

CITY OF COLONIAL HEIGHTS, VIRGINIA

Annual Comprehensive Financial Report

FOR THE YEAR
ENDED JUNE 30, 2023

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



CITY OF COLONIAL HEIGHTS, VIRGINIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
YEAR ENDED JUNE 30, 2023



Prepared by the Department of Financial Administration

Christina Sadler
Director of Finance

**CITY OF COLONIAL HEIGHTS, VIRGINIA
TABLE OF CONTENTS**

INTRODUCTORY SECTION

	Page
Directory of Principal Officials	i
Certificate of Achievement for Excellence in Financial Reporting	ii
Organizational Charts	iii
Letter of Transmittal	v

FINANCIAL SECTION

Independent Auditor's Report	1
Management's Discussion and Analysis	5

Basic Financial Statements

Government-wide Financial Statements

Exhibit 1	Statement of Net Position	7
Exhibit 2	Statement of Activities	8

Fund Financial Statements

Exhibit 3	Balance Sheet – Governmental Funds	9
Exhibit 4	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	10
Exhibit 5	Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	11
Exhibit 6	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	12
Exhibit 7	Statement of Net Position – Proprietary Funds	13
Exhibit 8	Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	14
Exhibit 9	Statement of Cash Flows – Proprietary Funds	15

Notes to Financial Statements	16
--	-----------

Required Supplementary Information

Exhibit 10	Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual (General Fund)	81
Exhibit 11	Schedule of Changes in Net Pension Liability and Related Ratios – Primary Government	85

**CITY OF COLONIAL HEIGHTS, VIRGINIA
TABLE OF CONTENTS
(Continued)**

**FINANCIAL SECTION
(Continued)**

Required Supplementary Information (Continued)

Exhibit 12	Schedule of Changes in Net Pension Liability and Related Ratios – Schools – Nonprofessional Employees	86
Exhibit 13	Schedule of Pension Contributions	87
Exhibit 14	Schedule of Employer’s Share of Net Pension Liability – VRS Teacher Retirement Plan.....	88
Exhibit 15	Schedule of Pension Contributions – VRS Teacher Retirement Plan	89
Exhibit 16	Schedule of Changes in Net OPEB Liability and Related Ratios – Local Plans.....	90
Exhibit 17	Schedule of Employer’s Share of Net OPEB Liability – VRS	91
Exhibit 18	Schedule of OPEB Contributions – VRS	92
Exhibit 19	Schedule of Changes in Net OPEB Liability and Related Ratios – Schools – Nonprofessional Employees	93
	Notes to Required Supplementary Information.....	94

Other Supplementary Information

Exhibit 20	DPCU – School Board – Balance Sheet – Governmental Funds.....	97
Exhibit 21	DPCU – School Board – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds.....	98
Exhibit 22	DPCU – School Board – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – School Operating Fund.....	99
Exhibit 23	DPCU – Economic Development Authority – Statement of Net Position	100
Exhibit 24	DPCU – Economic Development Authority – Statement of Revenues, Expenses, and Changes in Fund Net Position.....	101
Exhibit 25	DPCU – Economic Development Authority – Statement of Cash Flows	102

SUPPORTING SCHEDULE

Schedule 1	Schedule of Expenditures of Federal Awards	104
------------	--	-----

CITY OF COLONIAL HEIGHTS, VIRGINIA
TABLE OF CONTENTS
(Continued)

STATISTICAL SECTION

Table 1	Net Position by Component.....	107
Table 2	Change in Net Position by Component.....	108
Table 3	Fund Balances – Governmental Funds	110
Table 4	Changes in Fund Balances – Governmental Funds	111
Table 5	Assessed Value and Actual Value of Taxable Property	113
Table 6	Direct Property Tax Rates	114
Table 7	Principal Property Taxpayers	115
Table 8	Property Tax Levies and Collections	116
Table 9	Taxable Sales by Category	117
Table 10	Taxable Sales by Category	118
Table 11	Legal Debt Margin Information	119
Table 12	Ratios of Outstanding Debt by Type.....	120
Table 13	Demographic Statistics	121
Table 14	Principal Employers.....	122
Table 15	Full-Time Equivalent City Government Employees by Function/Program	123
Table 16	Operating Indicators by Function/Program.....	124

