



CITY OF COLONIAL HEIGHTS, VIRGINIA



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
ENDING JUNE 30, 2013**

CITY OF COLONIAL HEIGHTS, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2013



Prepared by the Department of Financial Administration

William E. Johnson
Director of Finance

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INTRODUCTORY SECTION

CITY OF COLONIAL HEIGHTS, VIRGINIA

DIRECTORY OF PRINCIPAL OFFICIALS

June 30, 2013

CITY COUNCIL

C. Scott Davis, Mayor
Diane H. Yates, Vice Mayor
Kenneth B. Frenier
W. Joe Green, Jr.
T. Gregory Kochuba
Milton E. Freeland, Jr.
John T. Wood

OTHER OFFICIALS

Thomas L. Mattis.....City Manager
Hugh P. Fisher, IIICity Attorney
Pamela B. WallaceCity 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

INDEPENDENT AUDITORS

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



Government Finance Officers Association

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

Presented to

**City of Colonial Heights
Virginia**

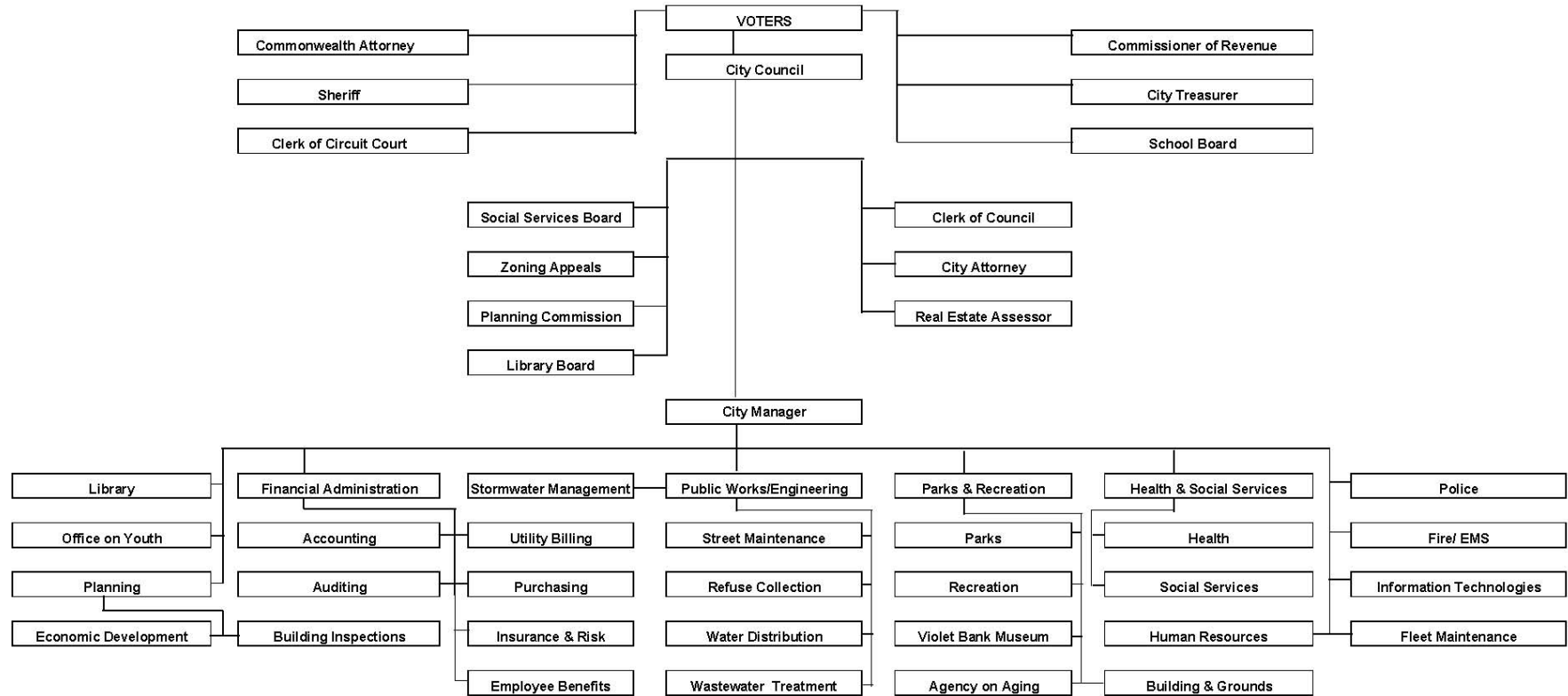
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

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

Executive Director/CEO

CITY OF COLONIAL HEIGHTS, VIRGINIA ORGANIZATIONAL CHART





CITY OF COLONIAL HEIGHTS

Thomas L. Mattis
City Manager

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

William E. Johnson
Director of Finance

November 8, 2013

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, 2013, 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, LLP, 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, 2013, 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 the U.S. Office of Management and Budget's Circular A-133 (*Audits of States, Local Governments, and Non-Profit Organizations*). 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, with a land area of 8.14 square miles, is located in southeastern Virginia. The City is strategically located on Interstate 95 near its intersection with interstates, 185 and 164, 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 deepwater terminal is approximately 15 miles north and the ports at Hampton Roads are some 80 miles to the southeast.

The population of the City is estimated at 17,411 as projected by the Virginia Employment Commission. The City is part of the Richmond Tri-Cities Metropolitan Statistical Area and as such has immediate access to the area's dynamic business complex. Richmond is a center for manufacturing, distribution and trade. State and Federal offices are located in Richmond and the area houses numerous corporate headquarters.

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

The City has a civilian labor force of 8,911 and an unemployment rate of 7.3%. The surrounding labor pool consists of tens of thousands of workers representing the entire spectrum of occupational groups and training opportunities in the area are abundant.

The City's goal is to promote development and expansion of a diversified business base to enhance the quality and standard of living through expanded job opportunities and tax base.

The City has seen 2.4 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 and office seekers. The City currently has seen an additional hotel completed. This area has lost several car dealerships with the past automotive contraction, but this area is showing continued interest to absorb these closures with additional planned retail businesses. Transportation access and diversity have been two key elements of the area's sustained success. The expansion of Fort Lee continues to reduce the City's exposure to economic downturns. The City's older retail areas along the US1/301 corridor continue to benefit from the increased exposure of the City's regional emphasis.

The City's Capital Improvement Program is centered on infrastructure improvements to update or expand the current services. Other major projects include the replacement of the current courts building, 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 while shifting focus to increasing and enhancing service wherever possible. This included a funding increase in operating capital equipment and an increase in full-time employee's base salaries that was effective October 1, 2011. 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. Due to economic conditions, one percent of this excess was utilized in the Fiscal Year 2010 and again in the Fiscal Year 2011 budget preparations. Normal operations only required the partial use of these reserves in 2010 and none in Fiscal Year 2011. No reserves were utilized in the preparation of the Fiscal Year 2012 or later budgets, and prior levels of unassigned fund balance have been re-established.

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, 2013.

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. Policies were updated to include new provisions/definitions required by the adoption of GASB 54. 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 \$166,417,662, but has currently utilized 22.26% of its debt obligatory capacity.

Long-term liabilities, excluding notes payable, compensated absences, retirement incentive programs and environmental liabilities, for all funds of the primary government as of June 30, 2013, totaled \$37,045,000, of which \$798,446 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 Capital Improvements Program. Submitted projects are evaluated on a rating system using eleven criteria for funding recommendation. This annual rating by administrative staff 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 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, 2012. 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 33 consecutive years (fiscal years ended 1980 through 2012). 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,

A handwritten signature in black ink, appearing to read "Tom Mattis", with a large, stylized loop at the end.

Thomas L. Mattis
City Manager

A handwritten signature in black ink, appearing to read "William E. Johnson", with a large, stylized loop at the end.

William E. Johnson
Director of Finance

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FINANCIAL SECTION

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, each major fund, and the aggregate remaining fund information of the City of Colonial Heights, Virginia, as of and for the year ended June 30, 2013, 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, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2013, 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, budgetary comparison information, and schedules of funding progress, 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 supplementary information, other supplementary 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The other supplementary information, supplementary 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 supplementary information, supplementary 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 8, 2013 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

Harrisonburg, Virginia
November 8, 2013

**CITY OF COLONIAL HEIGHTS, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013**

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, 2013. 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 \$45,264,048 at June 30, 2013. Of this amount, \$38,896,824 is net investment in capital assets, \$364,421 is restricted for debt service and \$329,699 is restricted for public safety and judicial administrative grants, which results in \$5,673,104 that may be used to meet ongoing obligations to citizens and creditors. 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 \$39,912,125, exclusive of transfers were \$2,529,124 more than the expenses net of program revenues of \$37,383,001.

At June 30, 2013, the City's governmental funds balance sheet reported fund balances of \$16,345,951. Of this amount, \$6,837,232 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, 2013
(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 and liabilities, 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, 2013
(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, 2013 and 2012
(In Millions)**

	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit	
	2013	2012	2013	2012	2013	2012	2013	2012
Current and Other Assets	\$ 32.6	\$ 42.5	\$ 0.8	\$ 1.2	\$33.4	\$ 43.7	\$7.5	\$ 7.1
Capital Assets, net	57.4	45.9	13.4	14.0	70.8	59.9	19.3	19.9
Total Assets	90.0	88.4	14.2	15.2	104.2	103.6	26.8	27.0
Other Liabilities	15.6	14.6	0.3	0.3	15.9	14.9	3.3	3.0
Non-current Liabilities	41.0	43.2	2.0	2.8	43.0	46.0	2.6	2.1
Total Liabilities	56.6	57.8	2.3	3.1	58.9	60.9	5.9	5.1
Net Position								
Net Investment in Capital								
Assets	27.3	22.7	11.6	11.4	38.9	34.1	19.3	19.9
Restricted	0.4	-	0.4	0.4	0.8	0.4	-	-
Unrestricted	5.7	7.9	(0.1)	0.3	5.6	9.3	1.6	2.0
Total Net Position	\$ 33.4	\$ 30.6	\$11.9	\$ 12.1	\$45.3	\$ 42.7	\$20.9	\$ 21.9

The City's combined net position increased from \$42.7 million to \$45.3 million. Net position of the governmental activities increased from \$30.6 million to \$33.4 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 a decrease of \$2.2 million. Net investment in capital assets increased \$4.6 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.

**CITY OF COLONIAL HEIGHTS, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013
(Continued)**

FUND FINANCIAL STATEMENTS (CONTINUED)

Proprietary funds (continued) – The component unit net position reflects an increase in City support due to the established funding agreement with the School Board. The City agreement provides that the School system receive 50.73% of specified revenues. The increase also reflects increased amounts being established for pay-as-you-go infrastructure maintenance.

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

**Summary Statement of Changes in Net Position
Years Ended June 30, 2013 and 2012
(In Millions)**

	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit	
	2013	2012	2013	2012	2013	2012	2013	2012
Revenues:								
Program revenues:								
Charges for services	\$ 6.9	\$ 5.5	\$ 4.5	\$ 5.7	\$ 11.4	\$ 11.2	\$ 0.6	\$ 0.4
Operating grants and contributions	5.0	5.4	-	-	5.0	5.4	14.6	14.8
Capital grants and contributions	2.4	2.8	-	-	2.4	2.8	-	-
General revenues:								
Property taxes	21.5	20.8	-	-	21.5	20.8	-	-
Other local taxes	16.3	15.6	-	-	16.3	15.6	-	-
Payment from other governments	-	-	-	-	-	-	19.3	19.0
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	0.1	0.1	-	-	0.1	0.1	0.1	0.4
Total revenues	<u>54.2</u>	<u>52.2</u>	<u>\$ 4.5</u>	<u>5.7</u>	<u>58.7</u>	<u>57.9</u>	<u>34.6</u>	<u>34.6</u>
Expenses:								
General government	8.5	8.4	-	-	8.5	8.4	-	-
Judicial administration	4.7	4.2	-	-	4.7	4.2	-	-
Public safety	9.0	8.9	-	-	9.0	8.9	-	-
Public works	5.3	4.2	-	-	5.3	4.2	-	-
Health and welfare	0.8	0.6	-	-	0.8	0.6	-	-
Parks, recreation and cultural	2.4	2.3	-	-	2.4	2.3	-	-
Community development	0.5	0.5	-	-	0.5	0.5	-	-
Education	19.3	19.0	-	-	19.3	19.0	35.6	34.3
Interest	1.2	0.9	-	-	1.2	0.9	-	-
Water, sewer, solid waste, and storm water management	-	-	4.4	5.8	4.4	5.8	-	-
Total expenses	<u>51.7</u>	<u>49.0</u>	<u>4.4</u>	<u>5.8</u>	<u>56.1</u>	<u>54.8</u>	<u>35.6</u>	<u>34.3</u>
Change in Net Position Before Transfers	2.5	3.2	0.1	(0.1)	2.6	3.1	(1.0)	0.3
Transfers	0.3	(0.1)	(0.3)	0.1	-	-	-	-
Change in Net Position	2.8	3.1	(0.2)	-	2.6	3.1	(1.0)	0.3
Net Position, beginning	30.6	27.5	12.1	12.1	42.7	39.6	21.9	21.6
Net Position, ending	<u>\$ 33.4</u>	<u>\$ 30.6</u>	<u>\$ 11.9</u>	<u>\$ 12.1</u>	<u>\$ 45.3</u>	<u>\$ 42.7</u>	<u>\$ 20.9</u>	<u>\$ 21.9</u>

**CITY OF COLONIAL HEIGHTS, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013
(Continued)**

FUND FINANCIAL STATEMENTS (CONTINUED)

Proprietary funds (continued) – The property tax classification, which comprised approximately 40% 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 \$17.9 million. The assessed value of real property in the City decreased overall .7% for the calendar year due to new biannual assessment.

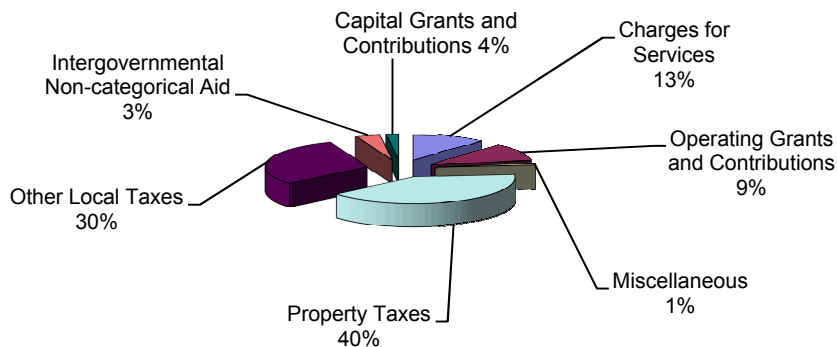
In 1998, the Commonwealth enacted the Personal Property Tax Relief Act (PPTRA). The Commonwealth's share of personal property taxes allocated to the City was 63% of vehicle loan values for the current fiscal year and is included in the intergovernmental category. Personal property tax revenue, including the Commonwealth share, remained \$3.9 million for fiscal year 2013. The net assessed value of taxable personal property decreased \$789,396 million or (.6) % from 2012 to 2013 after an increase of \$3.5 million from 2011 to 2012.

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 30% of total revenues generated for governmental activities.

Operating grants and contributions comprised approximately 9% 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. EMS fees continue to show growth and increased over 7% over past collections after a 10% increase in fiscal year 2012.

