Primary Government – City (Continued)**

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

For the year ended June 30, 2016, the political subdivision recognized pension expense of \$1,506,299. At June 30, 2016, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ 414,001	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,402,387
Employer contributions subsequent to the measurement date	<u>2,102,220</u>	<u>-</u>
Total	<u><u>\$ 2,516,221</u></u>	<u><u>\$ 1,402,387</u></u>

The \$2,102,220 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 year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b><u>Year Ending June 30,</u></b>	<b><u>Reduction to Pension Expense</u></b>
2017	\$ (400,604)
2018	(400,604)
2019	(444,908)
2020	257,730
2021	-
Thereafter	-

**Payables to the Pension Plan**

At June 30, 2016, approximately \$220,613 was payable to the Virginia Retirement System for the legally required contributions related to June 2016 payroll.

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**Note 11. Defined Benefit Pension Plan (Continued)**

**School Nonprofessionals**

**Plan Description**

All full-time, salaried permanent non-professional employees (non-teachers) of the City of Colonial Heights, (the "School division") are automatically covered by VRS Retirement Plan upon employment. This plan is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Plan participants are covered under 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.

**Employees Covered by Benefit Terms**

As of the June 30, 2014 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<b><u>Number</u></b>
Inactive members or their beneficiaries currently receiving benefits	<u>57</u>
Inactive members:	
Vested inactive members	5
Non-vested inactive members	8
Inactive members active elsewhere in VRS	<u>6</u>
Total inactive members	19
Active members	<u>36</u>
Total covered employees	<u><u>112</u></u>

**Contributions**

The school division's contractually required contribution rate for the year ended June 30, 2016 was 8.40% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

Contributions to the pension plan from the school division were \$96,362 and \$100,000 for the years ended June 30, 2016 and June 30, 2015, respectively.

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**Note 11. Defined Benefit Pension Plan (Continued)**

**School Nonprofessionals (Continued)**

**Changes in Net Pension Liability (Assets)**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (Assets) (a) – (b)</b>
Balances at June 30, 2014	\$ 4,404,873	\$ 4,417,061	\$ (12,188)
Changes for the year:			
Service cost	126,804	-	126,804
Interest	299,424	-	299,424
Differences between expected and actual experience	(70,089)	-	(70,089)
Contributions – employer	-	93,422	(93,422)
Contributions – employee	-	55,511	(55,511)
Net investment income	-	199,346	(199,346)
Benefit payments, including refunds of employee contributions	(254,780)	(254,780)	-
Administrative expenses	-	(2,797)	2,797
Other changes	-	(42)	42
Net changes	101,359	90,666	10,699
Balances at June 30, 2015	\$ 4,506,232	\$ 4,507,721	\$ (1,489)

**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 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	<b>1.00% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1.00% Increase (8.00%)</b>
School division's net pension liability	\$ 511,110	\$ (1,489)	\$ (436,346)

(Continued)

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**Note 11. Defined Benefit Pension Plan (Continued)**

**School Nonprofessionals (Continued)**

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

For the year ended June 30, 2016, the school division recognized pension income of \$8,426. At June 30, 2016, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 40,008
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	118,325
Employer contributions subsequent to the measurement date	<u>96,362</u>	<u>-</u>
Total	<u><u>\$ 96,362</u></u>	<u><u>\$ 158,333</u></u>

The \$96,362 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 year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30,</b>	<b>Reduction to Pension Expense</b>
2017	\$ (76,592)
2018	(56,438)
2019	(46,511)
2020	21,208
2021	-
Thereafter	-

**Payables to the Pension Plan**

At June 30, 2016, approximately \$784 was payable to the Virginia Retirement System for the legally required contributions related to June 2016 payroll.

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**Note 11. Defined Benefit Pension Plan (Continued)**

**Teacher Cost Sharing Plan**

**General Information about the Teacher Cost Sharing Plan**

***Plan Description***

All full-time, salaried permanent (professional) employees of Virginia school divisions, including the School Board of the City of Colonial Heights, (the "School Division"), are automatically covered by the VRS Teacher Retirement Plan upon employment. This plan is a multiple employer cost-sharing plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia.

Prior to the adoption of GASB Statement No. 68 in fiscal year 2015, Virginia local school divisions were required to disclose information about their contributions to the teacher cost-sharing plan, but not report a proportionate share of the plan's net pension liability. Upon adoption of the new pension standards in 2015, the School Division now reports its proportionate share of the plan's net pension liability as well as certain other deferred inflows and/or outflows as disclosed below.

Plan participants are covered under three different benefit structures – 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. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin requiring that the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. Each school division's contractually required contribution rate for the year ended June 30, 2016 was 14.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013 adjusted for the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 18.20%, however, it was reduced to 17.64% as a result of the transfer. The School Division's share of this transfer, included in operating contributions and grants in the statement of activities, was \$474,000.

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. Based on the provisions of §51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2016. Contributions to the pension plan from the school division were \$2,576,981 and \$2,600,000 for the years ended June 30, 2016 and June 30, 2015, respectively.



**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**Note 11. Defined Benefit Pension Plan (Continued)**

**Teacher Cost Sharing Plan (Continued)**

**General Information about the Teacher Cost Sharing Plan (Continued)**

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

At June 30, 2016, the school division reported a liability of \$30,936,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2015 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. 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, 2015 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015, the school division's proportion was 0.24579% as compared to 0.25511% at June 30, 2014.

For the year ended June 30, 2016, the school division recognized pension expense of \$1,910,000. 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 employer contributions.

At June 30, 2016, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 426,000
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,894,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	-	1,457,000
Employer contributions subsequent to the measurement date	2,576,981	-
Total	<u>\$ 2,576,981</u>	<u>\$ 3,777,000</u>

(Continued)

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**Note 11. Defined Benefit Pension Plan (Continued)**

**Teacher Cost Sharing Plan (Continued)**

**General Information about the Teacher Cost Sharing Plan (Continued)**

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)***

The \$2,576,981 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 year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30,</b>	<b>Reduction to Pension Expense</b>
2017	\$ (1,194,000)
2018	(1,194,000)
2019	(1,194,000)
2020	(36,000)
2021	(159,000)
Thereafter	-

***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 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	<b>1.00% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1.00% Increase (8.00%)</b>
School division's proportionate share of the VRS Teacher Employee Retirement plan net pension liability	\$ 45,272,000	\$ 30,936,000	\$ 19,135,000

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**Note 11. Defined Benefit Pension Plan (Continued)**

**Teacher Cost Sharing Plan (Continued)**

**General Information about the Teacher Cost Sharing Plan (Continued)**

***Pension Plan Fiduciary Net Position***

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2015 Comprehensive Annual Financial Report (CAFR). A copy of the 2015 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

***Payables to the Pension Plan***

At June 30, 2016, approximately \$345,386 was payable to the Virginia Retirement System for the legally required contributions related to June 2016 payroll.

**Note 12. Other Post-employment Benefits**

**Plan Description**

Other post-employment benefits (OPEB) provided by the City and School Board 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.

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 Schools, 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 Schools' 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 Schools' 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 plans do not issue stand-alone financial reports.

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**Note 12. Other Post-employment Benefits (Continued)**

**Funding Policy**

The City's Council and the School Board establish employer contribution rates for their respective plan participants. The Council and the Board have chosen to fund the healthcare benefits on a pay as you go basis.

**Annual OPEB Cost and Net OPEB Obligation**

The City and School Board had actuarial valuations of post-employment benefits performed as of July 1, 2015. The annual cost of OPEB under GASB Statement No. 45 is called the annual required contribution or ARC. The estimated pay as you go cost for OPEB benefits for the City's plan is \$121,508 and the annual benefit cost is \$278,561. The percentage of annual OPEB cost contributed is 43.62%. The estimated pay as you go cost for OPEB benefits for the School Board's plan is \$315,457 and the annual benefit cost is \$552,919. The percentage of OPEB cost contributed is 57.05%.

GASB Statement No. 45 does not require prefunding of OPEB liabilities and the City and School Board have elected not to prefund OPEB liabilities at this time. The difference between the OPEB annual expense and cash payments for OPEB benefits is treated as a liability in the financial statements when the liability is not prefunded.

The Annual Required Contribution (ARC) represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the annual OPEB costs for the year, the amounts actually contributed for the year, and the changes in the net OPEB obligations.

	<u>City</u>	<u>School Board</u>
Annual required contribution (ARC)	\$ 283,601	\$ 559,805
Interest on net OPEB obligation	54,496	74,456
Adjustment to annual required contribution	<u>(59,536)</u>	<u>(81,342)</u>
Annual OPEB cost	278,561	552,919
Estimated contributions made	<u>(121,508)</u>	<u>(315,457)</u>
Increase in net OPEB obligation	157,053	237,462
Net OPEB obligation, beginning of year	<u>1,557,032</u>	<u>2,127,314</u>
Net OPEB obligation, end of year	<u><u>\$ 1,714,085</u></u>	<u><u>\$ 2,364,776</u></u>

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**Note 12. Other Post-employment Benefits (Continued)**

**Annual OPEB Cost and Net OPEB Obligation (Continued)**

**City:**

<b>Fiscal Year Ending</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
June 30, 2016	\$ 278,561	43.62%	\$ 1,714,085
June 30, 2015	\$ 264,668	50.06%	\$ 1,557,032
June 30, 2014	\$ 264,793	40.16%	\$ 1,424,861

**School Board:**

June 30, 2016	\$ 552,919	57.05%	\$ 2,364,776
June 30, 2015	\$ 560,388	67.98%	\$ 2,127,314
June 30, 2014	\$ 560,565	47.08%	\$ 1,947,874

**Funding Status and Funding Progress**

As of July 1, 2015, the most recent actuarial valuation date for the City and School Board, the plans were not funded. The actuarial value of assets was \$0 resulting in an unfunded actuarial liability (UAAL) of \$3,257,732 for the City's plan and a UAAL of \$8,363,854 for the School Board's plan. The covered payroll (annual payroll of active employees covered by the plan) was \$12,746,040 and \$19,340,000 and the ratio of the UAAL to the covered payroll was 25.56% and 43.25% for the City and School Board, respectively.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan are compared with past expectations and new estimates are made for the future. The schedules of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions**

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

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**Note 12. Other Post-employment Benefits (Continued)**

**Actuarial Methods and Assumptions (Continued)**

The Projected Unit Credit Actuarial Cost Method was used, in the actuarial valuations. The actuarial assumptions include a 2.50% inflation rate, 4% rate of return and an annual healthcare cost trend rate of 10% initially, reduced by decrements to an ultimate rate of 5% after eight years. The unfunded liability is amortized over a period of 30 years based on a level percent of payroll method on an open basis.

**Note 13. 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:

	<u><b>General Fund</b></u>	<u><b>Capital Projects Fund</b></u>
<b>Nonspendable:</b>		
Inventories	\$ 56,038	\$ -
Prepays	8,833	-
	<u>64,871</u>	<u>-</u>
<b>Restricted:</b>		
Judicial administration	104,467	186,149
Public safety – funds restricted for forfeited assets and Animal Shelter expansion	130,560	-
Other capital projects – funds restricted from 2015 Bond issuance for other capital projects such as Bruce Avenue drainage and other utility infrastructure and repairs	<u>-</u>	<u>2,006,548</u>
<b>Total restricted</b>	<u>235,027</u>	<u>2,192,697</u>
<b>Committed:</b>		
General government	72,002	-
Judicial administration	70,321	-
Public safety – Encumbrances approved by Council for second phase of radio project and Police car purchases	227,943	-
Public works – Encumbrances approved by Council for paving and curbside recycling	149,185	-
Health and welfare	-	-
Parks, recreation, and cultural	22,078	-
Community development	8,724	-
Human services	37	-
Nondepartmental	<u>3,969</u>	<u>-</u>
<b>Total committed</b>	<u>554,259</u>	<u>-</u>

(Continued)

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**Note 13. Fund Balances (Continued)**

	<u><b>General Fund</b></u>	<u><b>Capital Projects Fund</b></u>
<b>Assigned:</b>		
General government – Funds reserved for FEMA contingency	\$ 1,747,813	\$ -
Judicial administration	2,050	-
Public safety	102,890	-
Public works – Funds reserved for utilities to include pavement	-	-
Parks, recreation, and cultural	113,472	-
Human Services	3,774	-
<b>Total assigned</b>	<u>1,969,999</u>	<u>-</u>
<b>Unassigned</b>	<u>7,950,089</u>	<u>(1,505,584)</u>
<b>Total fund balance</b>	<u><u>\$ 10,774,245</u></u>	<u><u>\$ 687,113</u></u>

**Note 14. 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 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. 2.1-526.8:1 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.