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 <i>Government Auditing Standards</i>	126
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.....	128
Summary of Compliance Matters	132
Schedule of Findings and Questioned Costs	133
Summary Schedule of Prior Audit Findings	138

THIS PAGE INTENTIONALLY BLANK

INTRODUCTORY SECTION

CITY OF COLONIAL HEIGHTS, VIRGINIA

DIRECTORY OF PRINCIPAL OFFICIALS

June 30, 2023

CITY COUNCIL

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

OTHER OFFICIALS

Douglas E. Smith.....City Manager
Hugh P. Fisher, IIICity Attorney
Pamela B. WallaceCity Clerk
Dr. William Sroufe Superintendent of Schools
Lysa A. Rhodes Director of Finance
William H. Anspach III Chief of Police
Todd Flippen.....Director of Public Works
Craig Skalak Director of Recreation and Parks
Bruce N. Hansen..... Library Director
Bruce E. CashionCity Assessor
William Feasenmyer.....Commissioner of the Revenue
Teresa H. Cherry Treasurer
Alfred Gray Collins, IIICommonwealth's Attorney
Todd B. Wilson Sheriff
Stacy L. Stafford..... Clerk of Circuit Court
Jennifer L. Wells General Registrar
Karen T. Epps Economic Development
T. Wayne Hoover Fire Chief
Jennifer CarpenterHuman Resources Director
Joseph Neil Carter, Jr. Planning Director
Lewis ArchiletiInformation Technology Director
Melissa Lynch..... Director of Finance, Schools
Troy Hedblom Asst. Superintendent Business Services, Schools



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Colonial Heights
Virginia**

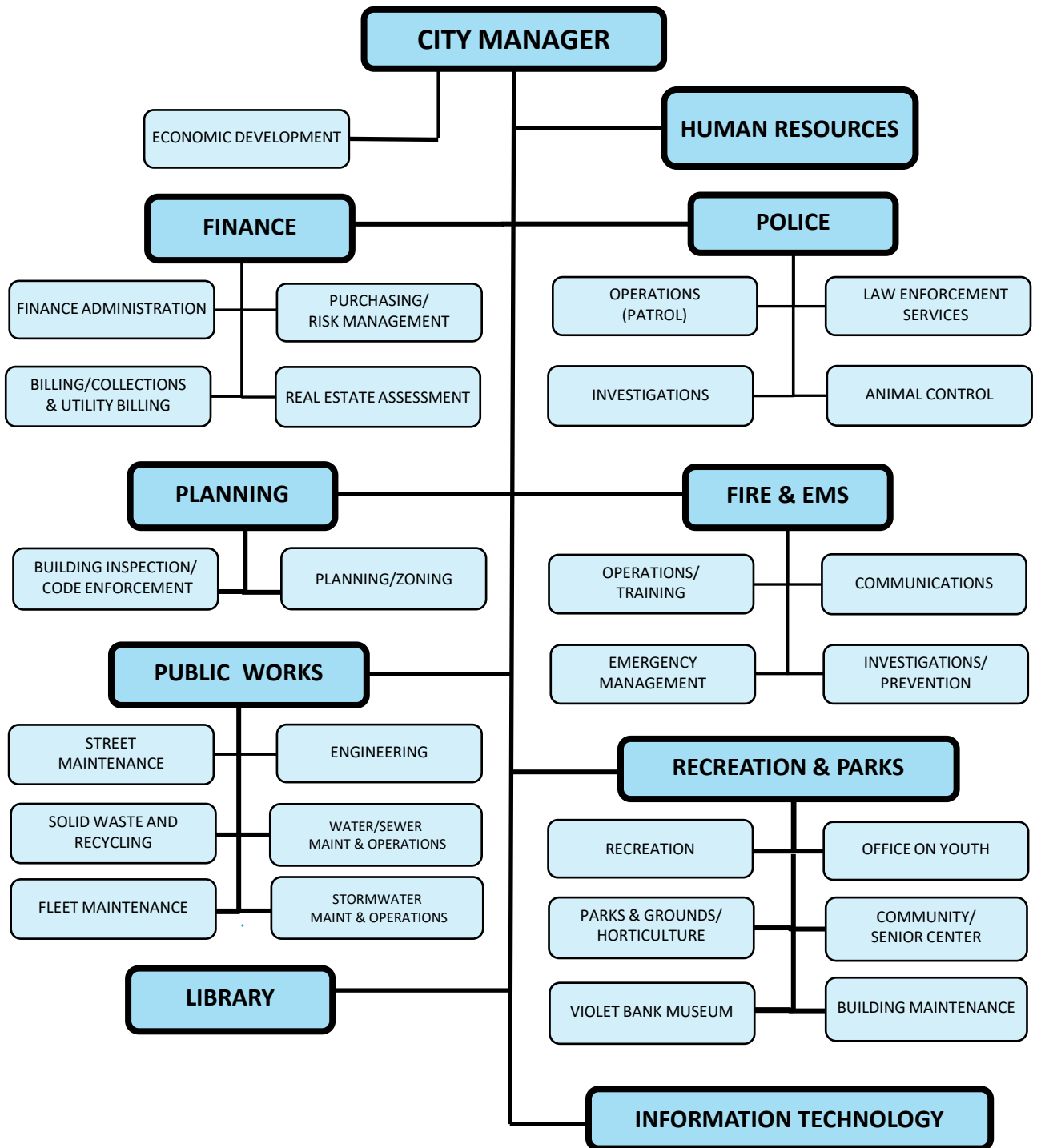
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