Revenue generated for governmental activities is presented below by category:



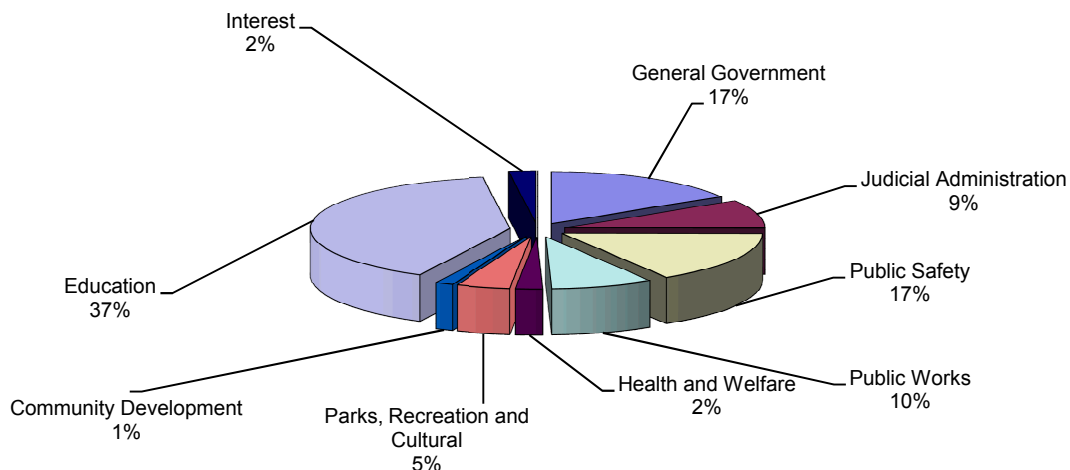
**CITY OF COLONIAL HEIGHTS, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013
(Continued)**

FUND FINANCIAL STATEMENTS (CONTINUED)

Proprietary funds (continued) –Funding, established by the revenue sharing agreement, of \$19.3 million was provided to the City of Colonial Heights School Board to support School operations. This exceeded original budget estimated at \$19.1 million, but within revised estimates.

Public Works and Health and Welfare expenses comprised approximately 10% and 2% respectively, of governmental activities expenses. Expenses for Building Maintenance, Street Paving, and Street Maintenance are included in Public Works category. The City experienced lower than expected energy and incarceration costs and resulted in a higher unexpended balance than traditionally projected. 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, but still under projected total expenses. Employee benefits showed unexpected increase due to a change in traditional employee lapse.

Expenses of the governmental activities are shown by functional area:



The net position of business-type activities decreased \$201,567 during 2013.

The enterprise rate structure was maintained for fiscal year 2013 but was increased 2.5% for Fiscal Year 14. 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 that had previously been funded by General Fund transfers was also maintained at current levels.

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013
(Continued)

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

For the fiscal year ended June 30, 2013, the governmental funds reflect a total fund balance of \$16,345,951. Approximately \$16.3 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 \$10,314,627, while the total fund balance was \$10,384,486. 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 15.6% of the total General Fund expenditures, while total fund balance represents 20.1% of that same amount.

The fund balance of the General Fund reflects an increase of \$112,829 during the current fiscal year. The General Fund began Fiscal Year 2013 with budgeted revenue and expenditure amounts that are equal. This includes \$55,000 transferred to the Capital Projects fund for a one-time capital projects.

Local taxes generated the majority of General Fund revenue, totaling approximately \$37.7 million in fiscal 2013. Increased current collections of food and lodging taxes offset the reduction in personal property collections.

Intergovernmental revenue is the second largest source of General Fund revenues, generating approximately \$6.4 million in fiscal year 2013. 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 a \$454,408 decrease from fiscal year 2012. Decrease is due to \$599,543 in one-time FEMA funds received in Fiscal Year 2012.

CAPITAL PROJECTS FUND HIGHLIGHTS

The Capital Projects Fund reflects the receipt of \$2,450,234 in donations, Federal and State funding for ongoing road and trail projects and transfers of \$55,000 and from the General Fund for matching grant in the river trail project. Project expenditures totaled \$13,780,361 which resulted in a net decrease in fund balances of \$11,330,127 for an ending fund balance of \$5,961,465.

**CITY OF COLONIAL HEIGHTS, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013
(Continued)**

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund revenues were over original budgeted revenues by \$407,407 and over final budgeted revenues by \$201,998 or 0.4%. Reductions in Real Property Taxes and lodging tax revenues were offset by increases in food tax revenues increases. 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. 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 revenues. 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 reflect the first full fiscal year of increased collections.

General Fund expenditures and transfers exceeded the original budget by \$551,075, and were under the final, amended budget by \$173,890 or .3%. During fiscal year 2013, City Council amended the budget to appropriate the awarding of donations and receipt of operational grants.

CAPITAL ASSETS

As of June 30, 2013, the City's capital assets for its governmental and business-type activities amounted to \$70,832,698 (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 increase (additions less retirements and depreciation and amortization) in the City's investment in capital assets for the current fiscal year was \$10,920,122 or 18.2%. This increase is a result of the amount expended to acquire capital assets during the year due greatly to the court house construction and major road modernization projects.

**Summary Statement of
Capital Assets, Net of Accumulated Depreciation and Amortization
June 30, 2013 and 2012
(In Millions)**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land and Easements	\$ 4.7	\$ 4.7	\$ 0.1	\$ 0.1	\$ 4.8	\$ 4.8
Construction in Process	19.9	6.4	-	-	19.9	6.4
Building and Structures	11.9	12.6	1.6	1.7	13.5	14.3
Infrastructure	17.1	17.9	8.0	8.0	25.1	25.9
Equipment and Software	3.8	4.3	0.9	1.0	4.7	5.3
Purchased Capacity	-	-	2.8	3.2	2.8	3.2
Total	<u>\$ 57.4</u>	<u>\$ 45.9</u>	<u>\$ 13.4</u>	<u>\$ 14.0</u>	<u>\$ 70.8</u>	<u>\$ 59.9</u>

The changes in each category of Capital Assets are presented in detail in Note 8 to the Basic Financial Statements.

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

- Courts Building Construction
- Road improvements – Southern End of City
- Fire Apparatus Purchase
- Riverfront Trail Expansion

**CITY OF COLONIAL HEIGHTS, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013
(Continued)**

LONG-TERM DEBT

At June 30, 2013, the City's long-term liabilities, including the landfill obligation, OPEB and not including compensated absences, totaled \$41,255,043 consisting of \$39,351,736 related to governmental activities, and \$1,903,307 related to business-type activities. An obligation relating to the purchase of capacity in the South Central Wastewater Authority is detailed in Notes 8 and 9.

The City maintained ratings of AA, AA- and Aa2 from Fitch Investors Service Inc., Standard & Poor's Rating Service and Moody's Investor Service, respectively.

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 \$37,045,000 is below the legal debt limit of \$166,417,662.

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 9, 10, and 13 to the Basic Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The unemployment rate for the City at June 30, 2013 was 7.3%, compared to a June 30, 2012 rate of 6.9%. This is above the state average of 5.9% and compares favorably with the national average unemployment rate of 8.1%.

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 17,749.

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 2014 General Fund budget increased \$1,656,433 over 2013 amounts that maintained basic current services to the community and current operating capital investments, while absorbing a reduction in Real Estate tax assessment and providing funding for the issued 2012 General Obligation Bonds. The Solid Waste Management Fund was reclassified back into the General Fund and a full year of increased Real Estate and Meal tax rates for the bond issuance are reflected in this budget. The projected revenues for fiscal 2014 are \$52,711,889 or 3.2% greater than fiscal 2013. The projected increase in the major six revenues, minus any rate increases, at budget creation was 1.5% for fiscal 2014. Since its passage, the Commonwealth of Virginia's estimated funding has been increased slightly due to mostly increases in projected street maintenance revenues.

**CITY OF COLONIAL HEIGHTS, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013
(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.

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BASIC FINANCIAL STATEMENTS

CITY OF COLONIAL HEIGHTS, VIRGINIA

STATEMENT OF NET POSITION

June 30, 2013

	Primary Government			Discretely Presented
	Governmental Activities	Business-Type Activities	Totals	Component Unit School Board
ASSETS				
Cash and investments (Note 2)	\$ 8,489,952	\$ 218,597	\$ 8,708,549	\$ 5,659,586
Receivables, net (Note 3)	11,691,016	764,699	12,455,715	69,427
Due from other governments (Note 5)	4,019,263	23,542	4,042,805	1,548,183
Due from primary government	-	-	-	163,868
Internal balances (Note 6)	598,912	(598,912)	-	-
Inventories	61,006	-	61,006	41,576
Prepays	8,853	-	8,853	405
Restricted cash (Note 2)	7,207,335	364,421	7,571,756	-
Bond issue costs, net	483,801	5,612	489,413	-
Capital assets: (Note 8)				
Nondepreciable	24,596,898	136,300	24,733,198	1,090,102
Depreciable, net	32,824,213	13,275,287	46,099,500	18,160,166
Total assets	89,981,249	14,189,546	104,170,795	26,733,313
LIABILITIES				
Accounts payable and other current liabilities	3,320,187	148,927	3,469,114	3,285,541
Due to other governments	21,374	-	21,374	-
Accrued interest	103,911	11,282	115,193	-
Unearned revenue (Note 4)	11,969,096	-	11,969,096	23,844
Customer security deposits	46,278	128,960	175,238	-
Due to component unit	163,868	-	163,868	-
Noncurrent liabilities: (Note 9)				
Due within one year	3,695,630	880,407	4,576,037	45,542
Due in more than one year	37,309,613	1,107,214	38,416,827	2,516,527
Total liabilities	56,629,957	2,276,790	58,906,747	5,871,454
NET POSITION				
Net investment in capital assets	27,289,172	11,607,652	38,896,824	19,250,268
Restricted for debt service	-	364,421	364,421	-
Restricted for public safety and judicial administration grants	329,699	-	329,699	-
Unrestricted	5,732,421	(59,317)	5,673,104	1,611,591
Total net position	\$ 33,351,292	\$ 11,912,756	\$ 45,264,048	\$ 20,861,859

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, 2013

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	\$ 8,513,050	\$ 3,535,056	\$ 840,349	\$ -	\$ (4,137,645)		\$ (4,137,645)	\$ -
Judicial administration	4,654,684	729,979	700,761	-	(3,223,944)		(3,223,944)	-
Public safety	9,019,958	1,261,751	816,261	95,036	(6,846,910)		(6,846,910)	-
Public works	5,340,369	1,224,454	2,290,207	2,318,257	492,549		492,549	-
Health and welfare	758,401	-	-	-	(758,401)		(758,401)	-
Parks, recreation, and cultural	2,388,151	182,759	-	-	(2,205,392)		(2,205,392)	-
Community development	500,588	-	-	-	(500,588)		(500,588)	-
Education	19,296,419	-	323,897	-	(18,972,522)		(18,972,522)	-
Interest	1,230,148	-	-	-	(1,230,148)		(1,230,148)	-
Total governmental activities	51,701,768	6,933,999	4,971,475	2,413,293	(37,383,001)		(37,383,001)	-
Business-type activities:								
Water and sewer	4,197,076	4,144,465	-	-		\$ (52,611)	(52,611)	-
Storm water management	257,289	372,312	-	-		115,023	115,023	-
Total business-type activities	4,454,365	4,516,777	-	-		62,412	62,412	-
Total primary government	\$ 56,156,133	\$ 11,450,776	\$ 4,971,475	\$ 2,413,293	(37,383,001)	62,412	(37,320,589)	-
Discretely Presented Component Unit:								
School Board	\$ 35,569,416	\$ 573,499	\$ 14,599,996	\$ -				(20,395,921)
General revenues:								
Taxes:								
General property taxes					21,512,047	-	21,512,047	-
Other local taxes:								
Local sales and use					7,174,334	-	7,174,334	-
Food and lodging					6,930,069	-	6,930,069	-
Consumer utility and communications sales and use					1,676,201	-	1,676,201	-
Other					529,022	-	529,022	-
Payments from City					-	-	-	19,296,419
Intergovernmental, non-categorical aid					1,758,697	-	1,758,697	-
Use of money and property					233,822	-	233,822	-
Miscellaneous					97,933	-	97,933	102,450
Transfers (Note 7)					263,979	(263,979)	-	-
Total general revenues and transfers					40,176,104	(263,979)	39,912,125	19,398,869
Change in net position					2,793,103	(201,567)	2,591,536	(997,052)
NET POSITION AT JULY 1					30,558,189	12,114,323	42,672,512	21,858,911
NET POSITION AT JUNE 30					\$ 33,351,292	\$ 11,912,756	\$ 45,264,048	\$ 20,861,859

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash and investments	\$ 7,394,963	\$ 1,094,989	\$ 8,489,952
Receivables, net	11,691,016	-	11,691,016
Due from other governments	2,716,895	1,302,368	4,019,263
Due from other funds	598,912	-	598,912
Inventories	61,006	-	61,006
Prepays	8,853	-	8,853
Restricted cash	-	7,207,335	7,207,335
Total assets	<u>\$ 22,471,645</u>	<u>\$ 9,604,692</u>	<u>\$ 32,076,337</u>
LIABILITIES			
Accounts payable and other current liabilities	\$ 963,203	\$ 2,356,984	\$ 3,320,187
Due to other governments	21,374	-	21,374
Due to component unit	163,868	-	163,868
Deferred revenue (Note 4)	10,892,436	1,286,243	12,178,679
Customer security deposits	46,278	-	46,278
Total liabilities	<u>12,087,159</u>	<u>3,643,227</u>	<u>15,730,386</u>
FUND BALANCES (Note 14)			
Nonspendable	69,859	-	69,859
Restricted	329,699	7,207,335	7,537,034
Committed	327,569	-	327,569
Assigned	1,574,257	-	1,574,257
Unassigned	8,083,102	(1,245,870)	6,837,232
Total fund balances	<u>10,384,486</u>	<u>5,961,465</u>	<u>16,345,951</u>
Total liabilities and fund balances	<u>\$ 22,471,645</u>	<u>\$ 9,604,692</u>	<u>\$ 32,076,337</u>

CITY OF COLONIAL HEIGHTS, VIRGINIA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2013**

Total Fund Balance - Governmental Funds		\$ 16,345,951
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	\$ 24,596,898	
Depreciable, net	<u>32,824,213</u>	
		57,421,111
Bond issuance costs are reported as expenditures in the governmental funds, but are amortized over the life of the debt in the Statement of Net Position:		
Issuance costs	787,138	
Accumulated amortization	<u>(303,337)</u>	
		483,801
Certain receivables are not available to pay for current-period expenditures and therefore are deferred in the funds.		
		209,583
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Bonds payable, including unamortized deferred amounts	(37,823,075)	
Landfill post-closure liability	(356,000)	
Compensated absences	(1,653,507)	
Other post-employment benefits	(1,172,661)	
Accrued interest payable	<u>(103,911)</u>	
		<u>(41,109,154)</u>
Total Net Position - Governmental Activities		<u><u>\$ 33,351,292</u></u>

CITY OF COLONIAL HEIGHTS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2013

	General	Capital Projects	Total Governmental Funds
REVENUES			
General property taxes	\$ 21,434,252	\$ -	\$ 21,434,252
Other local taxes	16,309,626	-	16,309,626
Permits, privilege fees, and regulatory licenses	3,633,852	-	3,633,852
Fines and forfeitures	729,979	-	729,979
Charges for services	2,570,168	-	2,570,168
Use of money and property	196,881	36,941	233,822
Miscellaneous	97,933	-	97,933
Reimbursement from School Board	323,897	-	323,897
Intergovernmental	6,406,275	2,413,293	8,819,568
Total revenues	<u>51,702,863</u>	<u>2,450,234</u>	<u>54,153,097</u>
EXPENDITURES			
Current:			
General government	7,722,431	-	7,722,431
Judicial administration	4,595,172	-	4,595,172
Public safety	8,201,249	-	8,201,249
Public works	3,906,864	-	3,906,864
Health and welfare	754,603	-	754,603
Parks, recreation, and cultural	2,056,291	-	2,056,291
Community development	487,155	-	487,155
Education	19,296,419	-	19,296,419
Grants	444,346	-	444,346
Nondepartmental	269,748	-	269,748
Debt service:			
Principal retirement	2,546,199	-	2,546,199
Interest and fiscal charges	1,511,054	-	1,511,054
Capital outlays	-	13,780,361	13,780,361
Total expenditures	<u>51,791,531</u>	<u>13,780,361</u>	<u>65,571,892</u>
Deficiency of revenues over expenditures	<u>(88,668)</u>	<u>(11,330,127)</u>	<u>(11,418,795)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in (Note 7)	256,497	55,000	311,497
Transfers out (Note 7)	(55,000)	-	(55,000)
Total other financing sources (uses)	<u>201,497</u>	<u>55,000</u>	<u>256,497</u>
Net change in fund balance	112,829	(11,275,127)	(11,162,298)
FUND BALANCES AT JULY 1	<u>10,271,657</u>	<u>17,236,592</u>	<u>27,508,249</u>
FUND BALANCES AT JUNE 30	<u>\$ 10,384,486</u>	<u>\$ 5,961,465</u>	<u>\$ 16,345,951</u>