## **CITY OF COLONIAL HEIGHTS, VIRGINIA**

### **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

#### **Note 14. Risk Management (Continued)**

##### Risk Pools: (Continued)

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 Utica National Insurance Group for property, casualty, general liability, and automobile coverage. Workers' compensation insurance is provided through School Systems of Virginia Group Self Insurance Association.

#### **Note 15. 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 seven member board comprised of one member from each participating jurisdiction. Each member must reside in and be appointed by the governing body of their political subdivision.

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 2016 was approximately \$2,514,000.

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 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 2016 was approximately \$527,000. Complete financial statements for the Authority can be obtained from the Authority's office at 21300 Chesdin Road, Petersburg, Virginia 23803.



## CITY OF COLONIAL HEIGHTS, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

June 30, 2016

#### Note 15. Jointly Governed Organizations (Continued)

##### 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 4.0 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 2016 was approximately \$1,558,000. 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 2016 contribution requirement and direct payments for special projects totaled approximately \$652,000. 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 Gateway Region Board:

The Virginia Gateway Region Board (VGRB) serves the Cities of Colonial Heights, Hopewell, and Petersburg, as well as the Counties of Chesterfield, Dinwiddie, and Prince George in their efforts to provide balanced industrialization to corporation members. The City appoints two members of the Appomattox Basin Industrial Development Corporation (ABIDCO) board and contributed approximately \$0 to ABIDCO during 2016.

#### Note 16. Related Organization

The City Council is responsible for appointing the members of the Colonial Heights Industrial Development Authority (Development Authority), but the City Council's accountability for this organization does not extend beyond making the appointments. The Development Authority was established under the *Industrial Development and Revenue Act, Code of the Commonwealth of Virginia*. The Development Authority 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.

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**Note 17. Subsequent Event**

On October 28, 2016 the City issued \$10,285,000 in Series 2016 General Obligation Public Improvement Bonds to finance certain school improvements and public safety equipment.

**Note 18. New Accounting Standards**

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pensions* improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ending June 30, 2017.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 77, *Tax Abatement Disclosures*, requires governments to disclose information about the nature and magnitude of tax abatements granted to a specific taxpayer, typically for the purpose of economic development. This does not cover programs that reduce the tax liabilities of broad classes of taxpayers, such as senior citizens or veterans, and which are not the product of individual agreements with each taxpayer. The Statement does not consider issues related to recognition. This Statement will be effective for the year ending June 30, 2017.

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**Note 18. New Accounting Standards (Continued)**

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. This Statement will be effective for the year ending June 30, 2017.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. This Statement will be effective for the year ending June 30, 2017.

GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14* clarifies the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. This Statement will be effective for the year ending June 30, 2017.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements* provides recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This Statement will be effective for the year ending June 30, 2018.

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**Note 18. New Accounting Standards (Continued)**

GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73* addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement will be effective for the year ending June 30, 2017, except for certain provisions regarding assumptions for plans with a measurement date that differs from the employer's reporting date – those provisions are effective for the year ending June 30, 2018.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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## CITY OF COLONIAL HEIGHTS, VIRGINIA

**SCHEDULES OF FUNDING PROGRESS –  
OTHER POST EMPLOYMENT BENEFITS  
Year Ended June 30, 2016**

	(a)	(b)	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b)	(c)	((b-a)/c)
<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>		<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
A. City:						
July 1, 2011	\$ -	\$ 3,476,123	\$ 3,476,123	0.00%	\$ 11,528,726	30.15%
July 1, 2013	-	2,896,944	2,896,944	0.00	11,201,000	25.86
July 1, 2015	-	3,257,732	3,257,732	0.00	12,746,040	25.56
B. School Board:						
July 1, 2011	\$ -	\$ 7,746,438	\$ 7,746,438	0.00%	\$ 18,437,990	42.01%
July 1, 2013	-	7,928,338	7,928,338	0.00	19,987,000	39.67
July 1, 2015	-	8,363,854	8,363,854	0.00	19,340,000	43.25

## CITY OF COLONIAL HEIGHTS, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
Year Ended June 30, 2016**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Revenue from local sources:				
General property taxes:				
Real property	\$ 17,760,764	\$ 17,760,764	\$ 17,548,838	\$ (211,926)
Real and personal public service corporation property	410,815	410,815	435,481	24,666
Personal property	2,675,166	2,675,166	2,644,163	(31,003)
Delinquent	759,477	759,477	716,631	(42,846)
Penalties and interest	185,000	185,000	175,023	(9,977)
Total general property taxes	21,791,222	21,791,222	21,520,136	(271,086)
Other local taxes:				
Communication sales and use	710,000	710,000	691,224	(18,776)
Food and lodging	7,502,700	7,502,700	7,668,015	165,315
Consumer utility	1,025,000	1,025,000	954,476	(70,524)
Bank stock	315,000	315,000	378,507	63,507
Local option sales and use	7,779,044	7,779,044	7,602,518	(176,526)
Recordation	200,000	200,000	227,146	27,146
Total other local taxes	17,531,744	17,531,744	17,521,886	(9,858)
Permits, fees, and licenses:				
Business and occupational licenses	3,086,498	3,086,498	3,022,267	(64,231)
Motor vehicle licenses	515,000	515,000	523,278	8,278
Zoning and construction permits	182,000	182,000	114,630	(67,370)
Other fees	114,020	114,020	106,428	(7,592)
Total permits, fees, and licenses	3,897,518	3,897,518	3,766,603	(130,915)
Fines and forfeitures	732,800	732,800	438,930	(293,870)
Charges for services:				
Refuse collection fees	997,000	997,000	978,597	(18,403)
Recreation use charges and fees	171,000	171,000	196,353	25,353
Administrative	1,276,250	1,291,144	1,055,745	(235,399)
Other	12,500	12,500	6,445	(6,055)
Total charges for services	2,456,750	2,471,644	2,237,140	(234,504)
Use of money and property:				
Interest	5,000	5,000	15,711	10,711
Rental of property	165,000	165,000	198,647	33,647
Sale of commodities and property	26,000	26,000	752	(25,248)
Total use of money and property	196,000	196,000	215,110	19,110
Miscellaneous	30,000	104,346	217,348	113,002
Reimbursement from School Board	307,058	361,877	381,605	19,728
Total revenue from local sources	46,943,092	47,087,151	46,298,758	(788,393)

(Continued)



## CITY OF COLONIAL HEIGHTS, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
Year Ended June 30, 2016**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues (Continued)</b>				
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Personal property tax relief	\$ 1,753,369	\$ 1,753,369	\$ 1,753,369	\$ -
Rolling stock tax	5,563	5,563	5,761	198
Total non-categorical aid	1,758,932	1,758,932	1,759,130	198
Categorical aid:				
Commissioner of Revenue	86,768	87,231	85,969	(1,262)
Treasurer	90,212	82,681	80,262	(2,419)
Circuit Court	291,926	288,187	266,926	(21,261)
Sheriff	297,150	296,357	297,241	884
Commonwealth's attorney	494,399	494,963	495,021	58
Law enforcement	582,182	561,786	561,804	18
Street construction and maintenance	2,422,085	2,517,460	2,519,338	1,878
Other	523,963	639,451	617,305	(22,146)
Total categorical aid	4,788,685	4,968,116	4,923,866	(44,250)
Total revenue from the Commonwealth	6,547,617	6,727,048	6,682,996	(44,052)
Revenue from federal government:				
Categorical aid	135,913	144,506	158,488	13,982
Total intergovernmental	6,683,530	6,871,554	6,841,484	(30,070)
Total revenue	\$ 53,626,622	\$ 53,958,705	\$ 53,140,242	\$ (818,463)
<b>Expenditures</b>				
General government:				
City council	\$ 79,544	\$ 80,090	\$ 76,579	\$ 3,511
Clerk of council	53,409	53,979	48,248	5,731
City manager	221,481	224,772	228,067	(3,295)
Human resources	104,184	105,503	95,207	10,296
City attorney	219,684	222,918	214,329	8,589
Real estate assessor	142,215	155,081	144,813	10,268
Commissioner of the revenue	201,118	208,683	193,234	15,449
Treasurer	259,834	258,410	259,747	(1,337)
Finance	564,383	639,269	606,018	33,251
Information technologies	197,376	212,857	196,039	16,818
Auditing	94,800	94,800	101,235	(6,435)
Purchasing	148,610	150,792	130,304	20,488
Insurance and risk management	508,934	508,934	463,730	45,204
Employee benefits	5,183,104	5,256,934	5,368,671	(111,737)
Board of elections	25,794	25,907	21,996	3,911
Registrar	110,982	112,368	107,954	4,414
Economic development	222,207	223,671	194,384	29,287
Total general government	8,337,659	8,534,968	8,450,555	84,413

(Continued)

## CITY OF COLONIAL HEIGHTS, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
Year Ended June 30, 2016**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Expenditures (Continued)</b>				
Judicial administration:				
Circuit courts	\$ 446,073	\$ 455,783	\$ 430,643	\$ 25,140
Magistrates	-	-	162	(162)
General district court	78,450	79,612	73,346	6,266
Probation	5,884	5,970	4,654	1,316
Commonwealth's attorney	566,303	592,251	561,952	30,299
Sheriff	803,900	830,020	826,847	3,173
Incarceration	2,767,500	2,767,500	2,662,632	104,868
Community correction services	102,340	102,340	102,314	26
Community diversion services	58,800	58,800	57,000	1,800
Victim witness	71,908	81,134	71,869	9,265
Juvenile & Domestic Court	20,800	20,800	4,492	16,308
Total judicial administration	4,921,958	4,994,210	4,795,911	198,299
Public safety:				
Bureau of police	3,952,566	4,355,703	4,017,232	338,471
Bureau of fire	3,268,567	3,383,102	3,370,287	12,815
Emergency preparedness	37,885	42,921	33,359	9,562
Communications	1,086,911	1,267,542	1,114,201	153,341
Total public safety	8,345,929	9,049,268	8,535,079	514,189
Public works:				
Administration	242,013	240,251	163,092	77,159
Engineering division	690,096	741,742	707,730	34,012
Street maintenance	1,279,265	1,360,032	1,223,565	136,467
Building maintenance	592,935	608,982	598,052	10,930
Fleet maintenance	282,154	286,405	290,076	(3,671)
Solid waste	545,000	575,162	465,553	109,609
Recycling	247,913	327,346	219,675	107,671
Total public works	3,879,376	4,139,920	3,667,743	472,177
Health and welfare:				
Health	222,839	222,839	223,541	(702)
Welfare	265,000	265,000	254,317	10,683
Comprehensive services	155,000	257,067	419,219	(162,152)
Total health and welfare	642,839	744,906	897,077	(152,171)
Parks, recreation, and cultural:				
Parks and recreation	545,820	613,154	576,331	36,823
Parks and grounds	520,967	530,846	457,743	73,103
Agency on aging	254,293	258,844	227,067	31,777
Violet bank museum	80,882	81,798	76,010	5,788
Library	629,853	650,720	632,011	18,709
Recreation trips and classes	160,000	160,000	151,887	8,113
Horticulture	86,484	88,652	75,571	13,081
Total parks, recreation, and cultural	2,278,299	2,384,014	2,196,620	187,394

(Continued)