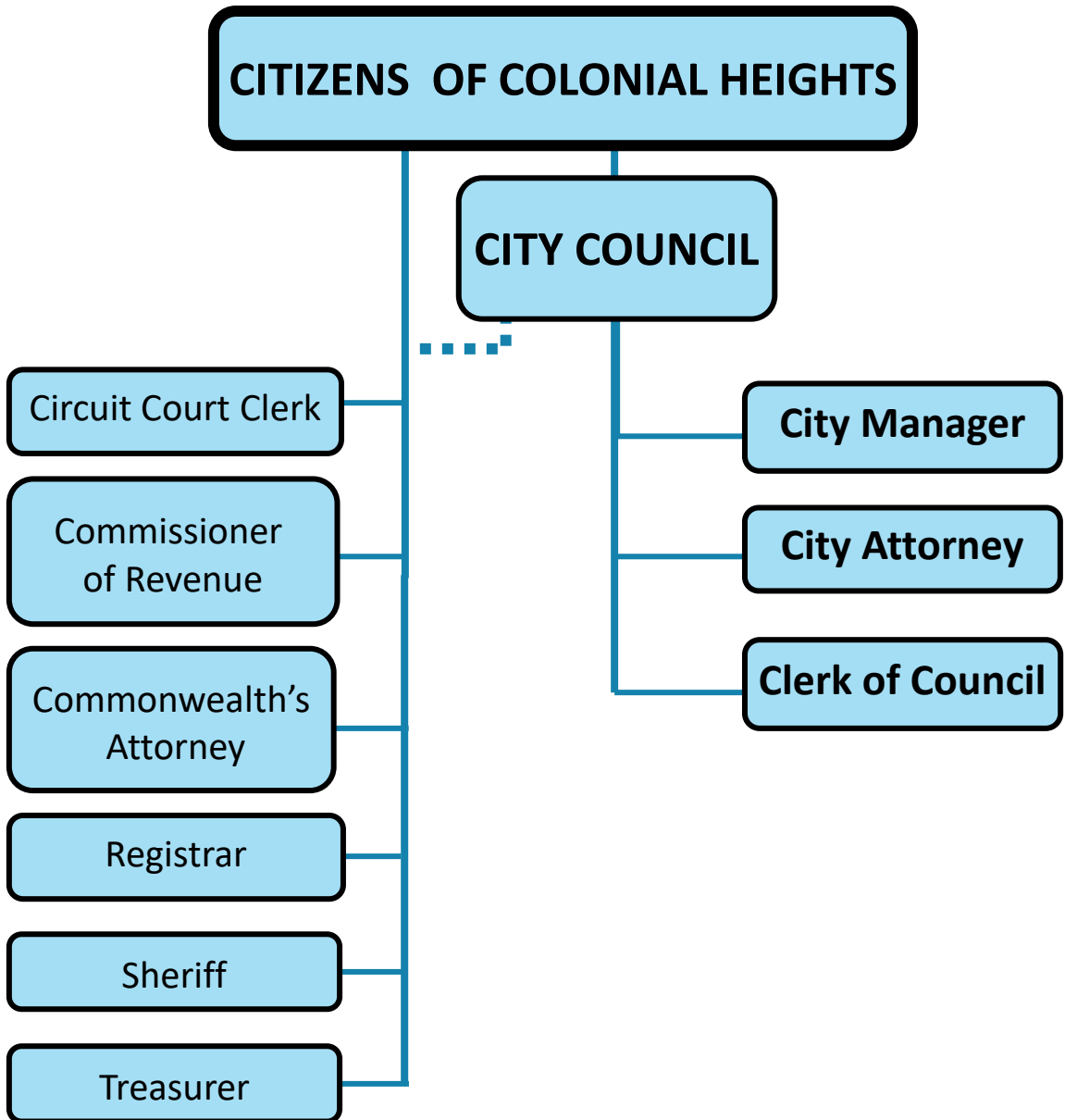
Christopher P. Morill

Executive Director/CEO

City of Colonial Heights Administrative Organization Chart



City of Colonial Heights Leadership Organization Chart





CITY OF COLONIAL HEIGHTS

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

Douglas E. Smith
City Manager

Christina E. Sadler
Director of Finance

October 15, 2024

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

We are pleased to submit to you the Annual Comprehensive Financial Report (“Report”) of the City of Colonial Heights, Virginia (the “City”) for the fiscal year ending June 30, 2023. The City’s management 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 compliance with Generally Accepted Accounting Principles (GAAP) to fairly report the financial position and results of the City’s various governmental activities, business-type activities and funds. All disclosures necessary for a reader to fully understand the City’s financial affairs have been included.

After reviewing this introductory section, you are encouraged to turn to the narrative found in the management’s discussion and analysis (MD&A) for a more detailed overview of the City’s financial position.

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

Brown Edwards & Company, L.L.P., Certified Public Accountants, have audited the City’s basic financial statements. The goal of this independent audit is to provide reasonable assurance that the basic financial statements are free of material misstatement. The independent auditors concluded, based upon their audit, that there was reasonable basis for rendering an unmodified opinion that the City’s basic financial statements for the fiscal year ending June 30, 2023 are fairly presented in conformity with GAAP. The independent auditors’ report is presented as the first component of the Financial Section.

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

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

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

Economic Condition and Outlook

The City has a land area of 8.14 square miles and is located in southeastern Virginia. Colonial Heights is strategically located on Interstate 95 near its intersection with Interstate 85, thus giving the City direct access to the East Coast's major markets.