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, 2013

Net Change in Fund Balance - Governmental Funds **\$ (11,162,298)**

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	\$ 14,250,650	
Depreciation expense	<u>(2,709,304)</u>	
		11,541,346

The transfer of capital assets from a non-major enterprise fund to governmental activities does not constitute financial resource.	7,482
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	77,795
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The repayment of the principal of long-term debt consumes current financial resources of governmental funds. However, the transaction has no effect on net position.	2,546,199
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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	(208,295)	
Change in other post-employment benefits	<u>(290,032)</u>	
		(498,327)

Governmental funds report the effect of bond issuance costs, 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 discounts and premiums	147,951	
Amortization of bond issuance costs	(49,569)	
Amortization of gain/loss from refundings	(26,781)	
Change in accrued interest payable	<u>209,305</u>	
		<u>280,906</u>

Change in Net Position - Governmental Activities **\$ 2,793,103**

CITY OF COLONIAL HEIGHTS, VIRGINIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2013

	Business-Type Activities – Enterprise Funds			
	Water and Sewer	Sewer	Nonmajor Proprietary Funds	Totals
ASSETS				
Current assets:				
Cash and investments	\$ -	\$ -	\$ 218,597	\$ 218,597
Receivables, net	694,969	-	69,730	764,699
Due from other governments	23,542	-	-	23,542
Total current assets	718,511	-	288,327	1,006,838
Noncurrent assets:				
Restricted cash	364,421	-	-	364,421
Deferred bond costs, net	5,612	-	-	5,612
Capital assets, net	13,267,440	-	144,147	13,411,587
Total noncurrent assets	13,637,473	-	144,147	13,781,620
Total assets	14,355,984	-	432,474	14,788,458
LIABILITIES				
Current liabilities:				
Accounts payable and other current liabilities	145,122	-	3,805	148,927
Accrued interest	11,282	-	-	11,282
Due to other funds	598,912	-	-	598,912
Customer security deposits	128,960	-	-	128,960
Compensated absences	37,942	-	3,284	41,226
Debt obligations, current	806,623	-	32,558	839,181
Total current liabilities	1,728,841	-	39,647	1,768,488
Noncurrent liabilities:				
Compensated absences	40,392	-	2,696	43,088
Other post-employment benefits	86,778	-	6,982	93,760
Debt obligations	970,366	-	-	970,366
Total noncurrent liabilities	1,097,536	-	9,678	1,107,214
Total liabilities	2,826,377	-	49,325	2,875,702
NET POSITION				
Net investment in capital assets	11,496,063	-	111,589	11,607,652
Restricted for debt service	364,421	-	-	364,421
Unrestricted	(330,877)	-	271,560	(59,317)
Total net position	\$ 11,529,607	\$ -	\$ 383,149	\$ 11,912,756

CITY OF COLONIAL HEIGHTS, VIRGINIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2013

	Business-Type Activities – Enterprise Funds			
	Water and Sewer	Sewer	Nonmajor Proprietary Funds	Totals
OPERATING REVENUES				
Charges for services	\$ 3,959,568	\$ -	\$ 368,829	\$ 4,328,397
Connection fees	129,677	-	-	129,677
Penalties	52,837	-	3,483	56,320
Miscellaneous	2,383	-	-	2,383
Total operating revenues	4,144,465	-	372,312	4,516,777
OPERATING EXPENSES				
Personnel	741,305	-	118,607	859,912
Fringe benefits	388,817	-	6,991	395,808
Utilities	87,686	-	-	87,686
Repairs and maintenance	31,661	-	1,036	32,697
Materials and supplies	105,331	-	4,541	109,872
Sewage treatment costs	1,130,780	-	-	1,130,780
Water purchased for resale	412,489	-	-	412,489
Depreciation and amortization	753,762	-	22,112	775,874
Other charges	468,959	-	101,658	570,617
Total operating expenses	4,120,790	-	254,945	4,375,735
Operating income	23,675	-	117,367	141,042
NONOPERATING EXPENSES				
Interest expense	(76,286)	-	(2,344)	(78,630)
Total nonoperating expenses	(76,286)	-	(2,344)	(78,630)
Income (loss) before transfers	(52,611)	-	115,023	62,412
TRANSFERS IN (Note 7)	8,160,719	-	-	8,160,719
TRANSFERS OUT (Note 7)	-	(8,160,719)	(263,979)	(8,424,698)
Change in net position	8,108,108	(8,160,719)	(148,956)	(201,567)
NET POSITION AT JULY 1	3,421,499	8,160,719	532,105	12,114,323
NET POSITION AT JUNE 30	\$ 11,529,607	\$ -	\$ 383,149	\$ 11,912,756

CITY OF COLONIAL HEIGHTS, VIRGINIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2013

	Business-Type Activities – Enterprise Funds			
	Water and Sewer	Sewer	Nonmajor Proprietary Funds	Totals
OPERATING ACTIVITIES				
Receipts from customers	\$ 4,160,025	\$ -	\$ 370,183	\$ 4,530,208
Receipts from other sources	16,738	-	-	16,738
Payments to suppliers	(2,236,369)	-	(107,256)	(2,343,625)
Payments to employees	(1,094,821)	-	(123,093)	(1,217,914)
Net cash provided by operating activities	845,573	-	139,834	985,407
NONCAPITAL FINANCING ACTIVITIES				
Transfer of cash to close out fund (Note 7)	364,421	(364,421)	(62,897)	(62,897)
Interfund borrowing	167,611	-	-	167,611
Net cash provided by (used in) noncapital financing activities	532,032	(364,421)	(62,897)	104,714
CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(153,527)	-	-	(153,527)
Principal paid	(768,892)	-	(41,932)	(810,824)
Interest paid	(90,765)	-	(2,344)	(93,109)
Net cash used in capital and related financing activities	(1,013,184)	-	(44,276)	(1,057,460)
Net increase (decrease) in cash and cash equivalents	364,421	(364,421)	32,661	32,661
CASH AND CASH EQUIVALENTS				
Beginning at July 1	-	364,421	185,936	550,357
Ending at June 30	\$ 364,421	\$ -	\$ 218,597	\$ 583,018
CASH AND CASH EQUIVALENTS AT END OF YEAR IS COMPRISED OF THE FOLLOWING:				
Cash and investments	\$ -	\$ -	\$ 218,597	\$ 218,597
Restricted cash	364,421	-	-	364,421
Total	\$ 364,421	\$ -	\$ 218,597	\$ 583,018
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	\$ 23,675	\$ -	\$ 117,367	\$ 141,042
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	753,762	-	22,112	775,874
Change in assets and liabilities:				
(Increase) decrease in:				
Receivables, net	9,284	-	(2,129)	7,155
Due from other governments	14,355	-	-	14,355
Increase (decrease) in:				
Accounts payable and other current liabilities	2,575	-	(21)	2,554
Customer deposits	8,659	-	-	8,659
Compensated absences	11,801	-	778	12,579
Other post-employment benefits	21,462	-	1,727	23,189
Net cash provided by operating activities	\$ 845,573	\$ -	\$ 139,834	\$ 985,407

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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 more significant of the City’s 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, 2013

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, 2013

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:

Enterprise Funds. The Water and Sewer Fund 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. Prior to 2013, the Water Fund and Sewer Fund were separate and distinct. City Council combined those funds as of July 2, 2012.

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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, \$724,965 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.

E. Assets, Liabilities, 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, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, and Equity (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 2012 and 2013 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 2013 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, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, and Equity (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.

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 receive 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 fund financial statements for governmental funds, no expenditure is reported for compensated absences until they are paid. Compensated absences earned by employees and charged to proprietary funds are expensed and accrued as a liability of the appropriate fund when incurred.

Long-Term Obligations. Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activity, or proprietary fund type statement of net position. Bond premiums and discounts, gains and losses from refundings, as well as issuance costs, 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 deferred charges and amortized over the term of the related debt.

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, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, and Equity (Continued)

Fund Equity. (Continued)

Council establishes fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. Assigned fund balance is established by Council through adoption or amendment of the budget as intended for 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 fund balance policy sets a minimum 10% of the General Fund budget 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 on a case by case basis, 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 \$277,887 in the general fund and \$12,752,244 in the capital projects fund. These 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 and liabilities. 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. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted net position for public safety and judicial administration represents unspent forfeited assets and fees.

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, and Equity (Continued)

Encumbrances: (Continued)

Net Position. (Continued)

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 statements. 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.

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.

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 2. Deposits and Investments (Continued)

Investments

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

The LGIP is a professionally managed money market fund which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Section 2.2-4605 *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. The 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.

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

	<u>Fair Value</u>
Deposits:	
Demand deposits	\$ 844,119
Cash held by third-party	364,421
Cash on hand	<u>13,400</u>
	1,221,940
Investments:	
Money market funds	20,600
Certificate of deposit	10,065
LGIP	7,820,365
SNAP	<u>7,207,335</u>
Total deposits and investments	<u><u>\$ 16,280,305</u></u>

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 2. Deposits and Investments (Continued)

Investments (Continued)

Exhibit 1 total deposits and investments is composed as follows:

Cash and investments	\$ 8,708,549
Restricted cash	<u>7,571,756</u>
Total deposits and investments	<u><u>\$ 16,280,305</u></u>

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

Deposits:	
Demand deposits	<u><u>\$ 5,659,586</u></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 and Water and Sewer funds have restricted certain cash balances in accordance with debt agreements.

Note 3. Receivables

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

	General Fund	Water and Sewer Fund	Nonmajor Storm Water Management Fund	Component Unit School Board	Total
Taxes	\$ 11,424,322	\$ -	\$ -	\$ -	\$ 11,424,322
Accounts	460,276	769,969	69,730	-	1,299,975
Other	<u>16,301</u>	<u>-</u>	<u>-</u>	<u>69,427</u>	<u>85,728</u>
Gross receivables	11,900,899	769,969	69,730	69,427	12,810,025
Less allowance for uncollectible accounts	<u>(209,883)</u>	<u>(75,000)</u>	<u>-</u>	<u>-</u>	<u>(284,883)</u>
Net receivables	<u><u>\$ 11,691,016</u></u>	<u><u>\$ 694,969</u></u>	<u><u>\$ 69,730</u></u>	<u><u>\$ 69,427</u></u>	<u><u>\$ 12,525,142</u></u>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 3. Receivables (Continued)

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. Deferred and Unearned Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities in the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At year end, the various components of deferred revenue and unearned revenue were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Deferred grant revenue, representing VDOT grant revenue not yet earned (Capital Projects Fund)	\$ 1,286,243	\$ 1,286,243
Deferred property tax revenue, representing uncollected tax billings (General Fund)	10,289,963	10,080,380
Property taxes paid in advance, representing property taxes not yet due (General Fund)	<u>602,473</u>	<u>602,473</u>
Total deferred/unearned revenue	<u>\$ 12,178,679</u>	<u>\$ 11,969,096</u>

Note 5. 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	\$ 217,463	\$ -	\$ -
Highway planning and construction	1,213,587	-	-
Title I	-	-	327,599
Title II	-	-	110,173
IDEA	-	-	598,738
Perkins	-	-	38,841
Commonwealth of Virginia:			
Other aid, grants, and reimbursements	437,183	-	-
Sales tax	1,190,775	-	445,395
PPTRA	960,265	-	-
Chesterfield County	-	12,313	-
Virginia State University	-	11,229	-
Other governments	-	-	27,437
	<u>\$ 4,019,263</u>	<u>\$ 23,542</u>	<u>\$ 1,548,183</u>

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 6. Interfund Obligations

Interfund receivable and payable balances at June 30 are:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General	\$ 598,912	\$ -
Water and Sewer	<u>-</u>	<u>598,912</u>
	<u>\$ 598,912</u>	<u>\$ 598,912</u>

The interfund payable represents past and present operational subsidies received. The interfund payable is not expected to be paid back within one year. It will be paid back over several years as cash flows in the Water and Sewer Fund improve.

Note 7. Interfund Transfers

	<u>Transfer From General Fund</u>	<u>Transfer From Sewer Fund</u>	<u>Transfer From Solid Waste Fund</u>
Transfer to fund:			
General	\$ -	\$ -	\$ 263,979
Capital projects	55,000	-	-
Water	<u>-</u>	<u>8,160,719</u>	<u>-</u>
Total transfers	<u>\$ 55,000</u>	<u>\$ 8,160,719</u>	<u>\$ 263,979</u>

The transfer from the General Fund to the Capital Projects Fund was to transfer grant matching funds in the amount of \$55,000 for the river trail grant.

The transfer from the Sewer Fund to the Water and Sewer Fund was to close the residual balance of the Sewer Fund and consolidate it with the Water Fund.

The transfer from the Solid Waste Fund to the General Fund was to close the residual balance of the Solid Waste Fund and consolidate it with the General Fund. The transfer in the General Fund does not match the transfer in the Solid Waste Fund by \$7,482. This amount represents the net value of capital assets transferred and does not constitute current financial resources; therefore, it is not reported at the fund level.

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 8. Capital Assets

Capital asset activity was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, not depreciated or amortized:					
Land	\$ 2,455,154	\$ -	\$ -	\$ -	\$ 2,455,154
Easements	2,245,247	-	-	-	2,245,247
Construction in progress	6,444,516	13,848,471	(396,490)	-	19,896,497
	<u>11,144,917</u>	<u>13,848,471</u>	<u>(396,490)</u>	<u>-</u>	<u>24,596,898</u>
Capital assets, depreciated and amortized:					
Buildings and structures	20,197,769	-	-	-	20,197,769
Infrastructure	56,543,443	328,379	-	-	56,871,822
Equipment	14,262,405	470,290	(120,609)	8,016	14,620,102
Intangibles	106,615	-	-	-	106,615
	<u>91,110,232</u>	<u>798,669</u>	<u>(120,609)</u>	<u>8,016</u>	<u>91,796,308</u>
Less accumulated depreciation and amortization for:					
Buildings and structures	(7,656,731)	(626,556)	-	-	(8,283,287)
Infrastructure	(38,650,503)	(1,100,197)	-	-	(39,750,700)
Equipment	(10,008,113)	(974,299)	120,609	(534)	(10,862,337)
Intangibles	(67,519)	(8,252)	-	-	(75,771)
	<u>(56,382,866)</u>	<u>(2,709,304)</u>	<u>120,609</u>	<u>(534)</u>	<u>(58,972,095)</u>
Capital assets, depreciated and amortized, net	<u>34,727,366</u>	<u>(1,910,635)</u>	<u>-</u>	<u>7,482</u>	<u>32,824,213</u>
Governmental activities capital assets, net	<u>\$ 45,872,283</u>	<u>\$ 11,937,836</u>	<u>\$ (396,490)</u>	<u>\$ 7,482</u>	<u>\$ 57,421,111</u>

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

Governmental activities:	
General government	\$ 28,573
Judicial administration	14,712
Public safety	754,274
Public works	1,497,923
Health and welfare	3,798
Parks, recreation, and cultural	410,024
	<u>\$ 2,709,304</u>

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 8. Capital Assets (Continued)

Equipment and other capital assets include capitalized leases of \$199,847 with a net book value \$133,231.

Management has determined that capitalization of interest costs in the proprietary fund types is immaterial in relation to total expenses and total proprietary fund capital assets. Accordingly, the City has not capitalized any interest costs.