## CITY OF COLONIAL HEIGHTS, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
Year Ended June 30, 2016**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Expenditures: (Continued)</b>				
Community development:				
Planning	\$ 214,800	\$ 219,754	\$ 178,600	\$ 41,154
Building inspections	213,057	217,002	228,586	(11,584)
Total community development	427,857	436,756	407,186	29,570
Education:				
Payments to School Board	19,888,172	20,589,129	20,503,749	85,380
Human Services:				
Office of youth	152,447	155,540	153,207	2,333
Better beginnings	2,600	2,708	2,135	573
Juvenile crime	100,448	101,484	88,502	12,982
CDBG	65,772	65,811	74,618	(8,807)
Kids after school program	28,250	34,250	34,361	(111)
Total human services	349,517	359,793	352,823	6,970
Nondepartmental:				
Contributions and subsidies	178,633	178,633	174,592	4,041
Contingencies and miscellaneous	351,800	120,455	242,924	(122,469)
Total nondepartmental	530,433	299,088	417,516	(118,428)
Debt service:				
Principal retirement	2,783,779	2,783,779	2,783,005	774
Interest and fiscal charges	919,532	919,532	920,307	(775)
Bond issuance costs	7,500	7,500	7,690	(190)
Total debt service	3,710,811	3,710,811	3,711,002	(191)
Total expenditures	53,312,850	55,242,863	53,935,261	1,307,602
Excess of revenues over (under) expenditures	313,772	(1,284,158)	(795,019)	489,139
Other financing source (uses):				
Proceeds from sale of capital assets	-	1,151,001	2,641,368	1,490,367
Transfers out	(85,000)	(911,982)	(826,982)	85,000
Total other financing sources (uses)	(85,000)	239,019	1,814,386	1,575,367
Net change in fund balance	\$ 228,772	\$ (1,045,139)	\$ 1,019,367	\$ 2,064,506

**Note:**

**Budgetary Basis Reporting** - For financial statement reporting (GAAP-basis), fringe benefits are allocated to each function in the general fund. For budgetary basis reporting, all fringe benefits are reported in the general government function.

## CITY OF COLONIAL HEIGHTS, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS –**  
**PRIMARY GOVERNMENT**  
**June 30, 2016**

	<b>Primary Government</b>	
	<b>Plan Year</b>	
	<b>2015</b>	<b>2014</b>
<b>Total Pension Liability</b>		
Service cost	\$ 1,776,096	\$ 1,701,944
Interest on total pension liability	4,525,376	4,300,904
Difference between expected and actual experience	566,769	-
Benefit payments, including refunds of employee contributions	(2,706,743)	(2,885,463)
Net change in total pension liability	4,161,498	3,117,385
<b>Total pension liability - beginning</b>	<b>66,001,597</b>	<b>62,884,212</b>
<b>Total pension liability - ending</b>	<b>70,163,095</b>	<b>66,001,597</b>
<b>Plan Fiduciary Net Position</b>		
Contributions - employer	2,084,048	2,141,597
Contributions - employee	684,051	640,031
Net investment income	2,455,417	7,293,094
Benefit payments, including refunds of employee contributions	(2,706,743)	(2,885,463)
Administrative expenses	(33,037)	(39,060)
Other	(520)	384
Net change in plan fiduciary net position	2,483,216	7,150,583
<b>Plan fiduciary net position - beginning</b>	<b>53,472,887</b>	<b>46,322,304</b>
<b>Plan fiduciary net position - ending</b>	<b>55,956,103</b>	<b>53,472,887</b>
<b>Net pension liability - ending</b>	<b>\$ 14,206,992</b>	<b>\$ 12,528,710</b>
Plan fiduciary net position as a percentage of total pension liability	80%	81%
Covered employee payroll	\$ 12,961,992	\$ 12,747,601
Net pension liability as a percentage of covered employee payroll	110%	98%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2014 information was presented in the entity's fiscal year 2015 financial report.

This schedule is intended to show information for 10 years. Since fiscal year 2015 (plan year 2014) was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

## CITY OF COLONIAL HEIGHTS, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**June 30, 2016**

	<b>Schools-- Nonprofessional Employees Plan Year</b>	
	<b>2015</b>	<b>2014</b>
<b>Total Pension Liability</b>		
Service cost	\$ 126,804	\$ 137,965
Interest on total pension liability	299,424	287,415
Difference between expected and actual experience	(70,089)	-
Benefit payments, including refunds of employee contributions	(254,780)	(252,875)
Net change in total pension liability	101,359	172,505
<b>Total pension liability - beginning</b>	4,404,873	4,232,368
<b>Total pension liability - ending</b>	4,506,232	4,404,873
<b>Plan Fiduciary Net Position</b>		
Contributions - employer	93,422	118,587
Contributions - employee	55,511	57,398
Net investment income	199,346	608,037
Benefit payments, including refunds of employee contributions	(254,780)	(252,875)
Administrative expenses	(2,797)	(3,309)
Other	(42)	33
Net change in plan fiduciary net position	90,660	527,871
<b>Plan fiduciary net position - beginning</b>	4,417,061	3,889,190
<b>Plan fiduciary net position - ending</b>	4,507,721	4,417,061
<b>Net pension (asset) liability - ending</b>	<u>\$ (1,489)</u>	<u>\$ (12,188)</u>
Plan fiduciary net position as a percentage of total pension liability	<u>100%</u>	<u>100%</u>
Covered employee payroll	<u>\$ 1,116,864</u>	<u>\$ 1,147,986</u>
Net pension (asset) liability as a percentage of covered employee payroll	<u>(0)%</u>	<u>(1)%</u>

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2014 information was presented in the entity's fiscal year 2015 financial report.

This schedule is intended to show information for 10 years. Since fiscal year 2015 (plan year 2014) was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

## CITY OF COLONIAL HEIGHTS, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PENSION CONTRIBUTIONS  
June 30, 2016**

<b>Entity Fiscal Year Ended June 30</b>	<b>Actuarially Determined Contribution</b>	<b>Contributions in Relation to Actuarially Determined Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Employee Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
<b>Primary Government</b>					
2016	\$ 2,102,220	\$ 2,102,221	\$ -	\$ 13,089,795	16.06 %
2015	2,066,219	2,066,219	-	12,961,992	15.94
<b>Schools - Nonprofessional Employees</b>					
2016	\$ 96,362	\$ 96,362	\$ -	\$ 1,147,595	8.40 %
2015	100,000	100,000	-	1,116,864	8.95

Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, only two years of data is available. Additional years will be included as they become available.

## CITY OF COLONIAL HEIGHTS, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY**  
**VRS TEACHER RETIREMENT PLAN**  
**June 30, 2016**

<b>Year Ended June 30</b>	<b>Employer's Proportion of the Net Pension Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net Pension Liability</b>	<b>Employer's Covered Employee Payroll</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2016	0.24579 %	\$ 30,936,000	\$ 18,328,457	169 %	70.68 %
2015	0.25511	30,829,000	17,861,181	173	70.88

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, only two years of data is available. However, additional years will be included as they become available.

## CITY OF COLONIAL HEIGHTS, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF PENSION CONTRIBUTIONS**  
**VRS TEACHER RETIREMENT PLAN**  
**June 30, 2016**

<b>Entity Fiscal Year Ended June 30</b>	<b>Actuarially Determined Contribution</b>	<b>Contributions in Relation to Actuarially Determined Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Employee Payroll</b>	<b>Contributions as a Percentage of Covered Employee Payroll</b>
2016	\$ 2,576,981	\$ 2,576,981	\$ -	\$ 18,328,457	14.06 %
2015	2,600,000	2,600,000	-	17,861,181	14.56

Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, only two years of data is available. Additional years will be included as they become available.



## **CITY OF COLONIAL HEIGHTS, VIRGINIA**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2016**

#### **Note 1. Changes of Benefit Terms**

There have been no actuarially material changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 are not material.

#### **Note 2. Changes of Assumptions**

The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

##### **Largest 10 – Non-LEOS:**

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

##### **Largest 10 – LEOS:**

- Update mortality table
- Decrease in male rates of disability

##### **All Others (Non 10 Largest) – Non-LEOS:**

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

##### **All Others (Non 10 Largest) – LEOS:**

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

##### **Teacher cost-sharing pool**

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

**CITY OF COLONIAL HEIGHTS, VIRGINIA**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**BALANCE SHEET - GOVERNMENTAL FUND**  
**June 30, 2016**

	<b>School Operating Fund</b>
<b>ASSETS</b>	
Cash and investments	\$ 5,801,665
Receivables, net	12,283
Due from other governments	1,585,418
Due from primary government	114,218
Inventories	23,136
Prepaid expenses	17,673
Total assets	<u>\$ 7,554,393</u>
<b>LIABILITIES</b>	
Accounts payable and other current liabilities	\$ 3,229,601
Due to primary government	1,728
Unearned revenue	8,406
Total liabilities	<u>3,239,735</u>
<b>FUND BALANCE</b>	
Nonspendable	40,809
Committed	1,842,191
Assigned	2,431,658
Total fund balance	<u>4,314,658</u>
Total liabilities and fund balance	<u>\$ 7,554,393</u>
<b>Adjustments for the Statement of Net Position (Exhibit 1):</b>	
<b>Total Fund Balance - School Board</b>	\$ 4,314,658
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	1,489
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	
Nondepreciable	\$ 1,090,102
Depreciable, net	<u>16,568,923</u>
	17,659,025
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows of resources for 2016 employer contributions	2,673,343
Deferred inflows of resources for the net differences between projected and actual investment earnings on pension plan investments	(2,012,325)
Deferred inflows of resources due to changes in proportion and differences between employer contributions and proportionate share of contributions – teacher cost sharing pension plan	(1,457,000)
Deferred inflows of resources for differences between expected and actual experience	(466,008)
Net pension liability	<u>(30,936,000)</u>
	(32,197,990)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	
Compensated absences	(1,537,534)
Other post-employment benefits	<u>(2,364,776)</u>
	(3,902,310)
<b>Total Net Position - School Board Governmental Activities</b>	<u>\$ (14,125,128)</u>

**CITY OF COLONIAL HEIGHTS, VIRGINIA**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - GOVERNMENTAL FUND**  
**Year Ended June 30, 2016**

	<b>School Operating Fund</b>
<b>REVENUES</b>	
Charges for services	\$ 390,422
Miscellaneous	110,631
Payments from City	20,503,749
Intergovernmental	15,327,934
Total revenue	<u>36,332,736</u>
<b>EXPENDITURES</b>	
Education:	
Administration, attendance, and health	2,068,280
Instruction	25,673,054
Operation and maintenance	3,430,295
Pupil transportation	946,803
Food service	1,150,929
Facilities	1,000
Technology	1,421,973
Reimbursement to City	381,605
Total expenditures	<u>35,073,939</u>
Net change in fund balance	1,258,797
<b>FUND BALANCE AT JULY 1</b>	<u>3,055,861</u>
<b>FUND BALANCE AT JUNE 30</b>	<u><u>\$ 4,314,658</u></u>
<b>Reconciliation to the Statement of Activities (Exhibit 2):</b>	
<b>Net Change in Fund Balance - School Board</b>	<b>\$ 1,258,797</b>
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	\$ 320,139
Depreciation and amortization expense	<u>(801,285)</u>
	(481,146)
Governmental funds report proceeds from the sale of capital assets as an increase in financial resources while governmental activities report the gain or loss on the sale of capital assets.	(31,686)
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 \$2,673,343 exceed pension expense of \$1,867,152 and special contributions of \$474,000 in the current period.	1,280,191
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. However, the transaction has no effect on net position.	90,923
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	(191,678)
Other post-employment benefits	<u>(237,462)</u>
	(429,140)
<b>Change in Net Position - School Board Governmental Activities</b>	<u><u>\$ 1,687,939</u></u>