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

The population of the City is estimated at 18,170 (2020) as reported by the U.S. Census Bureau. The City is part of the Richmond Tri-Cities Metropolitan Statistical Area and has immediate access to the area's dynamic business complex. Richmond is the center for a diverse group of business sectors such as the Commonwealth of Virginia's State offices, Federal offices, eight Fortune 500 companies, twelve Fortune 1000 companies, manufacturing, distribution and international trade. Other economic drivers include several major universities, research hospitals, and the Federal Reserve Bank.

In the immediate Tri-Cities area (Petersburg, Colonial Heights and Hopewell), and the nearby counties of Prince George, Dinwiddie, and Chesterfield, government continues to be a major employer. Government/public facilities in the region include Central State Hospital, which is scheduled for construction of a new \$400 million complex to be completed in 2026, Richard Bland College, Virginia State University, and Fort Gregg-Adams. In conjunction with Virginia Commonwealth University and Virginia Bio-tech, three major pharmaceutical companies have located in the Tri-Cities area.

The City has a civilian labor force of 8,929 and an unemployment rate of 2.9% as of the end of FY2023. The City prioritizes the attraction of new businesses and expansion of existing businesses and tourism, all of which increase the tax base and create jobs which enhance the quality of life for its citizens.

Fiscal Year 2023 financial operations continued to effectively maintain existing service levels. In Fiscal Year 2023, Retail sales tax revenue increased 5.1% over FY 2022. Meals tax revenue experienced significant growth (13.5%) and lodging taxes were stable in comparison to FY2022.

The City has a policy to maintain Unassigned Fund Balance at a minimum of 10% of the General Fund budget with a desired goal of 12%. The City has exceeded that policy for FY 23 for both the 10% minimum and 12% goal. The General Fund Unassigned Fund Balance helps to maintain cash flow and provide resources in the event of economic downturns or other unexpected challenges.