Business-Type Activities	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, not depreciated or amortized:					
Land	\$ 136,300	\$ -	\$ -	\$ -	\$ 136,300
Construction in progress	11,000	4,485	(15,485)	-	-
	<u>147,300</u>	<u>4,485</u>	<u>(15,485)</u>	<u>-</u>	<u>136,300</u>
Capital assets, depreciated and amortized:					
Land improvements	48,927	-	-	-	48,927
Buildings and structures	3,790,420	-	-	-	3,790,420
Infrastructure	14,229,102	142,528	-	-	14,371,630
Equipment	2,800,876	23,122	-	(8,016)	2,815,982
Intangibles	303,982	-	-	-	303,982
Purchased capacity	9,874,437	-	-	-	9,874,437
	<u>31,047,744</u>	<u>165,650</u>	<u>-</u>	<u>(8,016)</u>	<u>31,205,378</u>
Less accumulated depreciation and amortization for:					
Land improvements	(39,217)	(249)	-	-	(39,466)
Buildings and structures	(2,075,966)	(81,263)	-	-	(2,157,229)
Infrastructure	(6,217,662)	(189,216)	-	-	(6,406,878)
Equipment	(1,923,828)	(79,770)	-	534	(2,003,064)
Intangibles	(183,461)	(30,398)	-	-	(213,859)
Purchased capacity	(6,714,617)	(394,978)	-	-	(7,109,595)
	<u>(17,154,751)</u>	<u>(775,874)</u>	<u>-</u>	<u>534</u>	<u>(17,930,091)</u>
Capital assets, depreciated and amortized, net	<u>13,892,993</u>	<u>(610,224)</u>	<u>-</u>	<u>(7,482)</u>	<u>13,275,287</u>
Business-type activities capital assets, net	<u>\$ 14,040,293</u>	<u>\$ (605,739)</u>	<u>\$ (15,485)</u>	<u>\$ (7,482)</u>	<u>\$ 13,411,587</u>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 8. 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	\$ 753,762
Storm Water	<u>22,112</u>
	<u>\$ 775,874</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.

Component Unit – School Board	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated or amortized:				
Land	\$ 1,090,102	\$ -	\$ -	\$ 1,090,102
Construction in progress	<u>35,222</u>	<u>-</u>	<u>(35,222)</u>	<u>-</u>
	<u>1,125,324</u>	<u>-</u>	<u>(35,222)</u>	<u>1,090,102</u>
Capital assets, depreciated and amortized:				
Buildings and structures	30,703,302	216,930	-	30,920,232
Equipment	4,066,891	99,023	-	4,165,914
Intangibles	<u>12,155</u>	<u>-</u>	<u>-</u>	<u>12,155</u>
	<u>34,782,348</u>	<u>315,953</u>	<u>-</u>	<u>35,098,301</u>
Less accumulated depreciation and amortization for:				
Buildings and structures	(12,771,848)	(738,362)	-	(13,510,210)
Equipment	(3,257,098)	(163,331)	-	(3,420,429)
Intangibles	<u>(5,065)</u>	<u>(2,431)</u>	<u>-</u>	<u>(7,496)</u>
	<u>(16,034,011)</u>	<u>(904,124)</u>	<u>-</u>	<u>(16,938,135)</u>
Capital assets, depreciated and amortized, net	<u>18,748,337</u>	<u>(588,171)</u>	<u>-</u>	<u>18,160,166</u>
School Board capital assets, net	<u>\$ 19,873,661</u>	<u>\$ (588,171)</u>	<u>\$ (35,222)</u>	<u>\$ 19,250,268</u>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 9. Long-Term Obligations

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

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
General obligation bonds	\$ 38,792,753	\$ -	\$ (2,546,199)	\$ 36,246,554	\$ 2,837,437
Less deferred amounts:					
Issuance premium	1,858,378	-	(147,951)	1,710,427	-
Loss on refunding	(160,687)	-	26,781	(133,906)	-
Landfill post-closure liability	356,000	-	-	356,000	-
	<u>40,846,444</u>	<u>-</u>	<u>(2,667,369)</u>	<u>38,179,075</u>	<u>2,837,437</u>
Compensated absences	1,445,212	874,684	(666,389)	1,653,507	858,193
Other post-employment benefits	882,629	394,233	(104,201)	1,172,661	-
	<u>\$ 43,174,285</u>	<u>\$ 1,268,917</u>	<u>\$ (3,437,959)</u>	<u>\$ 41,005,243</u>	<u>\$ 3,695,630</u>

Business-Type Activities

General obligation bonds	\$ 957,247	\$ -	\$ (158,801)	\$ 798,446	\$ 167,563
Capital lease payable	74,490	-	(41,932)	32,558	32,558
Obligations payable - SCWA	1,582,751	-	(616,054)	966,697	639,060
Less deferred amounts:					
Issuance premium	29,246	-	(4,874)	24,372	-
Loss on refunding	(15,031)	-	2,505	(12,526)	-
	<u>2,628,703</u>	<u>-</u>	<u>(819,156)</u>	<u>1,809,547</u>	<u>839,181</u>
Compensated absences	71,735	50,875	(38,296)	84,314	41,226
Other post-employment benefits	70,571	31,521	(8,332)	93,760	-
	<u>\$ 2,771,009</u>	<u>\$ 82,396</u>	<u>\$ (865,784)</u>	<u>\$ 1,987,621</u>	<u>\$ 880,407</u>

Component Unit – School Board

Compensated absences	\$ 756,488	\$ 429,796	\$ (275,437)	\$ 910,847	\$ 45,542
Other post-employment benefits	1,320,629	695,127	(364,534)	1,651,222	-
	<u>\$ 2,077,117</u>	<u>\$ 1,124,923</u>	<u>\$ (639,971)</u>	<u>\$ 2,562,069</u>	<u>\$ 45,542</u>

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.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 9. Long-Term Liabilities (Continued)

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 2004	2004	3.00-3.75	\$ 3,430,000
Series 2007	2007	4.00	7,985,000
Series 2010	2010	2.00-4.00	4,405,000
Series 2012	2012	2.50-4.00	<u>21,225,000</u>
Total general obligation bonds			<u>\$ 37,045,000</u>
Capital lease payable:			
Storm water truck	2002	3.98%	<u>\$ 32,558</u>
Obligations payable:			
SCWA (for purchased capacity)	2003	3.70%	<u>\$ 966,697</u>

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 9. Long-Term Liabilities (Continued)

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

Fiscal Year Ending	General Obligation Bonds			
	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 2,837,437	\$ 1,217,798	\$ 167,563	\$ 24,965
2015	2,600,487	1,127,548	139,513	19,881
2016	2,695,670	1,040,211	144,330	15,159
2017	2,320,146	953,986	104,854	10,664
2018	2,378,700	873,655	116,300	6,860
2019-2023	8,956,894	3,319,250	125,886	4,849
2024-2028	8,870,000	1,679,200	-	-
2029-2032	5,587,220	425,100	-	-
	<u>\$ 36,246,554</u>	<u>\$ 10,636,748</u>	<u>\$ 798,446</u>	<u>\$ 82,378</u>
Fiscal Year Ending	Capital Lease Payable		Obligation Payable – SCWA	
	Business-Type Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 32,558	650	639,060	29,911
2015	-	-	327,637	6,061
	<u>\$ 32,558</u>	<u>\$ 650</u>	<u>\$ 966,697</u>	<u>\$ 35,972</u>

Prior Year Defeasance of Debt

In 2012, 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, \$3,970,000 of these bonds remains outstanding.

Note 10. 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 postclosure 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.

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 10. Environmental Liabilities (Continued)

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.

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

Note 11. Commitments and Contingent Liabilities

Contingent Liabilities: Various claims and lawsuits are pending against the City. In the opinion of the City management, resolution of these cases would not involve a substantial liability for the City.

The City participates in a number of federally assisted grant programs. Although the City has been audited in accordance with the provisions of OMB Circular A-133, 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 approximately \$10,500,000 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, educational facilities, and streets and bridges. This includes construction of a new courthouse, 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 \$181,000.

Note 12. Defined Benefit Pension Plan

Plan Description

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Administering Entity: Virginia Retirement System (System)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 12. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

The City and School Board contribute to the Virginia Retirement System (VRS), an agent and cost sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (the "System"). All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

VRS administers two defined benefit plans for local government employees – Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least five years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. 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 for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 12. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 3.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS Web site at <http://www.varetire.org/PDF/Publications/2012-Annual-Report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period of up to five years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the City and the School Board are required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. For 2013, the contribution rate for the City was 16.80%; for the School Board's professional employees 11.66% and for the School Board's non-professional employees 10.33% of the annual covered payroll.

For 2013, 2012, and 2011, total employer and employee contributions made to the VRS statewide teacher cost-sharing pool for professional employees by the School Board were \$2,956,379, \$2,003,838, and \$1,583,810, respectively, and were equal to 100% of the required contribution for professional employees for each year.

Annual Pension Cost

For the fiscal year ended June 30, 2013, the City and the School Board's annual pension costs were equal to the required and actual contributions.

Three-year trend information for the City is as follows:

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage Of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2013	\$ 2,098,674	100%	\$ -
June 30, 2012	2,119,379	100%	-
June 30, 2011	2,090,751	100%	-

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 12. Defined Benefit Pension Plan (Continued)

Annual Pension Cost (Continued)

Three-year trend information for the Component Unit – School Board non-professional employees, is as follows:

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage Of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2013	\$ 179,758	100%	\$ -
June 30, 2012	147,795	100%	-
June 30, 2011	144,588	100%	-

The FY 2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% per year for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases also include an inflation component of 2.50%. The actuarial value of the City and School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The City and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the City's plan was 68.42% funded. The actuarial accrued liability for benefits was \$61,189,712, and the actuarial value of assets was \$41,865,700, resulting in an unfunded actuarial accrued liability (UAAL) of \$19,324,012. The covered payroll (annual payroll of active employees covered by the plan) was \$11,751,917, and the ratio of the UAAL to the covered payroll was 164.43%.

At June 30, 2012, the most recent actuarial valuation date, the plan for the School Board's non-professional employees was 77.78% funded. The actuarial accrued liability for benefits was \$4,624,589, and the actuarial value of assets was \$3,596,870, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,027,719. The covered payroll (annual payroll of active employees covered by the plan) was \$1,142,241, and the ratio of the UAAL to the covered payroll was 89.97%.

The Schedule of Funding Progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 13. 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.

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, 2011. 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 \$112,533 and the annual benefit cost is \$425,754. The percentage of annual OPEB cost contributed is 26.43%. The estimated pay as you go cost for OPEB benefits for the School Board's plan is \$364,534 and the annual benefit cost is \$695,127. The percentage of OPEB cost contributed is 52.44%.

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 13. Other Post-employment Benefits

Annual OPEB Cost and Net OPEB Obligation (Continued)

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)	\$ 427,354	\$ 697,286
Interest on net OPEB obligation	38,100	52,825
Adjustment to annual required contribution	<u>(39,700)</u>	<u>(54,984)</u>
Annual OPEB cost	425,754	695,127
Estimated contributions made	<u>(112,533)</u>	<u>(364,534)</u>
Increase in net OPEB obligation	313,221	330,593
Net OPEB obligation, beginning of year	<u>953,200</u>	<u>1,320,629</u>
Net OPEB obligation, end of year	<u><u>\$ 1,266,421</u></u>	<u><u>\$ 1,651,222</u></u>

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 13. Other Post-employment Benefits (Continued)

City:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	\$ 425,754	26.43%	\$ 1,266,421
June 30, 2012	403,043	22.87%	953,200
June 30, 2011	311,670	28.85%	642,348

School Board:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	\$ 695,127	52.44%	\$ 1,651,222
June 30, 2012	668,173	49.46%	1,320,629
June 30, 2011	730,800	58.70%	982,911

Funding Status and Funding Progress

As of July 1, 2011, 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 \$3,476,123 for the City's plan and a UAAL of \$7,746,438 for the School Board's plan.

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, 2013

Note 13. 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 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 14. 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>General Fund</u>	<u>Capital Projects Fund</u>
Nonspendable:		
Inventories	\$ 61,006	\$ -
Prepays	8,853	-
	<u>69,859</u>	<u>-</u>
Restricted:		
Judicial administration	249,750	7,207,335
Public safety	79,949	-
Total restricted	<u>329,699</u>	<u>7,207,335</u>
Committed:		
General government	32,151	-
Judicial administration	90,703	-
Public safety	60,883	-
Public works	117,402	-
Parks, recreation and cultural	21,590	-
Community development	2,980	-
Nondepartmental	1,860	-
Total committed	<u>327,569</u>	<u>-</u>
Assigned:		
General government	278,793	-
Judicial administration	2,050	-
Public safety	93,713	-
Public works	880,839	-
Parks, recreation and cultural	318,862	-
Total assigned	<u>1,574,257</u>	<u>-</u>
Unassigned	<u>8,083,102</u>	<u>(1,245,870)</u>
Total fund balance	<u><u>\$ 10,384,486</u></u>	<u><u>\$ 5,961,465</u></u>

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 15. 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.

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 United Heartland.

Note 16. 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.

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 16. Jointly Governed Organizations (Continued)

Riverside Regional Jail Authority: (Continued)

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 2013 was approximately \$2,605,000.

Complete financial statements for the Jail Authority can be obtained from the Jail Authority at 1000 River Road, P.O. Box 1041, Hopewell, 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 2013 was approximately \$412,000. Complete financial statements for the Authority can be obtained from the Authority's office at 21300 Chesdin Road, Petersburg, Virginia 23803.

South Central Wastewater Authority (SCWWA):

The Authority was created on July 2, 1996, and currently provides wastewater treatment to the Cities of Colonial Heights and Petersburg, the Counties of Chesterfield and Prince George and the Dinwiddie County Water Authority. The City has 4.0 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 8. The City's cost of wastewater treatment for 2013 excluding debt service was approximately \$1,130,000. 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 2013 contribution requirement and direct payments for special projects totaled approximately \$788,000. Complete financial statements for the Authority can be obtained from the Authority's office at 2100 W. Laburnum Ave., Suite 105, Richmond, Virginia 23227.

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 16. Jointly Governed Organizations (Continued)

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 \$28,000 to ABIDCO during 2013.

Note 17. 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.

Note 18. New Accounting Standards

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

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes standards for reclassification of certain item as deferred outflows and inflows of resources that were previously reported as assets and liabilities. The standard limits the items that should be reported as deferred outflows and inflows of resources to items specifically identified in authoritative pronouncements. Additionally, the standard requires that debt issuance costs be recognized as an expense in the period incurred except any portion related to prepaid insurance costs. Prospective application is required. The Statement will be effective for the year ending June 30, 2014.

GASB Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, was issued to resolve conflicting guidance that resulted from the issuance of two pronouncements. The Statement amends *GASB Statement No. 10* by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. The fund classification should be determined based on the nature of the activity to be reported. The Statement also amends *GASB Statement No. 62* by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a normal servicing fee rate. The Statement will be effective for the year ending June 30, 2014.

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 18. New Accounting Standards (Continued)

GASB Statement No. 67, *Financial Reporting for Pension Plans* replaces the requirements of *GASB Statements No. 25 and No. 50* as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. The Statement enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. The Statement also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial Statements and in 10-year RSI schedules. This Statement will be effective for the year ending June 30, 2014.

GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans* replaces the requirements of *GASB Statements No. 27 and No. 50* as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. The Statement requires governments providing defined benefit pensions to recognize the long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information, including disclosing descriptive information about the types of benefits provided, how contributions to the pension plan are determined, and assumptions and methods used to calculate the pension liability. This Statement will be effective for the year ending June 30, 2015.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* was issued to provide governmental guidance on governmental combinations and disposals of governmental operations that does not conflict with *GASB Statement No. 34*. The objective of this Statement is to improve financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. A disposal of a government's operations results in the removal of specific activities of a government. This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial Statement users to evaluate the nature and financial effects of those transactions. This Statement will be effective for the year ending June 30, 2015.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* was issued to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. This Statement also provides guidance on the accounting for the government if they are the obligor in the transaction and on intra-entity nonexchange financial guarantees involving blended component units. This Statement specifies the information required to be disclosed by governments that extend or receive nonexchange financial guarantees. This Statement will be effective for the year ending June 30, 2014.