## CITY OF COLONIAL HEIGHTS, VIRGINIA

**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - SCHOOL OPERATING FUND**  
**Year Ended June 30, 2016**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Revenue from local sources:				
Charges for services:				
Cafeteria	\$ 380,571	\$ 338,300	\$ 338,300	\$ -
Other	44,000	52,122	52,122	-
	424,571	390,422	390,422	-
Miscellaneous	75,000	110,631	110,631	-
Payments from City	19,688,574	20,503,749	20,503,749	-
Total revenue from local sources	20,188,145	21,004,802	21,004,802	-
Intergovernmental:				
Revenue from the Commonwealth of Virginia:				
Categorical aid:				
Basic school aid	6,741,638	6,673,220	6,673,220	-
State sales tax	2,748,086	2,760,716	2,760,716	-
Other	3,777,227	3,966,017	3,966,017	-
	13,266,951	13,399,953	13,399,953	-
Revenue from the federal government:				
Categorical aid:				
Title I Grant	425,800	403,363	403,363	-
Title VI B Grant	593,457	592,933	592,933	-
Other	815,639	851,765	931,685	79,920
	1,834,896	1,848,061	1,927,981	79,920
Total intergovernmental	15,101,847	15,248,014	15,327,934	79,920
Total revenues	35,289,992	36,252,816	36,332,736	79,920
<b>EXPENDITURES</b>				
Education:				
Administration, attendance, and health	1,713,793	2,069,386	2,068,280	1,106
Instruction	27,201,782	25,743,183	25,673,054	70,129
Operation and maintenance	3,367,429	3,556,997	3,430,295	126,702
Pupil transportation	987,471	947,727	946,803	924
Food service	1,044,625	1,119,745	1,150,929	(31,184)
Facilities	-	1,000	1,000	-
Technology	1,434,400	1,429,997	1,421,973	8,024
Contingencies	296,239	2,132,241	-	2,132,241
Reimbursement to City	373,318	381,605	381,605	-
Total expenditures	36,419,057	37,381,881	35,073,939	2,307,942
Net change in fund balance	\$ (1,129,065)	\$ (1,129,065)	\$ 1,258,797	\$ 2,387,862

## **SUPPORTING SCHEDULE**

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## CITY OF COLONIAL HEIGHTS, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2016

<b>Federal Granting Agency/Recipient State Agency/Grant Program</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Agriculture</b>		
Pass-through payments:		
Commonwealth of Virginia Department of Agriculture and Consumer Services		
Child Nutrition Cluster		
School Breakfast Program	10.553	\$ 128,475
National School Lunch Program	10.555	524,654
National School Lunch Program - Commodities	10.555	79,920
Special Milk Program for Children	10.556	8,195
Total U.S. Department of Agriculture		<u>741,244</u>
<b>U.S. Department of Housing and Urban Development</b>		
Direct payments:		
Community Development Block Grants/Entitlement Grants	14.218	<u>82,719</u>
Total U.S. Department of Housing and Urban Development		<u>82,719</u>
<b>U.S. Department of Justice</b>		
Pass-through payments:		
Department of Criminal Justice Services		
Crime Victim Assistance	16.575	56,284
Bulletproof Vest Partnership Program	16.607	4,060
Public Safety Partnership and Community Policing Grants	16.710	98,339
Edward Byrne Memorial Justice Assistance Grant Program	16.738	<u>2,942</u>
Total U.S. Department of Justice		<u>161,625</u>
<b>U.S. Department of Transportation</b>		
Pass-through payments:		
National Highway Traffic Safety Administration		
State and Community Highway Safety	20.600	6,427
Alcohol Open Container Requirements	20.607	15,191
Federal Highway Administration		
Highway Planning and Construction	20.205	<u>913,850</u>
Total U.S. Department of Transportation		<u>935,468</u>
<b>U.S. Department of Education</b>		
Direct payments:		
Impact Aid	84.041	13,485
Pass-through payments:		
Commonwealth of Virginia Department of Education:		
Title I, Part A Cluster		
Title I Grants to Local Educational Agencies	84.010	403,363
Special Education Cluster (IDEA)		
Special Education - Grants to States	84.027	570,528
Special Education - Preschool Grants	84.173	<u>22,405</u>
Career and Technical Education - Basic Grants to States	84.048	41,869
Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	84.330	1,353
English Language Acquisition State Grants	84.365	8,914
Improving Teacher Quality State Grants	84.367	<u>42,156</u>
Total U.S. Department of Education		<u>1,104,073</u>

## CITY OF COLONIAL HEIGHTS, VIRGINIA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2016**

<b>Federal Granting Agency/Recipient State Agency/Grant Program</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Health and Human Services:</b>		
Pass-through Payments:		
Commonwealth of Virginia Department of Medical Assistance Services:		
Medicaid Cluster		
Medical Assistance Program	93.778	\$ 82,664
Total U.S. Department of Health and Human Services		<u>82,664</u>
<b>U.S. Department of Homeland Security:</b>		
Pass-through Payments:		
Department of Emergency Management:		
Non-Profit Security Program	97.008	36,371
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	1,348
Emergency Management Performance Grants	97.042	<u>7,500</u>
Total U.S. Department of Homeland Security		<u>45,219</u>
Total Expenditures of Federal Awards		<u><u>\$ 3,153,012</u></u>

**Note 1. 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, Uniform 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 CAFR.

**Note 2. Non-Cash Assistance**

The City of Colonial Heights participated in the National School Lunch Program, CFDA Number 10.555, which provides non-cash benefits. The accompanying Schedule of Expenditure of Federal Awards includes commodity distributions of \$79,920 from the National School Lunch Program.

**Note 3. De Minimis Indirect Cost Rate**

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



# STATISTICAL SECTION

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*This part of the report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.*

<b><u>Contents</u></b>	<b><u>Table</u></b>
<b>Financial Trends</b> These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	<b>1-4</b>
<b>Revenue Capacity</b> These tables contain information to help the reader assess the factors affecting the City's ability to generate its property taxes and utility revenues.	<b>5-11</b>
<b>Debt Capacity</b> These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	<b>12-13</b>
<b>Demographic and Economic Information</b> These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparison over time and with other governments.	<b>14-15</b>
<b>Operating Information</b> These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	<b>16-17</b>

**Sources:** Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

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TABLE 1

## CITY OF COLONIAL HEIGHTS, VIRGINIA

**Net Position by Component**  
**Last Ten Fiscal Years**  
 (accrual basis of accounting)  
 (unaudited)

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Governmental activities</b>										
Net investment in capital assets	\$ 35,926,630	\$ 34,894,010	\$ 29,874,492	\$ 27,289,172	\$ 22,707,728	\$ 18,555,807	\$ 21,261,760	\$ 29,035,677	\$ 29,309,034	\$ 22,517,214
Restricted	235,027	332,329	313,998	329,699	-	-	-	-	-	-
Unrestricted	(4,586,604)	(7,129,653)	6,085,816	5,732,421	7,850,461	8,899,613	6,429,655	(1,362,767)	(678,937)	9,554,692
Total governmental activities net position	<u>\$ 31,575,053</u>	<u>\$ 28,096,686</u>	<u>\$ 36,274,306</u>	<u>\$ 33,351,292</u>	<u>\$ 30,558,189</u>	<u>\$ 27,455,420</u>	<u>\$ 27,691,415</u>	<u>\$ 27,672,910</u>	<u>\$ 28,630,097</u>	<u>\$ 32,071,906</u>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 11,891,771	\$ 11,855,032	\$ 11,926,690	\$ 11,607,652	\$ 11,418,325	\$ 11,273,727	\$ 9,712,661	\$ 9,348,617	\$ 9,162,549	\$ 9,177,810
Restricted	-	-	364,421	364,421	364,421	364,421	-	-	-	-
Unrestricted	(590,377)	(763,712)	(277,999)	(59,317)	331,577	417,781	164,831	674,952	641,715	810,543
Total business-type activities net position	<u>\$ 11,301,394</u>	<u>\$ 11,091,320</u>	<u>\$ 12,013,112</u>	<u>\$ 11,912,756</u>	<u>\$ 12,114,323</u>	<u>\$ 12,055,929</u>	<u>\$ 9,877,492</u>	<u>\$ 10,023,569</u>	<u>\$ 9,804,264</u>	<u>\$ 9,988,353</u>
<b>Primary government</b>										
Net investment in capital assets	\$ 47,818,401	\$ 46,749,042	\$ 41,801,182	\$ 38,896,824	\$ 34,126,053	\$ 29,829,534	\$ 30,974,421	\$ 38,384,294	\$ 38,471,583	\$ 31,695,024
Restricted	235,027	332,329	678,419	694,120	364,421	364,421	-	-	-	-
Unrestricted	(5,176,981)	(7,893,365)	5,807,817	5,673,104	8,182,038	9,317,394	6,594,486	(687,815)	(37,222)	10,365,235
Total primary government net position	<u>\$ 42,876,447</u>	<u>\$ 39,188,006</u>	<u>\$ 48,287,418</u>	<u>\$ 45,264,048</u>	<u>\$ 42,672,512</u>	<u>\$ 39,511,349</u>	<u>\$ 37,568,907</u>	<u>\$ 37,696,479</u>	<u>\$ 38,434,361</u>	<u>\$ 42,060,259</u>
<b>School Board</b>										
Net investment in capital assets	\$ 17,659,025	\$ 18,080,934	\$ 18,710,224	\$ 19,250,268	\$ 19,873,661	\$ 19,170,921	\$ 17,508,207	\$ 18,513,205	\$ 14,734,444	\$ 11,110,058
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	(31,784,153)	(33,894,001)	67,351	1,611,591	1,985,250	2,406,683	2,104,270	1,877,210	3,275,955	1,390,118
Total component unit net position	<u>\$ (14,125,128)</u>	<u>\$ (15,813,067)</u>	<u>\$ 18,777,575</u>	<u>\$ 20,861,859</u>	<u>\$ 21,858,911</u>	<u>\$ 21,577,604</u>	<u>\$ 19,612,477</u>	<u>\$ 20,390,415</u>	<u>\$ 18,010,399</u>	<u>\$ 12,500,176</u>
<b>Total reporting entity</b>										
Net investment in capital assets	\$ 60,186,205	\$ 58,993,061	\$ 54,238,252	\$ 51,380,705	\$ 46,754,260	\$ 41,320,933	\$ 40,380,353	\$ 48,108,917	\$ 43,763,749	\$ 40,503,216
Restricted	235,027	332,329	678,419	694,120	364,421	364,421	-	-	-	-
Unrestricted	(31,669,913)	(35,950,451)	12,148,322	14,051,082	17,412,742	19,403,599	16,801,031	9,977,977	12,681,011	14,057,219
Total reporting entity	<u>\$ 28,751,319</u>	<u>\$ 23,374,939</u>	<u>\$ 67,064,993</u>	<u>\$ 66,125,907</u>	<u>\$ 64,531,423</u>	<u>\$ 61,088,953</u>	<u>\$ 57,181,384</u>	<u>\$ 58,086,894</u>	<u>\$ 56,444,760</u>	<u>\$ 54,560,435</u>

**Notes:**

GASB Statement No. 68 was adopted in fiscal year 2015

The sum of the rows for the Reporting Entity identified as “Net investment in capital assets” and “Unrestricted” do not equal the sum of the rows from the Primary Government and the total Component Unit because the outstanding debt for the schools had not been subtracted from the total Primary Government’s “Net investment in capital assets” since the debt for the school board does not correspond to the capital assets of the Primary Government. However, when the Primary Government and the Component Unit are combined, the outstanding debt needs to be accounted for by reducing the balance classified as “Net investment in capital assets”.