Management has not yet evaluated the effects, if any, of adopting these standards.

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 19. Subsequent Event

The School Board entered into a lease purchase agreement for school buses on August 1, 2013. The total cost of this contract is \$272,877 with an interest rate of 3.50% to be paid in three annual installments starting on the date the agreement was signed.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COLONIAL HEIGHTS, VIRGINIA

SCHEDULES OF FUNDING PROGRESS
Year Ended June 30, 2013

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
			Unfunded			
			Actuarial			
			Accrued			
			Liability			
			(UAAL)			
Actuarial	Actuarial	Actuarial		Funded	Covered	UAAL as a
Valuation Date	Value of Assets	Accrued Liability (AAL)		Ratio	Payroll	Percentage of
						Covered Payroll
VIRGINIA RETIREMENT SYSTEM						
A. City:						
June 30, 2010	\$ 40,385,200	\$ 55,723,444	\$ 15,338,244	72.47%	\$ 11,591,345	132.32%
June 30, 2011	\$ 41,493,164	\$ 58,323,930	\$ 16,830,766	71.14%	\$ 11,528,726	145.99%
June 30, 2012	\$ 41,865,700	\$ 61,189,712	\$ 19,324,012	68.42%	\$ 11,751,917	164.43%
B. School Board:						
June 30, 2010	\$ 3,643,476	\$ 4,308,209	\$ 664,733	84.57%	\$ 1,110,847	59.84%
June 30, 2011	\$ 3,654,218	\$ 4,350,069	\$ 695,851	84.00%	\$ 1,136,440	61.23%
June 30, 2012	\$ 3,596,870	\$ 4,624,589	\$ 1,027,719	77.78%	\$ 1,142,241	89.97%
OTHER POST-EMPLOYMENT BENEFITS						
A. City:						
July 1, 2009	\$ -	\$ 2,765,044	\$ 2,765,044	0.00%	\$ 11,145,672	24.81%
July 1, 2011	\$ -	\$ 3,476,123	\$ 3,476,123	0.00%	\$ 11,528,726	30.15%
B. School Board:						
July 1, 2009	\$ -	\$ 8,699,403	\$ 8,699,403	0.00%	\$ 21,181,247	41.07%
July 1, 2011	\$ -	\$ 7,746,438	\$ 7,746,438	0.00%	\$ 18,437,990	42.01%

CITY OF COLONIAL HEIGHTS, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND**

Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Revenue from local sources:				
General property taxes:				
Real property	\$ 17,644,960	\$ 17,644,960	\$ 17,874,430	\$ 229,470
Real and personal public service corporation property	392,942	392,942	413,770	20,828
Personal property	2,376,522	2,376,522	2,175,776	(200,746)
Delinquent	809,726	809,726	809,919	193
Penalties and interest	205,000	205,000	160,357	(44,643)
Total general property taxes	21,429,150	21,429,150	21,434,252	5,102
Other local taxes:				
Communication sales and use	725,000	725,000	712,132	(12,868)
Food and lodging	7,109,326	7,109,326	6,930,069	(179,257)
Consumer utility	975,000	975,000	964,068	(10,932)
Bank stock	315,000	315,000	282,070	(32,930)
Local option sales and use	7,205,239	7,205,239	7,174,335	(30,904)
Recordation	180,000	180,000	246,952	66,952
Total other local taxes	16,509,565	16,509,565	16,309,626	(199,939)
Permits, fees, and licenses:				
Business and occupational licenses	2,961,341	2,961,341	2,974,529	13,188
Motor vehicle licenses	380,000	380,000	463,987	83,987
Zoning and construction permits	91,000	91,000	99,361	8,361
Other fees	96,825	96,825	95,975	(850)
Total permits, fees, and licenses	3,529,166	3,529,166	3,633,852	104,686
Fines and forfeitures	718,000	718,000	729,979	11,979
Charges for services:				
Refuse collection fees	1,146,800	1,146,800	1,125,094	(21,706)
Recreation use charges and fees	257,000	257,000	182,759	(74,241)
Administrative	1,091,175	1,091,175	1,228,667	137,492
Other	13,500	13,500	33,648	20,148
Total charges for services	2,508,475	2,508,475	2,570,168	61,693
Use of money and property:				
Interest	15,000	15,000	2,722	(12,278)
Rental of property	125,000	125,000	157,242	32,242
Sale of commodities and property	17,000	17,000	36,917	19,917
Total use of money and property	157,000	157,000	196,881	39,881
Miscellaneous	19,600	52,328	97,933	45,605
Reimbursement from School Board	315,693	315,693	323,897	8,204
Total revenue from local sources	45,186,649	45,219,377	45,296,588	77,211

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND**

Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues (Continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Personal property tax relief	\$ 1,753,369	\$ 1,753,369	\$ 1,753,369	\$ -
Rolling stock tax	4,160	3,643	5,328	1,685
Total non-categorical aid	1,757,529	1,757,012	1,758,697	1,685
Categorical aid:				
Commissioner of Revenue	81,612	81,841	79,908	(1,933)
Treasurer	77,525	77,713	74,556	(3,157)
Circuit Court	243,799	227,211	267,129	39,918
Sheriff	275,000	275,853	275,584	(269)
Commonwealth’s attorney	418,083	438,152	433,632	(4,520)
Law enforcement	498,000	535,675	535,673	(2)
Street construction and maintenance	2,247,322	2,290,207	2,290,207	-
Other	367,858	425,329	478,892	53,563
Total categorical aid	4,209,199	4,351,981	4,435,581	83,600
Total revenue from the Commonwealth	5,966,728	6,108,993	6,194,278	85,285
Revenue from federal government:				
Categorical aid	142,079	172,495	211,997	39,502
Total intergovernmental	6,108,807	6,281,488	6,406,275	124,787
Total revenue	\$ 51,295,456	\$ 51,500,865	\$ 51,702,863	\$ 201,998
Expenditures				
General government:				
City council	\$ 72,324	\$ 72,508	\$ 67,470	\$ 5,038
Clerk of council	65,749	68,427	44,113	24,314
City manager	203,126	220,491	218,328	2,163
Human resources	96,879	100,517	94,014	6,503
City attorney	205,536	208,717	202,025	6,692
Real estate assessor	127,585	132,733	134,837	(2,104)
Commissioner of the revenue	195,256	203,426	194,302	9,124
Treasurer	241,481	250,913	245,568	5,345
Finance	484,952	507,135	503,296	3,839
Information technologies	172,061	194,489	168,700	25,789
Auditing	134,262	136,840	125,927	10,913
Purchasing	142,811	168,682	114,807	53,875
Insurance and risk management	548,400	548,400	510,124	38,276
Employee benefits	5,395,472	4,836,728	4,968,431	(131,703)
Board of elections	25,312	25,391	23,640	1,751
Registrar	104,289	108,112	106,849	1,263
Total general government	8,215,495	7,783,509	7,722,431	61,078

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND**

Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Continued)				
Judicial administration:				
Circuit courts	\$ 390,411	\$ 406,186	\$ 399,995	\$ 6,191
General district court	85,920	86,550	90,918	(4,368)
Probation	6,100	6,100	5,743	357
Commonwealth's attorney	509,242	534,334	540,292	(5,958)
Sheriff	577,668	606,496	560,618	45,878
Incarceration	2,450,500	2,550,944	2,844,110	(293,166)
Community correction services	98,800	98,800	98,800	-
Community diversion services	58,800	58,800	54,696	4,104
Total judicial administration	4,177,441	4,348,210	4,595,172	(246,962)
Public safety:				
Bureau of police	3,552,225	3,927,271	3,990,317	(63,046)
Bureau of fire	2,887,547	3,057,146	3,016,655	40,491
Emergency preparedness	43,675	57,643	58,891	(1,248)
Communications	1,072,657	1,159,374	1,135,386	23,988
Total public safety	7,556,104	8,201,434	8,201,249	185
Public works:				
Adminstration	225,242	235,810	236,265	(455)
Horticultutre	77,800	79,625	73,091	6,534
Engineering division	658,310	695,578	672,574	23,004
Street maintenance	1,242,367	1,384,099	1,259,215	124,884
Building maintenance	498,119	520,282	513,445	6,837
Fleet maintenance	260,215	271,951	259,554	12,397
Solid waste	621,848	621,848	612,644	9,204
Recycling	277,111	277,111	280,076	(2,965)
Toal public works	3,861,012	4,086,304	3,906,864	179,440
Health and welfare:				
Health	181,058	181,058	181,058	-
Welfare	325,050	275,050	303,491	(28,441)
Comprehensive services	150,000	300,000	270,054	29,946
Total heath and welfare	656,108	756,108	754,603	1,505
Parks, recreation, and cultural:				
Parks and recreation	476,814	493,227	453,878	39,349
Parks and grounds	497,169	526,774	505,794	20,980
Agency on aging	261,950	291,524	252,602	38,922
Violet bank museum	85,207	89,472	73,120	16,352
Library	590,054	624,477	620,531	3,946
Recreation trips and classes	240,000	240,000	150,366	89,634
Total parks, recreation, and cultural	2,151,194	2,265,474	2,056,291	209,183

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND**

Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures: (Continued)				
Community development:				
Planning	\$ 172,898	\$ 195,501	\$ 184,784	\$ 10,717
Building inspections	213,511	222,843	214,342	8,501
Industrial development	87,000	87,000	88,029	(1,029)
Total community development	473,409	505,344	487,155	18,189
Education:				
Payments to School Board	19,132,551	19,132,551	19,296,419	(163,868)
Grants:				
Office of youth	135,323	145,480	140,503	4,977
Better beginnings	2,600	2,600	1,591	1,009
Juvenile crime	124,650	128,616	137,679	(9,063)
Victim witness	70,968	73,126	68,832	4,294
CDBG	69,234	69,234	69,239	(5)
Kids after school program	28,600	28,600	26,502	2,098
Total grants	431,375	447,656	444,346	3,310
Nondepartmental:				
Contributions and subsidies	204,790	204,790	179,118	25,672
Contingencies and miscellaneous	316,500	146,564	90,630	55,934
Total nondepartmental	521,290	351,354	269,748	81,606
Debt service:				
Principal retirement	2,546,199	2,546,199	2,546,199	-
Interest and fiscal charges	1,508,278	1,508,278	1,508,279	(1)
Bond issuance costs	10,000	33,000	2,775	30,225
Total debt service	4,064,477	4,087,477	4,057,253	30,224
Total expenditures	51,240,456	51,965,421	51,791,531	173,890
Excess of revenues over (under) expenditures	55,000	(464,556)	(88,668)	375,888
Other financing source (uses):				
Transfers in	-	-	256,497	256,497
Transfers out	(55,000)	(55,000)	(55,000)	-
Total other financing sources (uses)	(55,000)	(55,000)	201,497	256,497
Net change in fund balance	\$ -	\$ (519,556)	\$ 112,829	\$ 632,385

CITY OF COLONIAL HEIGHTS, VIRGINIA
COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
June 30, 2013

	<u>Solid Waste</u>	<u>Storm Water Management</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash and investments	\$ -	\$ 218,597	\$ 218,597
Receivables, net	-	69,730	69,730
Total current assets	-	288,327	288,327
Noncurrent assets:			
Capital assets, net	-	144,147	144,147
Total assets	-	432,474	432,474
LIABILITIES			
Current liabilities:			
Accounts payable and other current liabilities	-	3,805	3,805
Compensated absences	-	3,284	3,284
Debt obligations, current	-	32,558	32,558
Total current liabilities	-	39,647	39,647
Noncurrent liabilities:			
Compensated absences	-	2,696	2,696
Other post-employment benefits	-	6,982	6,982
Total noncurrent liabilities	-	9,678	9,678
Total liabilities	-	49,325	49,325
NET POSITION			
Net investment in capital assets	-	111,589	111,589
Unrestricted	-	271,560	271,560
Total net position	\$ -	\$ 383,149	\$ 383,149

CITY OF COLONIAL HEIGHTS, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
NONMAJOR PROPRIETARY FUNDS
Year Ended June 30, 2013

	<u>Solid Waste</u>	<u>Storm Water Management</u>	<u>Totals</u>
OPERATING REVENUES			
Charges for services	\$ -	\$ 368,829	\$ 368,829
Penalties	-	3,483	3,483
Total operating revenues	-	372,312	372,312
OPERATING EXPENSES			
Personnel	-	118,607	118,607
Fringe benefits	-	6,991	6,991
Repairs and maintenance	-	1,036	1,036
Materials and supplies	-	4,541	4,541
Depreciation and amortization	-	22,112	22,112
Other charges	-	101,658	101,658
Total operating expenses	-	254,945	254,945
Operating income	-	117,367	117,367
NONOPERATING EXPENSE			
Interest expense	-	(2,344)	(2,344)
Total nonoperating expense	-	(2,344)	(2,344)
Income before transfers	-	115,023	115,023
TRANSFERS OUT	(263,979)	-	(263,979)
Change in net position	(263,979)	115,023	(148,956)
NET POSITION AT JULY 1	263,979	268,126	532,105
NET POSITION AT JUNE 30	\$ -	\$ 383,149	\$ 383,149

CITY OF COLONIAL HEIGHTS, VIRGINIA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
Year Ended June 30, 2013

	<u>Solid Waste</u>	<u>Storm Water Management</u>	<u>Totals</u>
OPERATING ACTIVITIES			
Receipts from customers	\$ -	\$ 370,183	\$ 370,183
Payments to suppliers	-	(107,256)	(107,256)
Payments to employees	-	(123,093)	(123,093)
Net cash provided by operating activities	<u>-</u>	<u>139,834</u>	<u>139,834</u>
NONCAPITAL FINANCING ACTIVITIES			
Transfer of cash to close out fund	<u>(62,897)</u>	<u>-</u>	<u>(62,897)</u>
Net cash used in noncapital financing activities	<u>(62,897)</u>	<u>-</u>	<u>(62,897)</u>
CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid	-	(41,932)	(41,932)
Interest paid	<u>-</u>	<u>(2,344)</u>	<u>(2,344)</u>
Net cash used in capital and related financing activities	<u>-</u>	<u>(44,276)</u>	<u>(44,276)</u>
Net increase (decrease) in cash and cash equivalents	(62,897)	95,558	32,661
CASH AND CASH EQUIVALENTS			
Beginning	<u>62,897</u>	<u>123,039</u>	<u>185,936</u>
Ending	<u>\$ -</u>	<u>\$ 218,597</u>	<u>\$ 218,597</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ -	\$ 117,367	\$ 117,367
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	-	22,112	22,112
Change in assets and liabilities:			
(Increase) in:			
Receivables, net	-	(2,129)	(2,129)
Increase (decrease) in:			
Accounts payable and other current liabilities	-	(21)	(21)
Compensated absences	-	778	778
Other post-employment benefits	<u>-</u>	<u>1,727</u>	<u>1,727</u>
Net cash provided by operating activities	<u>\$ -</u>	<u>\$ 139,834</u>	<u>\$ 139,834</u>

EXHIBIT 15

CITY OF COLONIAL HEIGHTS, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUND
June 30, 2013