TABLE 2

## CITY OF COLONIAL HEIGHTS, VIRGINIA

**Change in Net Position by Component**  
**Last Ten Fiscal Years**  
 (accrual basis of accounting)  
 (unaudited)

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Expenses</b>										
<b>Governmental activities</b>										
General government	\$ 4,222,021	\$ 4,035,396	\$ 4,229,539	\$ 8,513,050	\$ 8,430,859	\$ 8,252,642	\$ 8,420,688	\$ 8,075,559	\$ 7,617,133	\$ 6,631,282
Judicial administration	5,298,386	5,401,538	5,373,484	4,654,684	4,185,393	4,784,397	4,622,336	4,453,918	4,401,401	3,758,743
Public safety	11,043,829	11,268,573	11,299,988	9,019,958	8,862,843	8,132,209	8,157,263	8,007,156	7,446,556	6,603,707
Public works	5,867,451	5,568,423	6,056,945	5,340,369	4,204,531	4,093,809	4,644,140	3,675,598	3,650,407	3,488,051
Health and welfare	900,875	700,961	623,784	758,401	650,043	564,251	511,097	593,946	716,096	905,641
Parks, recreation, and cultural	2,978,081	2,860,914	2,914,469	2,388,151	2,262,706	2,332,036	2,420,733	2,450,217	2,350,085	1,755,411
Community development	536,782	455,683	567,323	500,588	468,981	465,764	613,699	571,243	580,574	575,426
Education	20,503,749	19,383,253	19,461,176	19,296,419	18,996,933	19,405,770	18,598,070	20,202,607	23,330,795	16,738,368
Interest	831,949	1,312,329	1,115,804	1,230,148	940,076	846,625	996,773	1,181,785	1,136,041	911,350
Human Services	447,513	437,567	470,011	-	-	-	-	-	-	-
Total governmental activities	52,630,636	51,424,637	52,112,523	51,701,768	49,002,365	48,877,503	48,984,799	49,212,029	51,229,088	41,367,979
<b>Business-type activities</b>										
Water and Sewer	4,668,983	4,324,991	4,206,290	4,197,076	-	-	-	-	-	3,962,952
Water	-	-	-	-	1,599,243	1,599,110	1,692,407	1,625,950	1,610,037	-
Sewer	-	-	-	-	2,687,436	2,142,288	2,863,099	2,903,274	2,772,254	-
Solid Waste	-	-	-	-	1,226,034	1,192,142	1,174,794	1,145,197	1,263,794	1,292,339
Storm water management	290,846	309,071	298,556	257,289	258,114	231,702	229,545	243,483	-	-
Total business-type activities expense	4,959,829	4,634,062	4,504,846	4,454,365	5,770,827	5,165,242	5,959,845	5,917,904	5,646,085	5,255,291
Total primary government expenses	57,590,465	56,058,699	56,617,369	56,156,133	54,773,192	54,042,745	54,944,644	55,129,933	56,875,173	46,623,270
<b>Program revenues</b>										
<b>Governmental activities</b>										
Charges for services										
Refuse collection	978,597	1,109,042	1,109,143	1,125,094	-	-	-	-	-	-
Parks and recreation	196,353	181,843	184,839	182,759	150,502	247,439	336,773	254,040	285,497	234,477
Other activities	5,267,723	5,294,990	5,289,334	5,626,146	5,313,067	5,235,500	5,125,656	5,234,826	5,001,743	5,068,830
Operating grants and contributions	5,463,958	5,306,971	5,556,569	4,971,475	5,418,602	4,836,631	5,102,144	5,487,211	5,472,945	4,732,453
Capital grants and contributions	913,850	4,230,162	3,436,635	2,413,293	2,809,970	941,115	1,320,778	151,333	-	-
Total governmental activities program revenues	12,820,481	16,123,008	15,576,520	14,318,767	13,692,141	11,260,685	11,885,351	11,127,410	10,760,185	10,035,760
<b>Business-type activities</b>										
Charges for services										
Water and sewer	4,784,973	4,181,407	4,164,312	4,144,465	-	-	-	-	-	3,842,186
Water	-	-	-	-	1,531,079	1,553,670	1,640,431	1,769,893	1,663,191	-
Sewer	-	-	-	-	2,696,866	2,675,820	2,740,934	2,892,816	2,523,737	-
Solid waste	-	-	-	-	1,143,300	1,118,569	1,096,627	1,070,028	1,061,581	1,042,343
Storm water management	384,930	396,082	379,088	372,312	377,976	257,563	-	-	-	-
Total business-type activities program revenues	5,169,903	4,577,489	4,543,400	4,516,777	5,749,221	5,605,622	5,477,992	5,732,737	5,248,509	4,884,529
Total primary government program revenues	17,990,384	20,700,497	20,119,920	18,835,544	19,441,362	16,866,307	17,363,343	16,860,147	16,008,694	14,920,289

(Continued)

TABLE 2

## CITY OF COLONIAL HEIGHTS, VIRGINIA

**Change in Net Position by Component**  
**Last Ten Fiscal Years**  
 (accrual basis of accounting)  
 (unaudited)

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Net (expense) revenue</b>										
Governmental activities	\$ (39,810,155)	\$ (35,301,629)	\$ (36,536,003)	\$ (37,383,001)	\$ (35,310,224)	\$ (37,616,818)	\$ (37,099,448)	\$ (38,084,619)	\$ (40,468,903)	\$ (31,332,219)
Business-type activities	210,074	(56,573)	38,554	62,412	(21,606)	440,380	(481,853)	(185,167)	(397,576)	(370,762)
Total primary government net expense	(39,600,081)	(35,358,202)	(36,497,449)	(37,320,589)	(35,331,830)	(37,176,438)	(37,581,301)	(38,269,786)	(40,866,479)	(31,702,981)
<b>General Revenues and Other Changes in Net Position</b>										
<b>Governmental activities:</b>										
Taxes										
General property taxes	21,547,059	21,604,557	21,415,093	21,512,047	20,829,561	20,545,422	21,409,820	21,101,105	20,292,300	18,259,813
Local sales and use	7,602,518	7,505,833	7,192,330	7,174,334	7,066,137	6,662,265	6,687,050	6,998,818	7,247,183	7,350,271
Food and lodging	7,668,016	7,277,458	6,841,952	6,930,069	6,338,213	5,509,401	5,105,057	4,813,420	4,622,383	4,335,522
Other taxes	2,251,352	2,145,835	2,232,755	2,205,223	2,183,334	2,288,483	2,151,134	2,097,530	2,211,189	1,983,102
Intergovernmental, non-categorical aid	1,759,131	1,758,845	1,759,070	1,758,697	1,757,530	1,757,878	1,856,496	1,871,849	1,777,424	1,868,699
Use of money and property	215,801	167,783	175,282	233,822	194,826	158,013	47,549	175,942	713,779	692,864
Miscellaneous	217,348	218,790	142,232	97,933	123,392	669,645	195,415	465,376	364,836	334,807
Transfers	-	-	-	263,979	(80,000)	(108,566)	(334,568)	(396,608)	(202,000)	(368,118)
Gain (loss) on sale of capital assets	2,027,297	-	-	-	-	-	-	-	-	-
Total governmental activities	43,288,522	40,679,101	39,758,714	40,176,104	38,412,993	37,482,541	37,117,953	37,127,432	37,027,094	34,456,960
<b>Business-type activities:</b>										
Use of money and property	-	-	-	-	-	238	1,208	7,864	11,217	31,849
Miscellaneous	-	-	-	-	-	5,190	-	-	-	-
Transfers	-	-	-	(263,979)	80,000	108,566	334,568	396,608	202,000	368,118
Total business-type activities	-	-	-	(263,979)	80,000	113,994	335,776	404,472	213,217	399,967
Total primary government	43,288,522	40,679,101	39,758,714	39,912,125	38,492,993	37,596,535	37,453,729	37,531,904	37,240,311	34,856,927
<b>Changes in Net Position</b>										
Governmental activities	3,478,367	5,377,472	3,222,711	2,793,103	3,102,769	(134,277)	18,505	(957,187)	(3,441,809)	3,124,741
Business-type activities	210,074	(56,573)	38,554	(201,567)	58,394	554,374	(146,077)	219,305	(184,359)	29,205
Total primary government	3,688,441	5,320,899	3,261,265	2,591,536	3,161,163	420,097	(127,572)	(737,882)	(3,626,168)	3,153,946
<b>Component Unit:</b>										
Expenses:										
Education	35,087,111	35,871,027	36,905,074	35,569,416	34,304,488	33,698,131	34,245,957	34,453,393	33,178,764	29,636,769
Program revenues										
Charges for services	390,422	376,249	478,386	573,499	409,019	407,204	432,265	546,183	557,939	563,298
Operating grants and contributions	15,801,934	15,234,548	14,765,427	14,599,996	14,838,115	15,001,600	14,186,550	15,817,225	14,434,911	14,065,197
Total program revenues	16,192,356	15,610,797	15,243,813	15,173,495	15,247,134	15,408,804	14,618,815	16,363,408	14,992,850	14,628,495
Net expense	(18,894,755)	(20,260,230)	(21,661,261)	(20,395,921)	(19,057,354)	(18,289,327)	(19,627,142)	(18,089,985)	(18,185,914)	(15,008,274)
<b>General Revenues and Other Changes in Net Position</b>										
Contribution from primary government	20,503,749	19,383,253	19,461,176	19,296,419	18,996,933	19,405,770	18,598,070	20,202,607	23,330,795	16,738,367
Use of money and property	-	-	-	-	434	2,477	2,885	12,036	97,462	283,982
Miscellaneous	110,631	103,926	115,801	102,450	341,305	278,643	248,429	255,358	267,880	123,132
Gain (loss) on sale of capital assets	(31,686)	-	-	-	-	-	-	-	-	-
Total general revenue	20,582,694	19,487,179	19,576,977	19,398,869	19,338,672	19,686,890	18,849,384	20,470,001	23,696,137	17,145,481
Total component unit change in net position	\$ 1,687,939	\$ (773,051)	\$ (2,084,284)	\$ (997,052)	\$ 281,318	\$ 1,397,563	\$ (777,758)	\$ 2,380,016	\$ 5,510,223	\$ 2,137,207

**Notes:**

In 2006, the activities involved in trash collection were transferred from the General Fund to the Solid Waste Fund.

In 2008, the Water and Sewer Fund was separated into two funds.

In 2009, the Storm Water Management Fund was established as a separate reporting entity.

In 2013, the activities involved in trash collection were transferred from the Solid Waste Fund to the General Fund.

In 2013, the Water and Sewer Fund were combined into one fund.

TABLE 3

## CITY OF COLONIAL HEIGHTS, VIRGINIA

## Fund Balances - Governmental Funds

## Last Ten Fiscal Years

(modified accrual basis of accounting)

(unaudited)

	2016	2015	2014	2013	2012	2011
<b>Post-GASB 54 implementation:</b>						
General Fund						
Nonspendable	\$ 64,871	\$ 60,599	\$ 68,832	\$ 69,859	\$ 67,373	\$ 109,011
Restricted	235,027	332,329	313,998	329,699	369,152	350,067
Committed	554,259	618,698	431,512	327,569	484,422	592,493
Assigned	1,969,999	728,241	1,407,705	1,574,257	873,226	680,712
Unassigned	7,950,089	8,015,011	7,415,836	8,083,102	8,477,484	7,652,961
Total general fund	<u>\$ 10,774,245</u>	<u>\$ 9,754,878</u>	<u>\$ 9,637,883</u>	<u>\$ 10,384,486</u>	<u>\$ 10,271,657</u>	<u>\$ 9,385,244</u>
Capital Projects Fund						
Restricted	2,192,697	3,388,835	372,795	7,207,335	\$ 16,792,519	\$ -
Committed	-	-	-	-	246,683	957,111
Assigned	-	-	-	-	197,390	308,416
Unassigned	(1,505,584)	(3,587,598)	(10,080)	(1,245,870)	-	-
Total capital projects fund	<u>\$ 687,113</u>	<u>\$ (198,763)</u>	<u>\$ 362,715</u>	<u>\$ 5,961,465</u>	<u>\$ 17,236,592</u>	<u>\$ 1,265,527</u>
<b>Pre-GASB 54 implementation:</b>						
	2010	2009	2008	2007		
General Fund						
Reserved	\$ 56,571	\$ 45,085	\$ 54,779	\$ 50,977		
Unreserved:						
Designated	344,001	305,505	720,761	1,251,658		
Undesignated	7,987,538	8,333,760	9,050,997	8,506,115		
Total general fund	<u>\$ 8,388,110</u>	<u>\$ 8,684,350</u>	<u>\$ 9,826,537</u>	<u>\$ 9,808,750</u>		
All Other Governmental Funds						
Reserved	\$ -	\$ -	\$ -	\$ -		
Unreserved:						
Designated:						
Capital projects fund	1,213,975	2,864,837	612,818	610,283		
Undesignated:						
Capital projects fund	1,305,091	758,371	5,208,410	(331,293)		
Total all other governmental funds	<u>\$ 2,519,066</u>	<u>\$ 3,623,208</u>	<u>\$ 5,821,228</u>	<u>\$ 278,990</u>		