	School Operating Fund
ASSETS	
Cash and investments	\$ 5,659,586
Receivables, net	69,427
Due from other governments	1,548,183
Due from primary government	163,868
Inventories	41,576
Prepays	405
Total assets	<u>\$ 7,483,045</u>
LIABILITIES	
Accounts payable and other current liabilities	\$ 3,285,541
Deferred revenue	23,844
Total liabilities	<u>3,309,385</u>
FUND BALANCE	
Nonspendable	41,981
Committed	772,610
Assigned	3,359,069
Total fund balance	<u>4,173,660</u>
Total liabilities and fund balance	<u>\$ 7,483,045</u>
Adjustments for the Statement of Net Position (Exhibit 1):	
Total Fund Balance - School Board	\$ 4,173,660
Amounts reported for the School Board's governmental activities in the Statement of Net Position are different because:	
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>18,160,166</u>
	19,250,268
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	(910,847)
Other post-employment benefits	<u>(1,651,222)</u>
	(2,562,069)
Total Net Position - School Board Governmental Activities	\$ <u>20,861,859</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, 2013

	School Operating Fund
REVENUES	
Charges for services	\$ 573,499
Miscellaneous	102,450
Payments from City	19,296,419
Intergovernmental	14,599,996
Total revenue	<u>34,572,364</u>
EXPENDITURES	
Education:	
Administration, attendance and health	1,698,228
Instruction	25,680,661
Operation and maintenance	3,382,263
Pupil transportation	828,163
Food service	1,060,445
Facilities	131,797
Technology	1,355,617
Reimbursement to City	323,897
Total expenditures	<u>34,461,071</u>
Net change in fund balance	111,293
FUND BALANCE AT JULY 1	<u>4,062,367</u>
FUND BALANCE AT JUNE 30	<u><u>\$ 4,173,660</u></u>
Reconciliation to the Statement of Activities (Exhibit 2):	
Net Change in Fund Balance - School Board	\$ 111,293
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	\$ 280,731
Depreciation expense	<u>(904,124)</u>
	(623,393)
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	(154,359)
Other post-employment benefits	<u>(330,593)</u>
	(484,952)
Change in Net Position - School Board Governmental Activities	<u><u>\$ (997,052)</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
REVENUES				
Revenue from local sources:				
Charges for services:				
Cafeteria	\$ 445,609	\$ 388,922	\$ 388,922	\$ -
Other	171,470	184,577	184,577	-
	617,079	573,499	573,499	-
Use of money and property:				
Interest on investments	5,125	-	-	-
Miscellaneous	25,000	102,450	102,450	-
Payments from City	18,920,491	19,296,419	19,296,419	-
Total revenue from local sources	19,567,695	19,972,368	19,972,368	-
Intergovernmental:				
Revenue from the Commonwealth of Virginia:				
Categorical aid:				
Basic school aid	6,786,479	6,665,951	6,665,951	-
State sales tax	2,639,265	2,633,944	2,633,944	-
Other	3,606,683	3,512,056	3,512,056	-
	13,032,427	12,811,951	12,811,951	-
Revenue from the federal government:				
Categorical aid:				
Title I Grant	288,127	436,731	436,731	-
Title VI B Grant	601,298	601,738	601,738	-
State Fiscal Stabilization Fund Grant	-	-	-	-
Other	650,781	700,686	749,576	48,890
	1,540,206	1,739,155	1,788,045	48,890
Total intergovernmental	14,572,633	14,551,106	14,599,996	48,890
Total revenues	34,140,328	34,523,474	34,572,364	48,890
EXPENDITURES				
Education:				
Administration, attendance and health	1,614,862	1,698,488	1,698,228	260
Instruction	26,607,781	25,904,891	25,680,661	224,230
Operation and maintenance	3,401,359	3,533,480	3,382,263	151,217
Pupil transportation	817,957	828,163	828,163	-
Food service	987,529	1,005,286	1,060,445	(55,159)
Facilities	-	131,797	131,797	-
Technology	1,321,833	1,355,617	1,355,617	-
Contingencies	387,826	1,057,668	-	1,057,668
Reimbursement to City	316,994	323,897	323,897	-
Total expenditures	35,456,141	35,839,287	34,461,071	1,378,216
Net change in fund balance	\$ (1,315,813)	\$ (1,315,813)	\$ 111,293	\$ 1,427,106

SUPPORTING SCHEDULE

CITY OF COLONIAL HEIGHTS, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013

Federal Granting Agency/Recipient State Agency/Grant Program	Federal CFDA Number	Federal Expenditures
U.S. Department of Agriculture		
Pass-through payments:		
Commonwealth of Virginia Department of Agriculture and Consumer Services		
National School Lunch Program	10.555	\$ 418,914
National School Lunch Program - Commodities	10.555	48,890
School Breakfast Program	10.553	111,045
Total U.S. Department of Agriculture		<u>578,849</u>
U.S. Department of Housing and Urban Development		
Direct payments:		
Community Development Block Grants/Entitlement Grants	14.218	<u>69,234</u>
Total U.S. Department of Housing and Urban Development		<u>69,234</u>
U.S. Department of Justice		
Pass-through payments:		
Department of Criminal Justice Services		
Crime Victim Assistance	16.575	27,300
Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories	16.738	<u>7,640</u>
Total U.S. Department of Justice		<u>34,940</u>
U.S. Department of Transportation		
Pass-through payments:		
National Highway Traffic Safety Administration		
State and Community Highway Safety	20.600	7,216
Alcohol Open Container Requirements	20.607	20,962
Federal Highway Administration		
Highway Planning and Construction	20.205	<u>2,234,298</u>
Total U.S. Department of Transportation		<u>2,262,476</u>
U.S. Department of Education		
Direct payments:		
Impact Aid	84.041	21,713
Pass-through payments:		
Commonwealth of Virginia Department of Education:		
Title I, Part A Cluster		
Title I - Grants to Local Educational Agencies	84.010	436,731
Special Education Cluster (IDEA)		
Special Education - Grants to States	84.027	587,469
Special Education - Preschool Grants	84.173	14,269
English Language Acquisition Grants	84.365	12,365
Improving Teacher Quality State Grants	84.367	97,807
Vocational Education - Basic Grants to States	84.048	<u>38,841</u>
Total U.S. Department of Education		<u>1,209,195</u>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013

Federal Granting Agency/Recipient State Agency/ Program	Grant	Federal CFDA Number	Federal Expenditures
U.S. Department of Homeland Security:			
Pass-through Payments:			
Department of Emergency Management:			
Non-Profit Security Program		97.008	\$ 28,297
State Homeland Security Program Grant		97.073	29,962
Emergency Management Performance Grant		97.042	5,000
Total U.S. Department of Homeland Security			<u>63,259</u>
Total Expenditures of Federal Awards			<u>\$ 4,217,953</u>

CITY OF COLONIAL HEIGHTS, VIRGINIA

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013**

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the 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 \$48,890 from the National School Lunch Program.

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STATISTICAL SECTION

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.

<u>Contents</u>	<u>Table</u>
Financial Trends These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	1-4
Revenue Capacity These tables contain information to help the reader assess the factors affecting the City's ability to generate its property taxes and utility revenues.	5-10
Debt Capacity 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.	11-12
Demographic and Economic Information 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.	13-14
Operating Information 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.	15-16

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

TABLE 1

CITY OF COLONIAL HEIGHTS, VIRGINIA

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

	2013	2012	2011	2010	2009	Fiscal Year 2008	2007	2006	2005	2004
Governmental activities										
Net investment in capital assets	\$ 27,289,172	\$ 22,707,728	\$ 18,555,807	\$ 21,261,760	\$ 29,035,677	\$ 29,309,034	\$ 22,517,214	\$ 21,868,903	\$ 16,361,860	\$ 22,362,069
Restricted	329,699	-	-	-	-	-	-	-	3,750,571	2,307,079
Unrestricted	5,732,421	7,850,461	8,899,613	6,429,655	(1,362,767)	(678,937)	9,554,692	7,078,261	8,096,607	13,198,259
Total governmental activities net position	<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>	<u>\$ 28,947,164</u>	<u>\$ 28,209,038</u>	<u>\$ 37,867,407</u>
Business-type activities										
Net investment in capital assets	\$ 11,607,652	\$ 11,418,325	\$ 11,273,727	\$ 9,712,661	\$ 9,348,617	\$ 9,162,549	\$ 9,177,810	\$ 8,966,789	\$ 9,422,984	\$ 9,320,759
Restricted	364,421	364,421	364,421	-	-	-	-	-	-	-
Unrestricted	(59,317)	331,577	417,781	164,831	674,952	641,715	810,543	992,359	261,242	164,326
Total business-type activities net position	<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>	<u>\$ 9,959,148</u>	<u>\$ 9,684,226</u>	<u>\$ 9,485,085</u>
Primary government										
Net investment in capital assets	\$ 38,896,824	\$ 34,126,053	\$ 29,829,534	\$ 30,974,421	\$ 38,384,294	\$ 38,471,583	\$ 31,695,024	\$ 30,835,692	\$ 25,784,844	\$ 31,682,828
Restricted	694,120	364,421	364,421	-	-	-	-	-	3,750,571	2,307,079
Unrestricted	5,673,104	8,182,038	9,317,394	6,594,486	(687,815)	(37,222)	10,365,235	8,070,620	8,357,849	13,362,585
Total primary government net position	<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>	<u>\$ 38,906,312</u>	<u>\$ 37,893,264</u>	<u>\$ 47,352,492</u>
School Board										
Net investment in capital assets	\$ 19,250,268	\$ 19,873,661	\$ 19,170,921	\$ 17,508,207	\$ 18,513,205	\$ 14,734,444	\$ 11,110,058	\$ 10,762,746	\$ 10,907,129	\$ 8,219,461
Restricted	-	-	-	-	-	-	-	-	1,389,137	1,285,539
Unrestricted	1,611,591	1,985,250	2,406,683	2,104,270	1,877,210	3,275,955	1,390,118	(399,777)	(1,997,775)	(1,809,782)
Total component unit net position	<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>	<u>\$ 10,362,969</u>	<u>\$ 10,298,491</u>	<u>\$ 7,695,218</u>
Total reporting entity										
Net investment in capital assets	\$ 51,380,705	\$ 46,754,260	\$ 41,320,933	\$ 40,380,353	\$ 48,108,917	\$ 43,763,749	\$ 40,503,216	\$ 38,942,429	\$ 36,691,973	\$ 39,902,289
Restricted	694,120	364,421	364,421	-	-	-	-	-	5,139,708	3,592,618
Unrestricted	14,051,082	17,412,742	19,403,599	16,801,031	9,977,977	12,681,011	14,057,219	10,326,852	6,360,074	11,552,803
Total reporting entity	<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>	<u>\$ 49,269,281</u>	<u>\$ 48,191,755</u>	<u>\$ 55,047,710</u>

Notes:

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									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Expenses										
Governmental activities										
General government	\$ 8,513,050	\$ 8,430,859	\$ 8,252,642	\$ 8,420,688	\$ 8,075,559	\$ 7,617,133	\$ 6,631,282	\$ 6,389,754	\$ 7,321,447	\$ 4,852,767
Judicial administration	4,654,684	4,185,393	4,784,397	4,622,336	4,453,918	4,401,401	3,758,743	3,618,242	3,755,313	3,514,009
Public safety	9,019,958	8,862,843	8,132,209	8,157,263	8,007,156	7,446,556	6,603,707	6,611,272	5,972,139	7,140,873
Public works	5,340,369	4,204,531	4,093,809	4,644,140	3,675,598	3,650,407	3,488,051	3,705,174	4,791,051	4,162,560
Health and welfare	758,401	650,043	564,251	511,097	593,946	716,096	905,641	727,289	571,565	491,837
Parks, recreation, and cultural	2,388,151	2,262,706	2,332,036	2,420,733	2,450,217	2,350,085	1,755,411	2,049,025	600,181	1,778,567
Community development	500,588	468,981	465,764	613,699	571,243	580,574	575,426	367,863	301,989	349,923
Education	19,296,419	18,996,933	19,405,770	18,598,070	20,202,607	23,330,795	16,738,368	15,886,549	15,451,926	14,372,467
Interest	1,230,148	940,076	846,625	996,773	1,181,785	1,136,041	911,350	972,251	790,506	773,455
Grants	-	-	-	-	-	-	-	-	296,790	281,149
Nondepartmental	-	-	-	-	-	-	-	-	355,625	469,497
Total governmental activities	51,701,768	49,002,365	48,877,503	48,984,799	49,212,029	51,229,088	41,367,979	40,327,419	40,208,532	38,187,104
Business-type activities										
Water and Sewer	4,197,076	-	-	-	-	-	3,962,952	3,999,152	3,708,566	3,757,669
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	1,196,750	-	-
Storm water management	257,289	258,114	231,702	229,545	243,483	-	-	-	-	-
Total business-type activities expense	4,454,365	5,770,827	5,165,242	5,959,845	5,917,904	5,646,085	5,255,291	5,195,902	3,708,566	3,757,669
Total primary government expenses	56,156,133	54,773,192	54,042,745	54,944,644	55,129,933	56,875,173	46,623,270	45,523,321	43,917,098	41,944,773
Program revenues										
Governmental activities										
Charges for services										
Refuse collection	-	-	-	-	-	-	-	-	585,869	560,130
Parks and recreation	182,759	150,502	247,439	336,773	254,040	285,497	234,477	290,542	208,188	132,109
Other activities	6,751,240	5,313,067	5,235,500	5,125,656	5,234,826	5,001,743	5,068,830	1,074,769	1,035,840	1,110,040
Operating grants and contributions	4,971,475	5,418,602	4,836,631	5,102,144	5,487,211	5,472,945	4,732,453	4,587,798	5,801,543	4,643,676
Capital grants and contributions	2,413,293	2,809,970	941,115	1,320,778	151,333	-	-	190,254	720,042	-
Total governmental activities program revenues	14,318,767	13,692,141	11,260,685	11,885,351	11,127,410	10,760,185	10,035,760	6,143,363	8,351,482	6,445,955
Business-type activities										
Charges for services										
Water and sewer	4,144,465	-	-	-	-	-	3,842,186	3,751,822	3,877,189	4,021,033
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	816,533	-	-
Storm water management	372,312	377,976	257,563	-	-	-	-	-	-	-
Total business-type activities program revenues	4,516,777	5,749,221	5,605,622	5,477,992	5,732,737	5,248,509	4,884,529	4,568,355	3,877,189	4,021,033
Total primary government program revenues	18,835,544	19,441,362	16,866,307	17,363,343	16,860,147	16,008,694	14,920,289	10,711,718	12,228,671	10,466,988

(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									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Net (expense) revenue										
Governmental activities	\$ (37,383,001)	\$ (35,310,224)	\$ (37,616,818)	\$ (37,099,448)	\$ (38,084,619)	\$ (40,468,903)	\$ (31,332,219)	\$ (34,184,056)	\$ (31,857,050)	\$ (31,741,149)
Business-type activities	62,412	(21,606)	440,380	(481,853)	(185,167)	(397,576)	(370,762)	(627,547)	168,623	263,364
Total primary government net expense	(37,320,589)	(35,331,830)	(37,176,438)	(37,581,301)	(38,269,786)	(40,866,479)	(31,702,981)	(34,811,603)	(31,688,427)	(31,477,785)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
General property taxes	21,512,047	20,829,561	20,545,422	21,409,820	21,101,105	20,292,300	18,259,813	16,437,184	12,933,385	12,559,770
Local sales and use	7,174,334	7,066,137	6,662,265	6,687,050	6,998,818	7,247,183	7,350,271	7,027,037	6,664,763	6,567,401
Food and lodging	6,930,069	6,338,213	5,509,401	5,105,057	4,813,420	4,622,383	4,335,522	4,241,906	3,682,747	3,416,835
Other taxes	2,205,223	2,183,334	2,288,483	2,151,134	2,097,530	2,211,189	1,983,102	2,017,427	4,980,434	4,594,719
Intergovernmental, non-categorical aid	1,758,697	1,757,530	1,757,878	1,856,496	1,871,849	1,777,424	1,868,699	4,884,469	4,728,775	5,479,791
Use of money and property	233,822	194,826	158,013	47,549	175,942	713,779	692,864	461,199	124,939	125,024
Miscellaneous	97,933	123,392	669,645	195,415	465,376	364,836	334,807	355,460	3,785	31,800
Transfers	263,979	(80,000)	(108,566)	(334,568)	(396,608)	(202,000)	(368,118)	(502,500)	-	-
Total governmental activities	40,176,104	38,412,993	37,482,541	37,117,953	37,127,432	37,027,094	34,456,960	34,922,182	33,118,828	32,775,340
Business-type activities:										
Use of money and property	-	-	238	1,208	7,864	11,217	31,849	48,233	26,155	9,655
Miscellaneous	-	-	5,190	-	-	-	-	351,736	4,363	5,348
Transfers	(263,979)	80,000	108,566	334,568	396,608	202,000	368,118	502,500	-	-
Total business-type activities	(263,979)	80,000	113,994	335,776	404,472	213,217	399,967	902,469	30,518	15,003
Total primary government	39,912,125	38,492,993	37,596,535	37,453,729	37,531,904	37,240,311	34,856,927	35,824,651	33,149,346	32,790,343
Changes in Net Position										
Governmental activities	2,793,103	3,102,769	(134,277)	18,505	(957,187)	(3,441,809)	3,124,741	738,126	1,261,778	1,034,191
Business-type activities	(201,567)	58,394	554,374	(146,077)	219,305	(184,359)	29,205	274,922	199,141	278,367
Total primary government	2,591,536	3,161,163	420,097	(127,572)	(737,882)	(3,626,168)	3,153,946	1,013,048	1,460,919	1,312,558
Component Unit:										
Expenses:										
Education	35,569,416	34,304,488	33,698,131	34,245,957	34,453,393	33,178,764	29,636,769	28,907,895	27,386,942	24,756,429
Program revenues										
Charges for services	573,499	409,019	407,204	432,265	546,183	557,939	563,298	551,513	559,653	541,121
Operating grants and contributions	14,599,996	14,838,115	15,001,600	14,186,550	15,817,225	14,434,911	14,065,197	12,258,200	11,880,916	10,115,226
Total program revenues	15,173,495	15,247,134	15,408,804	14,618,815	16,363,408	14,992,850	14,628,495	12,809,713	12,440,569	10,656,347
Net expense	(20,395,921)	(19,057,354)	(18,289,327)	(19,627,142)	(18,089,985)	(18,185,914)	(15,008,274)	(16,098,182)	(14,946,373)	(14,100,082)
General Revenues and Other Changes in Net Assets										
Contribution from primary government	19,296,419	18,996,933	19,405,770	18,598,070	20,202,607	23,330,795	16,738,367	15,886,549	14,484,413	14,292,025
Use of money and property	-	434	2,477	2,885	12,036	97,462	283,982	70,338	22,084	7,948
Miscellaneous	102,450	341,305	278,643	248,429	255,358	267,880	123,132	205,773	218,320	214,614
Total general revenue	19,398,869	19,338,672	19,686,890	18,849,384	20,470,001	23,696,137	17,145,481	16,162,660	14,724,817	14,514,587
Total component unit change in net position	\$ (997,052)	\$ 281,318	\$ 1,397,563	\$ (777,758)	\$ 2,380,016	\$ 5,510,223	\$ 2,137,207	\$ 64,478	\$ (221,556)	\$ 414,505

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)

	2013	2012	2011				
Post-GASB 54 implementation:							
General Fund							
Nonspendable	\$ 69,859	\$ 67,373	\$ 109,011				
Restricted	329,699	369,152	350,067				
Committed	327,569	484,422	592,493				
Assigned	1,574,257	873,226	680,712				
Unassigned	8,083,102	8,477,484	7,652,961				
Total general fund	<u>\$ 10,384,486</u>	<u>\$ 10,271,657</u>	<u>\$ 9,385,244</u>				
Capital Projects Fund							
Restricted	7,207,335	\$ 16,792,519	\$ -				
Committed	-	246,683	957,111				
Assigned	-	197,390	308,416				
Unassigned	(1,245,870)						
Total capital projects fund	<u>\$ 5,961,465</u>	<u>\$ 17,236,592</u>	<u>\$ 1,265,527</u>				
Pre-GASB 54 implementation:	2010	2009	2008	2007	2006	2005	2004
General Fund							
Reserved	\$ 56,571	\$ 45,085	\$ 54,779	\$ 50,977	\$ 42,867	\$ 907,105	\$ 868,769
Unreserved:							
Designated	344,001	305,505	720,761	1,251,658	1,386,363	613,229	289,099
Undesignated	7,987,538	8,333,760	9,050,997	8,506,115	7,098,136	6,979,994	6,508,185
Total general fund	<u>\$ 8,388,110</u>	<u>\$ 8,684,350</u>	<u>\$ 9,826,537</u>	<u>\$ 9,808,750</u>	<u>\$ 8,527,366</u>	<u>\$ 8,500,328</u>	<u>\$ 7,666,053</u>
All Other Governmental Funds							
Reserved	\$ -	\$ -	\$ -	\$ -	\$ 2,229,837	\$ 1,149,211	\$ 1,623,941
Unreserved:							
Designated:							
Capital projects fund	1,213,975	2,864,837	612,818	610,283	844,134	544,626	-
Special revenue fund	-	-	-	-	-	-	-
Undesignated:							
Capital projects fund	1,305,091	758,371	5,208,410	(331,293)	477,883	-	(1,202,086)
Total all other governmental funds	<u>\$ 2,519,066</u>	<u>\$ 3,623,208</u>	<u>\$ 5,821,228</u>	<u>\$ 278,990</u>	<u>\$ 3,551,854</u>	<u>\$ 1,693,837</u>	<u>\$ 421,855</u>

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

TABLE 4

CITY OF COLONIAL HEIGHTS, VIRGINIA

Changes in Fund Balances - Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(unaudited)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues										
General property taxes	\$ 21,434,252	\$ 21,405,217	\$ 21,374,974	\$ 21,159,849	\$ 20,897,171	\$ 19,766,717	\$ 32,274,076	\$ 30,234,997	\$ 28,261,329	\$ 26,919,287
Other local taxes	16,309,626	15,587,684	14,460,149	13,943,241	13,909,768	14,080,755	-	-	-	-
Permits, fees, and licenses	3,633,852	3,384,894	3,371,767	707,554	731,615	566,042	490,709	371,758	376,808	409,557
Fines and forfeitures	729,979	718,053	747,448	1,433,972	1,283,848	1,274,510	1,511,128	1,365,311	1,829,897	1,802,279
Charges for services	2,570,168	1,360,622	1,363,724	3,320,903	3,473,403	3,446,688	3,301,470	3,027,272	3,132,472	2,875,358
Use of money and property	233,822	194,826	158,013	47,549	175,942	713,779	692,864	461,199	139,710	137,520
Miscellaneous	97,933	123,392	669,645	7,690,484	6,627,145	6,572,855	6,601,152	6,244,696	6,116,070	6,549,877
Reimbursement from component unit	323,897	315,449	314,345	588,934	883,248	677,514	-	-	-	-
Intergovernmental	8,819,568	9,670,653	7,221,279	195,415	465,376	364,836	334,807	355,460	1,451,991	391,150
Total revenues	54,153,097	52,760,790	49,681,344	49,087,901	48,447,516	47,463,696	45,206,206	42,060,693	41,308,277	39,085,028
Expenditures										
General government	7,722,431	7,560,760	7,330,864	7,423,627	7,229,137	6,742,155	6,239,843	5,843,080	5,665,459	4,858,581
Judicial administration	4,595,172	4,152,036	4,745,029	4,541,636	4,346,342	4,250,944	3,721,203	3,436,278	3,747,335	3,485,152
Public safety	8,201,249	8,261,480	7,439,357	7,433,568	7,261,713	7,162,033	6,332,340	6,043,497	5,846,292	6,482,889
Public works	3,906,864	2,894,228	2,591,213	3,111,361	3,031,589	2,596,771	3,011,234	2,790,479	3,859,187	3,466,254
Health and welfare	754,603	646,245	560,453	507,299	590,148	712,298	729,275	687,192	567,767	495,984
Parks, recreation, and cultural	2,056,291	2,012,473	2,073,329	2,135,270	2,188,202	2,130,976	2,066,166	1,957,122	1,823,671	1,740,889
Community development	487,155	465,879	476,452	522,187	553,966	538,041	436,395	326,325	298,240	253,888
Education	19,296,419	18,996,933	19,405,770	18,598,070	20,202,607	23,330,795	16,738,367	15,886,549	14,554,047	13,810,518
Grants	444,346	433,956	509,570	397,630	435,331	406,310	482,590	353,295	292,285	281,149
Nondepartmental	269,748	361,190	366,238	258,062	279,042	467,976	283,190	286,130	355,625	361,514
Debt service:										
Principal retirement	2,546,199	2,028,330	1,968,712	2,185,490	6,082,877	1,672,927	1,678,558	2,325,414	1,823,295	1,665,094
Interest and fiscal charges	1,511,054	788,734	865,566	1,029,750	1,312,510	1,162,817	904,782	786,285	837,357	778,842
Bond issuance costs	-	311,693	-	-	-	-	-	-	3,000	3,000
Capital expenditures	13,780,361	6,230,285	1,496,630	2,430,048	1,847,651	527,628	1,975,789	6,232,656	3,627,702	2,998,913
Total expenditures	65,571,892	55,144,222	49,829,183	50,573,998	55,361,115	51,701,671	44,599,732	46,954,302	43,301,262	40,682,667
Excess of revenues over (under) expenditures	(11,418,795)	(2,383,432)	(147,839)	(1,486,097)	(6,913,599)	(4,237,975)	606,474	(4,893,609)	(1,992,985)	(1,597,639)
Other Financing Sources (Uses)										
Premium on issuance of debt	-	1,460,910	-	412,680	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	(3,970,000)	-	(7,267,779)	-	-	-	-	-	-
Issuance of debt	-	21,830,000	-	6,943,864	3,970,000	10,000,000	-	3,970,300	5,655,000	-
Transfers in	311,497	366,197	115,000	368,018	933,007	1,200,000	908,500	766,150	80,000	431,788
Transfers out	(55,000)	(446,197)	(223,566)	(371,068)	(1,329,615)	(1,402,000)	(1,276,618)	(1,268,650)	(80,000)	(431,788)
Total other financing sources (uses)	256,497	19,240,910	(108,566)	85,715	3,573,392	9,798,000	(368,118)	3,467,800	5,655,000	-
Net change in fund balances	\$ (11,162,298)	\$ 16,857,478	\$ (256,405)	\$ (1,400,382)	\$ (3,340,207)	\$ 5,560,025	\$ 238,356	\$ (1,425,809)	\$ 3,662,015	\$ (1,597,639)

(Continued)

TABLE 4

CITY OF COLONIAL HEIGHTS, VIRGINIA

Changes in Fund Balances - Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(unaudited)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Debt service as a percentage of noncapital expenditures:										
Primary Government										
Total debt service	\$ 4,057,253	\$ 2,817,064	\$ 2,834,278	\$ 3,215,240	\$ 7,395,387	\$ 2,835,744	\$ 2,583,340	\$ 3,111,699	\$ 2,660,652	\$ 2,443,936
Total expenditures	65,571,892	55,144,222	49,829,183	50,573,998	55,361,115	51,701,671	44,599,732	46,954,302	43,301,262	40,682,667
Capital expenditures	(14,250,650)	(6,843,873)	(1,772,395)	(2,289,455)	(3,265,514)	(1,518,495)	(4,353,934)	(6,703,133)	(3,226,624)	(3,099,812)
Non-capital expenditures	\$ 51,321,242	\$ 48,300,349	\$ 48,056,788	\$ 48,284,543	\$ 52,095,601	\$ 50,183,176	\$ 40,245,798	\$ 40,251,169	\$ 40,074,638	\$ 37,582,855
Debt service as a percentage of non-capital expenditures - primary government only	7.91%	5.83%	5.90%	6.66%	14.20%	5.65%	6.42%	7.73%	6.64%	6.50%
School Board										
School expenditures, excluding City contribution	\$ 15,164,652	\$ 15,708,729	\$ 15,565,764	\$ 15,267,683	\$ 17,417,113	\$ 13,672,606	\$ 14,468,036	\$ 13,021,346	\$ 12,513,816	\$ 10,717,984
Capital expenditures - Public Schools	(280,731)	(1,550,915)	(2,496,489)	(626,065)	(3,539,692)	(4,295,018)	(1,017,186)	(509,001)	(349,214)	(683,313)
Non-capital expenditures	\$ 14,883,921	\$ 14,157,814	\$ 13,069,275	\$ 14,641,618	\$ 13,877,421	\$ 9,377,588	\$ 13,450,850	\$ 12,512,345	\$ 12,164,602	\$ 10,034,671
Debt service as a percentage of non-capital expenditures - total reporting entity	6.13%	4.51%	4.64%	5.11%	11.21%	4.76%	4.81%	5.90%	5.09%	5.13%

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, 2013
(Unaudited)

	Revenues and Resources					Expenditures and Contract Commitments			
	Prior Years	Current	Transfers In/(Out)	Uncollected Future	Revised Budget	Prior Years	Current	Contract Commitment	Unobligated Balance
General Government:									
Allocable to Incomplete Projects:									
Boulevard redevelopment	\$ 360,000	\$ -	\$ 37	\$ -	\$ 360,037	\$ 360,037	\$ -	\$ -	\$ -
Fire apparatus	900,000	-	(2,052)	-	897,948	897,948	-	-	-
Total	1,260,000	-	(2,015)	-	1,257,985	1,257,985	-	-	-
Allocable to Incomplete Projects:									
Beautification committee/tourism	147,213	-	-	-	147,213	133,743	-	-	13,470
Courts building	19,045,414	-	-	-	19,045,414	2,539,669	11,202,587	4,201,409	1,101,749
Ambulance replacement	111,025	-	-	107,500	218,525	-	189,825	-	28,700
Total	19,303,652	-	-	107,500	19,411,152	2,673,412	11,392,412	4,201,409	1,143,919
Total General Government	20,563,652	-	(2,015)	107,500	20,669,137	3,931,397	11,392,412	4,201,409	1,143,919
Recreational Facilities									
Allocable to Incomplete Projects:									
Facilities master plan	205,000	-	-	-	205,000	147,762	-	-	57,238
Appomattox River greenway	455,557	198,570	-	428,501	1,082,628	565,410	65,416	56,970	394,832
Total Recreational Facilities	660,557	198,570	-	428,501	1,287,628	713,172	65,416	56,970	452,070
Educational Facilities:									
Allocable to Complete Projects:									
Transfer to School CIP Program	7,500,000	-	-	-	7,500,000	7,500,000	-	-	-
Total Educational Facilities	7,500,000	-	-	-	7,500,000	7,500,000	-	-	-
Streets and Bridges:									
Allocable to Complete Projects:									
Boulevard widening	701,333	-	(439)	-	700,894	700,894	-	-	-
Boulevard matching grant	366,055	-	(74,408)	-	291,647	290,175	-	1,472	-
Signal coordination temple/sher	340,972	-	1,635	122,865	465,472	465,472	-	-	-
Paving Southpark ARRA	527,413	-	-	-	527,413	527,413	-	-	-
Safe routes to school	281,600	-	-	-	281,600	281,600	-	-	-
Traffic signal - Dummock Parkway	221,625	9,810	(29,179)	-	202,256	202,256	-	-	-
Total	2,438,998	9,810	(102,391)	122,865	2,469,282	2,467,810	-	1,472.00	-
Allocable to Incomplete Projects:									
Safe routes to school	-	11,509	-	29,429	40,948	-	11,509	-	29,439
Redevelopment project	53,292	-	-	-	53,292	33,123	-	-	20,169
Highway construction - local share	12,561	-	92,105	-	104,666	-	-	-	104,666
Bruce Avenue drainage	2,878,586	-	-	-	2,878,586	2,617,083	1,821	8,476	251,206
Blvd. modernization Dupuy intersection	3,834,114	1,622,022	-	5,824,099	11,280,235	3,152,441	1,900,196	5,660,646	566,952
Temple Avenue turning lane	-	10,512	-	444,761	455,273	16,285	11,338	239	427,411
Southpark & Demmock	158,314	7,919	-	10,984	177,217	158,314	-	-	18,903
Dupuy Avenue modernization	144,722	200,004	-	3,738,273	4,082,999	144,722	255,304	392,403	3,290,570
Lakeview Ave. modernization	54,343	241,575	-	3,018,082	3,314,000	79,805	202,294	151,194	2,880,707
Temple Avenue/Dummock turning lane	-	16,446	-	483,554	500,000	-	8,182	111	491,707
Total	7,135,932	2,109,987	92,105	13,549,192	22,887,216	6,201,773	2,390,644	6,213,069	8,081,730
Total Streets and Bridges	9,574,930	2,119,797	(10,286)	13,672,057	25,356,498	8,669,583	2,390,644	6,214,541	8,081,730
Utility Improvements:									
Allocable to Incomplete Projects:									
Boulevard modernization - utility	-	-	-	770,660	770,660	-	-	-	770,660
Dupuy Avenue modernization - utility	-	-	-	505,000	505,000	-	-	-	505,000
Lakeview Ave. modernization - utility	-	-	-	225,000	225,000	-	-	-	225,000
Total Utility Improvements	-	-	-	1,500,660	1,500,660	-	-	-	1,500,660
Restricted fund - apparatus	-	-	2,052	-	2,052	-	-	-	2,052
Non-project related	-	36,940	10,249	-	47,189	-	-	-	47,189
Total Projects	\$38,299,139	\$ 2,355,307	\$ -	\$15,708,718	\$56,363,164	\$20,814,152	\$ 13,848,472	\$10,472,920	\$11,227,620