**Note:** 2011 was the first year of implementing GASB 54 which revised fund balance classifications.

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TABLE 4

## CITY OF COLONIAL HEIGHTS, VIRGINIA

Changes in Fund Balances - Governmental Funds  
Last Ten Fiscal Years(modified accrual basis of accounting)  
(unaudited)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Revenues</b>										
General property taxes	\$ 21,520,136	\$ 21,560,377	\$ 21,309,428	\$ 21,434,252	\$ 21,405,217	\$ 21,374,974	\$ 21,159,849	\$ 20,897,171	\$ 19,766,717	\$ 32,274,076
Other local taxes	17,521,886	16,929,126	16,267,037	16,309,626	15,587,684	14,460,149	13,943,241	13,909,768	14,080,755	-
Permits, fees, and licenses	3,766,603	3,541,207	3,509,526	3,633,852	3,384,894	3,371,767	707,554	731,615	566,042	490,709
Fines and forfeitures	438,930	505,391	540,368	729,979	718,053	747,448	1,433,972	1,283,848	1,274,510	1,511,128
Charges for services	2,237,140	2,539,277	2,533,422	2,570,168	1,360,622	1,363,724	3,320,903	3,473,403	3,446,688	3,301,470
Use of money and property	215,801	167,783	175,282	233,822	194,826	158,013	47,549	175,942	713,779	692,864
Miscellaneous	217,348	245,348	142,232	97,933	123,392	669,645	7,690,484	6,627,145	6,572,855	6,601,152
Reimbursement from component unit	381,605	377,274	781,768	323,897	315,449	314,345	588,934	883,248	677,514	-
Intergovernmental	7,755,334	10,892,146	9,970,506	8,819,568	9,670,653	7,221,279	195,415	465,376	364,836	334,807
Total revenues	54,054,783	56,757,929	55,229,569	54,153,097	52,760,790	49,681,344	49,087,901	48,447,516	47,463,696	45,206,206
<b>Expenditures</b>										
General government	3,860,820	3,774,029	3,929,794	7,722,431	7,560,760	7,330,864	7,423,627	7,229,137	6,742,155	6,239,843
Judicial administration	5,375,979	5,452,078	5,411,741	4,595,172	4,152,036	4,745,029	4,541,636	4,346,342	4,250,944	3,721,203
Public safety	11,219,742	11,146,037	10,969,018	8,201,249	8,261,480	7,439,357	7,433,568	7,261,713	7,162,033	6,332,340
Public works	4,235,724	4,079,575	4,555,044	3,906,864	2,894,228	2,591,213	3,111,361	3,031,589	2,596,771	3,011,234
Health and welfare	897,077	697,163	619,986	754,603	646,245	560,453	507,299	590,148	712,298	729,275
Parks, recreation, and cultural	2,707,421	2,726,632	2,707,146	2,056,291	2,012,473	2,073,329	2,135,270	2,188,202	2,130,976	2,066,166
Community development	547,914	515,386	568,937	487,155	465,879	476,452	522,187	553,966	538,041	436,395
Education	20,503,749	19,383,253	19,461,176	19,296,419	18,996,933	19,405,770	18,598,070	20,202,607	23,330,795	16,738,367
Human services	458,317	447,668	490,762	444,346	433,956	509,570	397,630	435,331	406,310	482,590
Nondepartmental	417,516	334,301	249,008	269,748	361,190	366,238	258,062	279,042	467,976	283,190
Debt service:										
Principal retirement	2,783,005	2,607,026	2,839,657	2,546,199	2,028,330	1,968,712	2,185,490	6,082,877	1,672,927	1,678,558
Interest and fiscal charges	927,997	1,190,669	1,220,379	1,511,054	788,734	865,566	1,029,750	1,312,510	1,162,817	904,782
Bond issuance costs	-	-	-	-	311,693	-	-	-	-	-
Capital expenditures	855,647	5,132,587	8,486,471	13,780,361	6,230,285	1,496,630	2,430,048	1,847,651	527,628	1,975,789
Total expenditures	54,790,908	57,486,404	61,509,119	65,571,892	55,144,222	49,829,183	50,573,998	55,361,115	51,701,671	44,599,732
Excess of revenues over (under) expenditures	(736,125)	(728,475)	(6,279,550)	(11,418,795)	(2,383,432)	(147,839)	(1,486,097)	(6,913,599)	(4,237,975)	606,474
<b>Other Financing Sources (Uses)</b>										
Premium on issuance of debt	-	625,569	-	-	1,460,910	-	412,680	-	-	-
Payment to refunded bond escrow agent	-	(8,887,096)	-	-	(3,970,000)	-	(7,267,779)	-	-	-
Issuance of debt	-	8,424,044	-	-	21,830,000	-	6,943,864	3,970,000	10,000,000	-
Proceeds from capital lease	-	121,475	-	-	-	-	-	-	-	-
Proceeds from sale of capital assets	2,641,368	-	-	-	-	-	-	-	-	-
Transfers in	826,982	378,901	657,198	311,497	366,197	115,000	368,018	933,007	1,200,000	908,500
Transfers out	(826,982)	(378,901)	(657,198)	(55,000)	(446,197)	(223,566)	(371,068)	(1,329,615)	(1,402,000)	(1,276,618)
Total other financing sources (uses)	2,641,368	283,992	-	256,497	19,240,910	(108,566)	85,715	3,573,392	9,798,000	(368,118)
Net change in fund balances	\$ 1,905,243	\$ (444,483)	\$ (6,279,550)	\$ (11,162,298)	\$ 16,857,478	\$ (256,405)	\$ (1,400,382)	\$ (3,340,207)	\$ 5,560,025	\$ 238,356

(Continued)



TABLE 4

## CITY OF COLONIAL HEIGHTS, VIRGINIA

Changes in Fund Balances - Governmental Funds  
Last Ten Fiscal Years(modified accrual basis of accounting)  
(unaudited)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Debt service as a percentage of noncapital expenditures:</b>										
<b>Primary Government</b>										
Total debt service	\$ 3,711,002	\$ 3,797,695	\$ 4,060,036	\$ 4,057,253	\$ 2,817,064	\$ 2,834,278	\$ 3,215,240	\$ 7,395,387	\$ 2,835,744	\$ 2,583,340
Total expenditures	54,790,908	57,486,404	61,509,119	65,571,892	55,144,222	49,829,183	50,573,998	55,361,115	51,701,671	44,599,732
Capital expenditures	(1,541,702)	(5,729,345)	(9,164,371)	(14,250,650)	(6,843,873)	(1,772,395)	(2,289,455)	(3,265,514)	(1,518,495)	(4,353,934)
Non-capital expenditures	<u>\$ 53,249,206</u>	<u>\$ 51,757,059</u>	<u>\$ 52,344,748</u>	<u>\$ 51,321,242</u>	<u>\$ 48,300,349</u>	<u>\$ 48,056,788</u>	<u>\$ 48,284,543</u>	<u>\$ 52,095,601</u>	<u>\$ 50,183,176</u>	<u>\$ 40,245,798</u>
Debt service as a percentage of non-capital expenditures - primary government only	<u>6.97%</u>	<u>7.34%</u>	<u>7.76%</u>	<u>7.91%</u>	<u>5.83%</u>	<u>5.90%</u>	<u>6.66%</u>	<u>14.20%</u>	<u>5.65%</u>	<u>6.42%</u>
<b>School Board</b>										
School expenditures, excluding City contribution	\$ 14,570,190	\$ 15,744,708	\$ 16,273,697	\$ 15,164,652	\$ 15,708,729	\$ 15,565,764	\$ 15,267,683	\$ 17,417,113	\$ 13,672,606	\$ 14,468,036
Capital expenditures - Public Schools	(320,139)	(170,982)	(543,416)	(280,731)	(1,550,915)	(2,496,489)	(626,065)	(3,539,692)	(4,295,018)	(1,017,186)
Non-capital expenditures	<u>\$ 14,250,051</u>	<u>\$ 15,573,726</u>	<u>\$ 15,730,281</u>	<u>\$ 14,883,921</u>	<u>\$ 14,157,814</u>	<u>\$ 13,069,275</u>	<u>\$ 14,641,618</u>	<u>\$ 13,877,421</u>	<u>\$ 9,377,588</u>	<u>\$ 13,450,850</u>
Debt service as a percentage of non-capital expenditures - total reporting entity	<u>5.50%</u>	<u>5.64%</u>	<u>5.96%</u>	<u>6.13%</u>	<u>4.51%</u>	<u>4.64%</u>	<u>5.11%</u>	<u>11.21%</u>	<u>4.76%</u>	<u>4.81%</u>

**Notes:**

In Virginia, the City issues debt to finance school projects because public schools do not have taxing or borrowing authority. Therefore, the debt service payments related to school projects are presented as debt service of the component unit. Debt service as a percentage of non-capital expenditures for the total reporting entity more appropriately reflects the Virginia school debt requirement.

TABLE 5

**CITY OF COLONIAL HEIGHTS, VIRGINIA**  
**SCHEDULE OF REVENUES, RESOURCES, EXPENDITURES, CONTRACT COMMITMENTS**  
**AND UNOBLIGATED BALANCE**  
**Year Ended June 30, 2016**  
**(Unaudited)**