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**	Public Safety	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						
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
2006	814,763,800	85,367,800	445,687,100	28,182,168	-	1,374,000,868	2.60	1,374,000,868	100.00
2005	693,044,400	42,963,900	399,365,900	30,383,492	3,457,900	1,169,215,592	2.62	1,169,215,592	100.00
2004	681,053,100	42,963,900	384,550,700	31,003,999	3,457,900	1,143,029,599	2.64	1,143,029,599	100.00

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

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

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
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
2006	1.18	1.18	0.24	2.60
2005	1.20	1.18	0.24	2.62
2004	1.20	1.20	0.24	2.64

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	2013			2004		
	Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Southpark Mall	\$ 79,945,659	1	4.80%	\$ 62,204,500	1	4.82%
Roslyn Farms Corp	35,538,900	2	2.14%	29,868,240	2	2.21%
Wal-Mart/Sams	27,810,363	3	1.67%	20,574,590	3	1.52%
Roslyn Farms Associates LP	33,736,916	4	2.03%	18,872,700	4	1.40%
Virginia Electric & Power	14,591,748	5	0.88%	10,111,117	7	0.75%
Colonial Square Associated	13,538,200	6	0.81%	9,535,800	8	0.71%
Dunlop House	13,454,276	7	0.81%	-	-	-
Colonial Heights Operations	12,975,441	8	0.78%	-	-	-
Faison Colonial Heights	12,345,809	9	0.74%	8,842,483	9	0.65%
Southpark Hotel	11,603,645	10	0.70%	-	-	-
Verizon Virginia Inc.	-	-	-	13,500,735	5	1.00%
Home Depot USA	-	-	-	10,149,603	6	0.75%
Dayton-Hudson Corp. – Target	-	-	-	7,538,934	10	0.56%
	<u>255,540,957</u>		<u>15.26%</u>	<u>191,198,702</u>		<u>14.37%</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
2012	\$ 23,148,788	\$ 22,634,176	97.78 %	\$ 282,918	\$ 22,917,094	99.00 %
2011	23,066,409	22,500,624	97.55	485,734	22,986,358	99.65
2010	22,920,083	22,666,857	98.90	213,376	22,880,233	99.83
2009	22,923,361	22,705,560	99.05	180,655	22,886,215	99.84
2008	22,871,135	22,536,288	98.54	304,067	22,840,355	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	183,030	20,214,471	100.00
2005	17,928,594	17,764,522	99.08	163,170	17,927,692	99.47
2004	17,300,956	17,138,769	99.06	161,764	17,300,533	100.00
2003	16,419,584	16,249,275	98.96	168,800	16,418,075	99.99

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)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Apparel	\$ 68,317	\$ 64,286	\$ 61,381	\$ 59,414	\$ 55,303	\$ 56,839	\$ 85,969	\$ 40,413	\$ 49,014	\$ 43,858
Automotive	4,331	5,977	12,392	14,554	14,817	13,563	24,227	23,187	24,735	24,829
Food	137,113	127,548	119,677	118,561	116,997	107,331	49,300	85,495	92,098	91,310
Furniture, Home Furnishings and Equipment	14,781	12,205	8,100	9,186	8,313	55,986	57,665	31,649	52,337	51,901
General Merchandise	280,835	302,806	275,618	279,137	293,417	295,155	234,775	227,277	269,381	264,190
Machinery, Equipment and Supplies	34,033	28,439	37,309	39,068	43,189	46,438	42,413	6,228	8,608	6,877
Miscellaneous	82,789	83,710	76,519	69,668	86,177	114,937	176,341	162,351	123,636	108,466
Total	<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>	<u>\$ 576,600</u>	<u>\$ 619,809</u>	<u>\$ 591,431</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.

CITY OF COLONIAL HEIGHTS, VIRGINIA

TAXABLE SALES BY CATEGORY

Calendar Years 2012 and 2003

(taxable sales in thousands of dollars)

(unaudited)

	Calendar Year 2012				Calendar Year 2003			
	Number of Filers	Percentage of Total	Taxable Sales	Percentage of Total	Number of Filers	Percentage of Total	Taxable Sales	Percentage of Total
Apparel	65	13.13 %	\$ 68,317	10.98 %	56	9.27 %	\$ 43,858	7.42 %
Automotive	9	1.82	4,331	0.70	38	6.29	24,829	4.20
Food	93	18.79	137,113	22.04	100	16.56	91,310	15.44
Furniture, Home Furnishings and Equipment	17	3.43	14,781	2.38	23	3.81	51,901	8.78
General Merchandise	72	14.55	280,835	45.14	56	9.27	264,190	44.67
Machinery, Equipment and Supplies	21	4.24	34,033	5.47	32	5.30	6,877	1.16
Miscellaneous	218	44.04	82,789	13.29	299	49.50	108,466	18.33
Total	495	100.00 %	\$ 622,199	100.00 %	604	100.00 %	\$ 591,431	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.

CITY OF COLONIAL HEIGHTS, VIRGINIA

TABLE 12

LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years
(unaudited)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Debt limit	\$ 166,417,662	\$ 165,186,693	\$ 171,597,258	\$ 170,810,840	\$ 170,268,252	\$ 168,097,949	\$ 140,653,077	\$ 137,400,087	\$ 116,921,559	\$ 114,302,960
Total net debt applicable to limit	<u>37,045,000</u>	<u>39,750,000</u>	<u>24,125,000</u>	<u>26,295,000</u>	<u>28,855,000</u>	<u>27,295,000</u>	<u>19,320,000</u>	<u>21,250,000</u>	<u>23,860,000</u>	<u>19,530,000</u>
Legal debt margin	<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>	<u>\$ 116,150,087</u>	<u>\$ 93,061,559</u>	<u>\$ 94,772,960</u>
Total net debt applicable to the limit as a percentage of debt limit	22.26%	24.06%	14.06%	15.39%	16.95%	16.24%	13.74%	15.47%	20.41%	17.09%

Legal Debt Margin Calculation for Fiscal Year 2013

Assessed value	<u>\$ 1,664,176,619</u>
Debt limit (10% of assessed value)	\$ 166,417,662
Less debt applicable to limit:	
General obligation bonds	<u>37,045,000</u>
Legal debt margin	<u>\$ 129,372,662</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			Total Primary Government	Percentage of Personal Income	Debt Per Capita
	General Obligation Bonds	Net Deferred Amounts ⁽¹⁾	Percentage of Actual Value of Taxable Property	Per Capita	Lease Revenue Note Payable	General Obligation Bonds	Net Deferred Amounts ⁽¹⁾	Capital Leases			
2013	\$36,246,554	\$ 1,576,521	2.27%	\$ 2,172	\$ -	\$ 798,446	\$ 11,846	\$ 32,558	\$38,665,925	*	2,221
2012	38,792,753	1,697,691	2.45%	2,326	-	957,247	14,215	74,490	41,536,396	*	2,386
2011	22,961,083	357,951	1.36%	1,339	-	1,163,917	16,585	114,795	24,614,331	*	1,414
2010	24,929,795	406,075	1.48%	1,405	-	1,365,205	18,954	181,587	26,901,616	*	1,492
2009	26,855,108	155,712	1.59%	1,527	-	1,999,892	-	245,697	29,256,409	1.08%	1,654
2008	24,997,685	170,672	1.50%	1,414	3,970,300	2,297,315	-	80,618	31,516,590	1.20%	1,771
2007	16,740,612	113,881	1.20%	954	3,970,300	2,579,388	-	105,159	23,509,340	0.93%	1,330
2006	18,361,424	*	1.34%	1,039	4,028,046	2,853,576	*	-	25,243,046	1.08%	1,428
2005	20,594,582	*	1.76%	1,172	150,000	3,265,418	*	-	24,010,000	1.10%	1,367
2004	16,762,877	*	1.47%	960	-	2,767,123	*	-	19,530,000	0.93%	1,118

(1) Net deferred amounts include premiums, discounts and loss on refundings.

*Unavailable

CITY OF COLONIAL HEIGHTS, VIRGINIA

DEMOGRAPHIC STATISTICS

Last Ten Calendar Years

(unaudited)

Fiscal Year	Population	Personal Income (in thousands)	Per Capita Personal Income	School Enrollment	Unemployment Rate
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
2006	17,676	2,328,236	30,652	2,848	3.30
2005	17,567	2,190,000	29,141	2,813	4.00
2004	17,465	2,097,000	28,711	2,754	4.00

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	2013			2004		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Wal-Mart	650	1	7.46%	575	1	6.62%
Colonial Heights School Board	613	2	6.88%	555	2	6.39%
City of Colonial Heights	327	3	3.67%	300	3	3.45%
Colonial Heights Operations	229	4	2.57%	200	5	2.30%
Red Lobster and Olive Garden	200	5	2.30%	N/A	N/A	N/A
Martin's Food Market	187	6	2.10%	N/A	N/A	N/A
J.C. Penny Corporation, Inc.	181	7	2.03%	201	4	2.31%
Care Advantage	169	8	1.94%	N/A	N/A	N/A
American Family dba Richmond Fitness Inc.	161	9	1.85%	N/A	N/A	N/A
The Home Depot	160	10	1.84%	180	9	2.07%
May Department Stores Company	-	-	-	195	6	2.24%
Sears and Roebuck & Company, Inc.	-	-	-	175	10	2.01%
Ukrops	-	-	-	190	8	2.19%
The Antioch Company	-	-	-	*	7	*

Source: Virginia Employment Commission.

*Undisclosed, business closed.

TABLE 16

CITY OF COLONIAL HEIGHTS, VIRGINIA

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

Last Ten Fiscal Years

(unaudited)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<u>Function/Program</u>										
General government										
Management services	6	6	6	6	6	6	6	6	6	6
Tax collections	9	9	11	11	11	11	11	11	11	11
Finance	11	11	9	9	9	9	9	9	9	9
Information technology	2	2	1	2	2	2	2	2	2	2
Board of elections	2	2	2	2	2	2	2	2	2	2
Judicial administration	22	23	21	21	22	22	21	19	19	19
Public safety	114	113	113	114	117	115	115	115	109	108
Public works	45	30	28	29	30	30	31	29	29	29
Parks, recreation, and cultural	25	24	24	25	25	25	25	25	24	24
Community development	5	5	5	5	6	6	5	5	5	5
Grants	4	4	5	5	5	5	5	5	5	5
Education	613	622	627	627	625	576	586	569	578	555
Total	858	851	852	856	860	809	818	797	799	775

Source: City Adopted Budget.

TABLE 17

CITY OF COLONIAL HEIGHTS, VIRGINIA										
OPERATING INDICATORS BY FUNCTION/PROGRAM										
Last Ten Fiscal Years										
(unaudited)										
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Function/Program										
General Government										
Registered voters	12,056	12,282	11,971	11,936	11,938	12,179	11,433	11,512	11,569	11,001
Structures										
Detached	6,195	6,168	6,172	6,182	6,179	6,153	6,140	6,057	6,057	5,966
Duplex	169	170	178	175	179	180	180	183	183	180
Multi-family	1,198	1,211	1,211	1,211	1,211	1,211	1,211	1,201	1,201	1,141
Parcel with elderly/disabled: Exemptions	296	316	314	330	353	316	325	293	284	286
Judicial Administration										
Average daily jail population	179	152	163	185	170	155	124	118	139	147
Public safety										
Volunteers	47	61	60	66	58	66	55	41	38	42
Public works										
Road mileage maintained:										
Arterial	31	31	31	31	31	31	30	30	30	30
Local/collector	162	162	162	162	162	161	162	160	160	159
Parks, Recreational and Cultural										
Parks:										
Number	10	10	10	10	9	9	9	9	9	9
Areas	75	71	71	71	71	71	71	71	71	71
Recreation:										
Baseball fields	11	11	11	11	9	9	9	9	9	9
Tennis courts	9	9	9	9	9	9	9	9	9	9
Basketball courts	11	10	6	6	5	5	5	5	5	5
Soccer fields	11	11	11	6	6	6	6	6	6	6
Library										
Volumes in collection	60,521	64,703	63,871	62,474	62,422	63,245	64,736	63,641	61,000	61,000
Community development										
Building permits issued - calendar	532	407	547	N/A	N/A	237	242	272	241	273
Value	6,544,861	4,582,561	3,560,086	N/A	N/A	12,636,904	21,972,520	18,932,440	17,242,824	14,652,954
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

**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 and 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, each major fund, and the aggregate remaining fund information of the City of Colonial Heights, Virginia, as of and for the year ended June 30, 2013, 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 8, 2013.

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 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 laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. **The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 13-2 through 13-3.**

City of Colonial Height's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 8, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133**

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's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2013. 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 of Colonial Heights, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 13-1. Our opinion on each major federal program is not modified with respect to this matter.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 8, 2013

CITY OF COLONIAL HEIGHTS, VIRGINIA

SUMMARY OF COMPLIANCE MATTERS

June 30, 2013

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, 2013

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 during the audit.
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 *OMB Circular A-133*.
5. The auditor's report on compliance for the major federal award programs expresses an **unmodified opinion**.
6. The audit disclosed **one audit finding** relating to major programs.
7. The programs tested as major programs include:

<u>Name of Program:</u>	<u>CFDA #</u>
Child Nutrition Cluster	10.553, 10.555
Highway Planning and Construction	20.205

8. The **threshold for** distinguishing Type A and B programs was **\$300,000**.
9. The City was **not determined to be a low-risk auditee**.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None

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

13-1: Weekly Payroll Certification Review – Highway Planning and Construction

Condition:

City personnel did not put steps in place to ensure that the contractor submitted weekly certified payrolls for review with Department of Labor and grant requirements.

Recommendation:

The City should implement a process and controls to ensure that the contractor submits weekly certified payrolls. City personnel should review submitted payrolls for compliance with Department of Labor requirements.

Management Response:

The auditee concurs with the recommendation.

CITY OF COLONIAL HEIGHTS, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2013

D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

13-2: Disclosure Statements

Condition:

Two of the twenty-eight disclosure statements reviewed were not filed by the January 15, 2013 deadline. Two additional statements were not filed at all.

Recommendation:

Procedures should be implemented to ensure that all disclosure statements are filed timely.

Management Response:

The auditee concurs with the recommendation.

13-3: General Government Budget Appropriations

Condition:

Judicial administration and health and welfare 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:

The auditee concurs with the recommendation.