	Revenues and Resources				Revised Budget	Expenditures and Contract Commitments			
	Prior Years	Current	Transfers In/(Out)	Uncollected Future		Prior Years	Current	Contract Commitment	Unobligated Balance
General Government:									
Allocable to Complete Projects:									
Development Projects	\$ 300,928	\$ -	\$ -	\$ -	\$ 300,928	\$ 300,928	\$ -	\$ -	\$ -
Ambulance Replacement	189,825	-	-	-	189,825	189,825	-	-	-
Total	490,753	-	-	-	490,753	490,753	-	-	-
Allocable to Incomplete Projects:									
Beautification Committee/Tourism	147,213	-	-	-	147,213	133,743	8,958	-	4,512
Courts Building	18,513,127	-	-	-	18,513,127	18,422,649	1,766	-	88,712
Development Projects	141,359	-	-	-	141,359	-	50,929	-	90,430
Animal Shelter	-	225,000	-	-	225,000	-	-	-	225,000
Sign Replacement	-	-	57,212	-	57,212	-	51,113	340	5,759
Total	18,801,699	225,000	57,212	-	19,083,911	18,556,392	112,766	340	414,413
Total General Government	19,292,452	225,000	57,212	-	19,574,664	19,047,145	112,766	340	414,413
Recreational Facilities									
Allocable to Incomplete Projects:									
Facilities Master Plan	205,000	-	-	-	205,000	147,762	-	-	57,238
Appomattox River Greenway	573,220	-	-	574,547	1,147,767	874,634	(1,153)	90,063	184,223
Flora Hill Park	68,461	-	-	-	68,461	62,958	-	-	5,503
Violet Bank Museum	-	100,000	-	-	100,000	-	-	-	100,000
Total	846,681	100,000	-	574,547	1,521,228	1,085,354	(1,153)	90,063	346,964
Total Recreational Facilities	846,681	100,000	-	574,547	1,521,228	1,085,354	(1,153)	90,063	346,964
Streets and Bridges:									
Allocable to Incomplete Projects:									
Safe Routes to School/Middle School	14,651	6,400	-	419,938	440,989	16,152	255	-	424,582
Safe Routes to School/N. Elementary School	-	-	-	683,581	683,581	-	6,145	-	677,436
Redevelopment Project	53,292	-	-	-	53,292	33,123	-	-	20,169
Highway Construction - Local Share	125,767	-	(9,312)	-	116,455	-	64,241	12,000	40,214
Bruce Avenue Drainage	2,661,105	-	-	-	2,661,105	2,661,105	-	-	-
Boulevard Widening	-	-	-	-	-	1,100	-	-	(1,100)
Snead Avenue Draining	123,538	-	-	-	123,538	123,538	-	-	-
Blvd. Modernization Dupuy Intersection	10,590,801	542,022	-	262,411	11,395,234	11,284,484	135,476	18,547	(43,273)
Temple Avenue Turning Lane	192,737	-	-	262,344	455,081	389,403	-	46,190	19,488
Southpark & Denmock	295,134	-	-	10,984	306,118	277,582	-	-	28,536
Dupuy Avenue Modernization	798,463	159,877	-	3,239,660	4,198,000	679,476	245,955	108,647	3,163,922
Lakeview Ave. Modernization	418,427	151,304	-	2,744,270	3,314,001	361,323	187,916	-	2,764,762
Temple Avenue/Dummock Turning Lane	422,343	-	-	77,657	500,000	414,079	-	-	85,921
Bridge Rehabilitation Project	-	-	-	650,000	650,000	-	-	-	650,000
Traffic Signal Coordination	-	-	-	495,000	495,000	1,100	-	-	493,900
White Sands Court Reconstruction	135,487	-	-	30,513	166,000	107,608	-	-	58,392
Urban Street Construction	-	-	-	-	-	-	-	-	-
Holly Avenue	250,000	47,747	-	183,394	481,141	7,000	36,167	477,595	(39,621)
Strafford Drive	-	186,238	9,312	186,950	382,500	-	4,300	-	378,200
Mallard Drive	-	72,200	-	67,800	140,000	-	2,200	-	137,800
Total	16,081,745	1,165,788	-	9,314,502	26,562,035	16,357,073	682,655	662,979	8,859,328
Total Streets and Bridges	16,081,745	1,165,788	-	9,314,502	26,562,035	16,357,073	682,655	662,979	8,859,328

(Continued)

TABLE 5

## CITY OF COLONIAL HEIGHTS, VIRGINIA

SCHEDULE OF REVENUES, RESOURCES, EXPENDITURES, CONTRACT COMMITMENTS  
AND UNOBLIGATED BALANCE

Year Ended June 30, 2016

(Unaudited)

	Revenues and Resources				Revised Budget	Expenditures and Contract Commitments			
	Prior Years	Current	Transfers In/(Out)	Uncollected Future		Prior Years	Current	Contract Commitment	Unobligated Balance
Utility Improvements:									
Allocable to Incomplete Projects:									
Boulevard Modernization - Utility	\$ 980,660	\$ -	\$ -	\$ -	\$ 980,660	\$ 1,049,083	\$ -	\$ -	\$ (68,423)
Dupuy Avenue Modernization - Utility	577,223	-	-	-	577,223	7,795	-	24,915	544,513
Lakeview Ave. Modernization - Utility	502,000	-	-	-	502,000	53,650	(25,130)	88	473,392
Lafayette/Hamilton Pipe	340,000	-	-	-	340,000	384,131	-	-	(44,131)
Utility Infrastructure	292,715	-	-	-	292,715	114,631	-	-	178,084
Bruce Avenue Drainage	2,467,481	-	(500,000)	-	1,967,481	106,772	86,508	462,655	1,311,546
Temple Avenue Sewer Line	-	250,044	500,000	-	750,044	-	-	-	750,044
Total Utility Improvements	5,160,079	250,044	-	-	5,410,123	1,716,062	61,378	487,658	3,145,025
Restricted Fund - Appratus	197,390	-	-	-	197,390	-	-	-	197,390
Non-Project Related	57,151	691	(57,212)	-	630	-	-	-	630
Total Projects	\$ 41,635,498	\$ 1,741,523	\$ -	\$ 9,889,049	\$ 53,266,070	\$ 38,205,634	\$ 855,646	\$ 1,241,040	\$ 12,963,750

TABLE 6

## CITY OF COLONIAL HEIGHTS, VIRGINIA

## ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

(unaudited)

Fiscal Year	Real Property			Public Service**	Total Taxable Assessed Value	Total Direct Tax Rate	Actual Taxable Value	Value as a Percentage of Assessed Value
	Residential Property*	Multi-Family Property	Commercial Property					
2016	\$ 936,134,000	\$ 87,022,300	\$ 598,832,200	\$ 35,854,598	\$ 1,657,843,098	\$ 2.52	\$ 1,657,843,098	100.00 %
2015	937,198,700	87,323,500	590,412,800	33,778,852	1,648,713,852	2.52	1,648,713,852	100.00
2014	936,946,100	87,323,500	580,791,400	34,376,713	1,639,437,713	2.52	1,639,437,713	100.00
2013	978,270,500	95,275,100	554,297,500	36,333,519	1,664,176,619	2.52	1,664,176,619	100.00
2012	971,122,700	95,265,700	551,009,900	34,468,630	1,651,866,930	2.44	1,651,866,930	100.00
2011	1,033,929,400	96,926,200	552,194,300	32,922,680	1,715,972,580	2.44	1,715,972,580	100.00
2010	1,031,967,800	96,461,100	549,782,600	29,896,895	1,708,108,395	2.44	1,708,108,395	100.00
2009	1,029,811,100	97,597,000	546,792,700	28,481,719	1,702,682,519	2.44	1,702,682,519	100.00
2008	1,025,744,200	97,651,400	530,801,900	26,781,992	1,680,979,492	2.44	1,680,979,492	100.00
2007	829,706,600	85,303,900	462,662,600	28,857,670	1,406,530,770	2.60	1,406,530,770	100.00

\* Assessed at 100% of fair market value, which is estimated actual value.

\*\*Based on valuations established by the State Corporation Commission.

**TABLE 7****CITY OF COLONIAL HEIGHTS, VIRGINIA****DIRECT PROPERTY TAX RATES****Last Ten Calendar Years****(rate per \$100 of assessed value)****(unaudited)**

Year	Real Estate	Public Service	Public Safety	Total Direct Rate
2016	1.14	1.14	0.24	2.52
2015	1.14	1.14	0.24	2.52
2014	1.14	1.14	0.24	2.52
2013	1.14	1.14	0.24	2.52
2012	1.10	1.10	0.24	2.44
2011	1.10	1.10	0.24	2.44
2010	1.10	1.10	0.24	2.44
2009	1.10	1.10	0.24	2.44
2008	1.10	1.10	0.24	2.44
2007	1.18	1.18	0.24	2.60

**Note:** There is no overlapping government taxation.

TABLE 8

## CITY OF COLONIAL HEIGHTS, VIRGINIA

**Principal Property Taxpayers**  
**Current Year and Nine Years Ago**  
(unaudited)

Taxpayer	2016			2007		
	Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Southpark Mall	\$ 77,549,200	1	4.68%	\$ 68,098,628	1	4.84%
Roslyn Farms Corp	35,632,000	2	2.15	33,468,932	2	2.38
Roslyn Farms Associates LP	25,623,700	3	1.55	22,252,300	4	1.58
Wal-Mart/Sams	25,309,700	4	1.53	24,388,046	3	1.73
Virginia Electric & Power	16,182,569	5	0.98	10,041,876	9	0.71
Faison Colonial Heights	16,104,900	6	0.97	11,036,207	7	0.78
Dunlop House	14,129,600	7	0.85	-	-	0.00
Colonial Square Associated	13,948,500	8	0.84	11,205,200	6	0.80
Dimmock Square Marketplace	13,151,000	9	0.79	-	-	0.00
Colonial Heights Operations	13,008,100	10	0.78	-	-	0.00
Verizon Virginia Inc.	-	-	-	10,789,934	8	0.77
Home Depot USA	-	-	-	11,377,282	5	0.81
Southpark Hotel	-	-	-	9,799,382	10	0.70
	<u>\$ 250,639,269</u>		<u>15.12%</u>	<u>\$ 212,457,787</u>		<u>15.10%</u>

TABLE 9

**CITY OF COLONIAL HEIGHTS, VIRGINIA**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**Last Ten Calendar Years**  
(unaudited)

Calendar Year Ended June 30	Taxes Levied for the Year		Collected within the Year of the Levy		Collections in Subsequent Years*	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2015	\$	23,205,467	\$ 22,622,829	97.49 %	\$ 330,352	\$ 22,953,181	98.91 %
2014		23,087,247	22,546,470	97.66	267,042	22,813,512	98.81
2013		23,197,067	22,707,550	97.89	378,471	23,086,021	99.52
2012		23,148,788	22,634,176	97.78	471,817	23,105,993	99.82
2011		23,066,409	22,500,624	97.55	540,990	23,041,614	99.89
2010		22,920,083	22,666,857	98.90	225,451	22,892,308	99.88
2009		22,923,361	22,705,560	99.05	204,157	22,909,717	99.94
2008		22,871,135	22,536,288	98.54	177,101	22,713,389	99.31
2007		21,303,700	21,063,380	98.87	240,320	21,303,700	100.00
2006		20,214,991	20,031,441	99.09	183,108	20,214,549	100.00

**Source:** Detailed City property tax records.

**Note:** Based on tax year beginning January 1 and ending December 31.

\*Does not include penalties and interest.

## CITY OF COLONIAL HEIGHTS, VIRGINIA

## TAXABLE SALES BY CATEGORY

## Last Ten Calendar Years

(in thousands of dollars)

(unaudited)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Apparel	\$ 73,203	\$ 71,591	\$ 71,301	\$ 68,317	\$ 64,286	\$ 61,381	\$ 59,414	\$ 55,303	\$ 56,839	\$ 85,969
Automotive	3,816	3,623	3,665	4,331	5,977	12,392	14,554	14,817	13,563	24,227
Food	158,054	144,188	136,078	137,113	127,548	119,677	118,561	116,997	107,331	49,300
Furniture, Home Furnishings, and Equipment	12,567	12,387	12,944	14,781	12,205	8,100	9,186	8,313	55,986	57,665
General Merchandise	283,051	286,433	282,948	280,835	302,806	275,618	279,137	293,417	295,155	234,775
Machinery, Equipment, and Supplies	28,851	29,887	31,905	34,033	28,439	37,309	39,068	43,189	46,438	42,413
Miscellaneous	161,193	150,454	144,172	82,789	83,710	76,519	69,668	86,177	114,937	176,341
Total	<u>\$ 720,734</u>	<u>\$ 698,563</u>	<u>\$ 683,013</u>	<u>\$ 622,199</u>	<u>\$ 624,971</u>	<u>\$ 590,996</u>	<u>\$ 589,588</u>	<u>\$ 618,213</u>	<u>\$ 690,249</u>	<u>\$ 670,690</u>
City Direct Local Option Sales Tax	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

**Source:** Virginia Department of Taxation.

**Notes:**

Retail sales information is not available on a fiscal year basis.

Retail sales information from the Virginia Department of Taxation starting on August 1, 2005 was changed to NAICS codes and classifications may differ from prior reporting.

There is no overlapping government taxation.



TABLE 11

## CITY OF COLONIAL HEIGHTS, VIRGINIA

## TAXABLE SALES BY CATEGORY

Calendar Years 2015 and 2006

(taxable sales in thousands of dollars)

(unaudited)

	Calendar Year 2015				Calendar Year 2006			
	Number of Filers	Percentage of Total	Taxable Sales	Percentage of Total	Number of Filers	Percentage of Total	Taxable Sales	Percentage of Total
Apparel	70	11.97 %	\$ 73,203	10.16 %	77	11.44 %	\$ 49,300	7.35 %
Automotive	7	1.20	3,816	0.53	18	2.67	24,227	3.61
Food	102	17.44	158,054	21.93	105	15.60	85,969	12.82
Furniture, Home Furnishings, and Equipment	20	3.42	12,567	1.74	25	3.71	57,665	8.60
General Merchandise	79	13.50	283,051	39.27	80	11.89	234,775	35.00
Machinery, Equipment, and Supplies	15	2.56	28,851	4.00	19	2.82	42,413	6.32
Miscellaneous	292	49.91	161,193	22.37	349	51.87	176,341	26.30
Total	585	100.00 %	\$ 720,734	100.00 %	673	100.01 %	\$ 670,690	100.00 %

Source: Virginia Department of Taxation.

## Notes:

Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the City's revenue. Fiscal year information is not available.

TABLE 12

## CITY OF COLONIAL HEIGHTS, VIRGINIA

## LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

(unaudited)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Debt limit	\$ 165,784,310	\$ 164,871,385	\$ 163,943,771	\$ 166,417,662	\$ 165,186,693	\$ 171,597,258	\$ 170,810,840	\$ 170,268,252	\$ 168,097,949	\$ 140,653,077
Total net debt applicable to limit	32,485,000	35,555,000	34,040,000	37,045,000	39,750,000	24,125,000	26,295,000	28,855,000	27,295,000	19,320,000
Legal debt margin	<u>\$ 133,299,310</u>	<u>\$ 129,316,385</u>	<u>\$ 129,903,771</u>	<u>\$ 129,372,662</u>	<u>\$ 125,436,693</u>	<u>\$ 147,472,258</u>	<u>\$ 144,515,840</u>	<u>\$ 141,413,252</u>	<u>\$ 140,802,949</u>	<u>\$ 121,333,077</u>
Total net debt applicable to the limit as a percentage of debt limit	19.59%	21.57%	20.76%	22.26%	24.06%	14.06%	15.39%	16.95%	16.24%	13.74%

## Legal Debt Margin Calculation for Fiscal Year 2015

Assessed value	<u>\$ 1,657,843,098</u>
Debt limit (10% of assessed value)	\$ 165,784,310
Less debt applicable to limit:	
General obligation bonds	<u>32,485,000</u>
Legal debt margin	<u>\$ 133,299,310</u>

**Note:** Assessed value of property can be found in Table 6.

TABLE 13

## CITY OF COLONIAL HEIGHTS, VIRGINIA

## RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

(unaudited)

Fiscal Year	Governmental Activities				Business-type Activities		
	General Obligation Bonds	Net Deferred Amounts <sup>(1)</sup>	Lease Revenue Note Payable	Capital Leases	General Obligation Bonds	Net Deferred Amounts <sup>(1)</sup>	Capital Leases
2016	\$ 28,113,743	\$ 1,789,006	\$ -	\$ 92,146	\$ 4,371,257	\$ 209,603	\$ 45,518
2015	30,873,958	1,964,688	-	114,936	4,681,042	225,580	70,510
2014	33,406,897	1,230,564	-	-	633,103	8,186	94,789
2013	36,246,554	1,576,521	-	-	798,446	11,846	32,558
2012	38,792,753	1,697,691	-	-	957,247	14,215	74,490
2011	22,961,083	357,951	-	-	1,163,917	16,585	114,795
2010	24,929,795	406,075	-	-	1,365,205	18,954	181,587
2009	26,855,108	155,712	-	-	1,999,892	-	245,697
2008	24,997,685	170,672	3,970,300	-	2,297,315	-	80,618
2007	16,740,612	113,881	3,970,300	-	2,579,388	-	105,159

Fiscal Year	Total Net General Bonded Debt <sup>(2)</sup>	Percentage of Actual Value of Taxable Property	Debt Per Capita	Percentage of Personal Income
2016	\$ 30,486,391	1.84 %	\$ 1,711	* %
2015	33,364,732	2.02	1,916	*
2014	32,801,250	2.00	1,884	*
2013	35,456,633	2.13	2,036	*
2012	38,038,094	2.30	2,185	*
2011	23,750,464	1.38	1,364	*
2010	25,869,971	1.51	1,434	*
2009	28,699,288	1.69	1,622	1.06
2008	27,124,328	1.61	1,524	1.03
2007	19,206,119	1.37	1,087	0.76

(1) Net deferred amounts include premiums and discounts.

(2) Total net general bonded debt includes general obligation bonds less net deferred amounts for governmental activities and business-type activities.

\*Unavailable

## CITY OF COLONIAL HEIGHTS, VIRGINIA

## DEMOGRAPHIC STATISTICS

## Last Ten Calendar Years

(unaudited)

<b>Fiscal Year</b>	<b>Population</b>	<b>Personal Income (in thousands)</b>	<b>Per Capita Personal Income</b>	<b>School Enrollment</b>	<b>Unemployment Rate</b>
2016	17,820	*	*	2,799	4.30%
2015	17,411	*	*	2,796	5.30
2014	17,411	*	*	2,812	6.00
2013	17,411	*	*	2,829	7.30
2012	17,411	*	*	2,972	6.90
2011	17,411	*	*	2,891	7.60
2010	18,035	*	*	2,836	8.60
2009	17,693	2,704,120	35,052	2,881	8.70
2008	17,796	2,635,768	34,187	2,847	4.80
2007	17,676	2,515,436	32,919	2,856	3.30

**Sources:**

Weldon Cooper Center for Public Service

Bureau of Economic Analysis - combined area of City of Colonial Heights,

City of Petersburg and Dinwiddie County

City of Colonial Heights Public Schools

Virginia Employment Commission

US Census

\*Unavailable

## CITY OF COLONIAL HEIGHTS, VIRGINIA

**PRINCIPAL EMPLOYERS**  
**Current Year and Nine Years Ago**  
(unaudited)

Employer	2016			2007		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Wal-Mart	650	1	7.29 %	575	1	3.20 %
Colonial Heights School Board	617	2	6.92	555	2	5.99
City of Colonial Heights	353	3	3.96	300	3	3.24
VDOT	250	4	2.80	-	-	-
Randstad US L P	235	5	2.64	-	-	-
Colonial Heights Operations	229	6	2.57	-	-	-
Martin's Food Market	220	7	2.47	-	-	-
The Logistics Company, Inc	200	8	2.24	-	-	-
J.C. Penny Corporation, Inc.	189	9	2.12	181	7	0.18
Cleveland Cement Contract, Inc.	169	10	1.90	-	-	-
Ukrops	-	-	-	250	4	2.70
Colonial Heights Convalescent Home	-	-	-	195	5	2.10
Best Buy	-	-	-	187	6	2.02
Macy's Department Stores	-	-	-	179	8	1.93
Target Division of Dayton Huds Corp.	-	-	-	176	9	1.90
The Home Depot	-	-	-	175	10	1.89

**Source:** Virginia Employment Commission.

TABLE 16

## CITY OF COLONIAL HEIGHTS, VIRGINIA

## FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

Last Ten Fiscal Years

(unaudited)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b><u>Function/Program</u></b>										
General government										
Management services	7	7	7	6	6	6	6	6	6	6
Tax collections	9	9	9	9	9	11	11	11	11	11
Finance	11	11	11	11	11	9	9	9	9	9
Information technology	2	2	2	2	2	1	2	2	2	2
Board of elections	2	2	2	2	2	2	2	2	2	2
Judicial administration	25	25	22	22	23	21	21	22	22	21
Public safety	115	115	115	114	113	113	114	117	115	115
Public works	48	48	45	45	30	28	29	30	30	31
Parks, recreation, and cultural	27	26	26	25	24	24	25	25	25	25
Community development	6	5	5	5	5	5	5	6	6	5
Human services	3	3	4	4	4	5	5	5	5	5
Education	456	453	436	439	437	430	430	428	391	401
Total	711	706	684	684	666	655	659	663	624	633

Source: City Adopted Budget.

**CITY OF COLONIAL HEIGHTS, VIRGINIA**  
**OPERATING INDICATORS BY FUNCTION/PROGRAM**  
**Last Ten Fiscal Years**  
(unaudited)

<b>Function/Program</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
General Government										
Registered voters	12,113	11,775	12,050	12,056	12,282	11,971	11,936	11,938	12,179	11,433
Structures										
Detached	6,159	6,161	6,221	6,195	6,168	6,172	6,182	6,179	6,153	6,140
Duplex	357	379	379	169	170	178	175	179	180	180
Multi-family	1,198	1,198	1,198	1,198	1,211	1,211	1,211	1,211	1,211	1,211
Parcel with elderly/disabled: Exemptions	207	234	272	296	316	314	330	353	316	325
Judicial Administration										
Average daily jail population	172	181	180	179	152	163	185	170	155	124
Public safety										
Volunteers	54	46	53	47	61	60	66	58	66	55
Public works										
Road mileage maintained:										
Arterial	31	31	31	31	31	31	31	31	31	30
Local/collector	162	162	162	162	162	162	162	162	161	162
Parks, Recreational, and Cultural										
Parks:										
Number	10	10	10	10	10	10	10	9	9	9
Areas	75	75	75	75	71	71	71	71	71	71
Recreation:										
Baseball fields	11	11	11	11	11	11	11	9	9	9
Tennis courts	9	9	9	9	9	9	9	9	9	9
Basketball courts	10	10	10	11	10	6	6	5	5	5
Soccer fields	11	11	11	11	11	11	6	6	6	6
Library										
Volumes in collection	62,399	60,789	61,326	60,521	64,703	63,871	62,474	62,422	63,245	64,736
Community development										
Building permits issued - calendar	491	520	551	532	407	547	N/A	N/A	237	242
Value	\$ 6,849,319	\$ 6,827,056	\$ 6,957,542	\$ 6,544,861	\$ 4,582,561	\$ 3,560,086	N/A	N/A	\$ 12,636,904	\$ 21,972,520
Education										
Elementary	3	3	3	3	3	3	3	3	3	3
Secondary	2	2	2	2	2	2	2	2	2	2
Vocational buldings	1	1	1	1	1	1	1	1	1	1

**Sources:**

Voters - Registrar  
Structures - City Assessor  
Elderly exemptions - Commissioner of the Revenue  
Average jail population - Riverside Regional Jail  
Volunteers - Department of Public Safety  
Education - Colonial Heights School Administration  
Library - Librarian  
Building permits - City Planner

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## **COMPLIANCE SECTION**

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**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 auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Colonial Heights, Virginia, (the "City") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 18, 2016.

**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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 were not identified. **Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.**

## Compliance and Other Matters

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

## Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
November 18, 2016

**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**

We have audited the City of Colonial Heights, Virginia (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2016. 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.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

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

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 major federal programs for the year ended June 30, 2016.

## Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
November 18, 2016

## **CITY OF COLONIAL HEIGHTS, VIRGINIA**

### **SUMMARY OF COMPLIANCE MATTERS**

**June 30, 2016**

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

##### 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, 2016**

**A. SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **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. **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 an **unmodified opinion**.
6. The audit disclosed no **audit findings** relating to major programs.
7. The programs tested as major programs include:

**Name of Program:**

Highway Planning and Construction

**CFDA #**

20.205

8. The **threshold for** distinguishing Type A and B programs was **\$750,000**.
9. The City **was determined to be a low-risk auditee**.

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

None.

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None.

**D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA**

**2016-001: General Government Budget Appropriations**

***Condition:***

Health and welfare, nondepartmental, and debt service expenditures exceeded budgeted appropriations.

***Recommendation:***

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

***Management Response (Unaudited):***

The auditee concurs with the recommendation.



**CITY OF COLONIAL HEIGHTS, VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2016**

**D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA (Continued)**

**2016-002: Highway Maintenance**

***Condition:***

Unacceptable costs were incurred for items that did not relate to maintenance, construction, or reconstruction of streets for 3 out of 20 transactions tested.

***Recommendation:***

Steps should be taken to ensure that only acceptable costs as defined by the Urban Highway Manual are performed on the streets.

***Management Response (Unaudited):***

The auditee concurs with the recommendation.