Accounting System and Budgetary Controls

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

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

Budgetary control is maintained at the line-item level by the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. Appropriations or transfers are processed should a purchase order be required which would result in an overrun of line item balances. Open encumbrances are recorded as committed fund balances at June 30, 2023.

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

The completion of the audit for the fiscal year ending June 30, 2023 was delayed for several reasons: 1) there was turnover in the position of the Director of Finance following the end of the fiscal year but prior to the normal scheduled completion date for the audit and 2) the City implemented a financial system during the fiscal year that ended June 30, 2023 which created additional work to be done for the audit process.

Capital Financing and Debt Service

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

The Constitution of Virginia establishes a debt limit for Virginia cities of 10% of the assessed value of real estate. The City of Colonial Heights could incur bonded debt of up to \$214,946,121 but current bonded debt only represents 1.6% of the assessed value of real estate.

Long-term liabilities, including notes payable, leases, compensated absences, retirement incentive programs and environmental liabilities, for all funds of the primary government as of June 30, 2023, totaled \$40,263,764, of which \$3,616,008 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

In April 2022, the City issued \$5.65 million in General Obligation Public Improvement Bonds (with total net proceeds to the City of \$6 million). Funds from the bond issuance applied to FY 23 include security equipment upgrades at the Courthouse and Hill Place Sewer replacement. Some of the other projects that will utilize bond funds include two major renovation projects for the Colonial Heights High School (Fine Arts Area renovation and Front Entrance/Administration Areas renovation) and additional security improvements at City Facilities.

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


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, 2022. The Certificate of Achievement is a prestigious national award recognizing conformance with highest standards for preparation of state and local government financial reports.

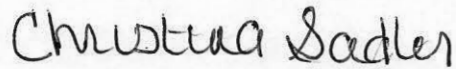
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. The Report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last 43 consecutive years (fiscal years ended 1980 through 2022). We are submitting our current report to the GFOA for consideration.

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 that reads "Douglas E. Smith". The signature is written in a cursive style with a large, looped 'D' and a trailing flourish.

Douglas E. Smith
City Manager

A handwritten signature in black ink that reads "Christina E. Sadler". The signature is written in a cursive style with a large, looped 'C' and a trailing flourish.

Christina E. Sadler
Director of Finance

THIS PAGE INTENTIONALLY BLANK

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the City of Colonial Heights, Virginia (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the City, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the School Activity Fund, which represents 3%, 4%, and 0.9%, respectively, of the assets, fund balance, and revenues of the Discretely Presented Component Unit – School Board. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the School Activity Fund, is based on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, and *Specifications for Audits of Counties, Cities, and Towns* and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Colonial Heights, Virginia and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 8 to the financial statements, in 2023, the City adopted new accounting guidance, *GASB Statement No. 96, Subscription Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Report on the Audit of the Financial Statements (Continued)

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on the Audit of the Financial Statements (Continued)

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2024 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
October 15, 2024

**CITY OF COLONIAL HEIGHTS, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

The following discussion and analysis of the financial performance of the City of Colonial Heights, Virginia (the "City") provides an overview of the City's financial activities for the fiscal year ended June 30, 2023. 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 the component units) on the government-wide basis, was \$85,921,545 at June 30, 2023, an increase of \$16,970,906 from the City's net position of \$68,950,639 at June 30, 2022. Net investment in capital assets totaled \$68,415,963 and \$1,210,925 was restricted for various purposes (see Note 15). The Primary Government as a whole reported an unrestricted net position of \$16,294,657.
- On a government-wide basis for governmental activities, the City's general revenues of \$66,279,836 were \$15,557,679 more than the expenses (net of program revenues) of \$50,722,157.
- Revenues for the City's Business-Type Activities exceeded expenditures by \$1,413,227, or 27.05%
- At June 30, 2023, the City's governmental funds balance sheet reported fund balances of \$36,868,357, a vast increase when compared to \$30,161,221 at June 30, 2022. Of this amount, \$19,652,804 is unassigned and therefore not obligated for other uses.
- The net position of the Component Unit School Board increased \$12,678,429 from \$1,024,930 to \$13,703,359. The School Board pension and postemployment liabilities decreased \$2.5 million at June 30, 2023, significantly impacting the net position of the entity, and resulting in a positive number. Intergovernmental revenue and payments from City also increased \$6,791,474.

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 are comprised of two types of statements, each presented in accordance with a different method of accounting as required by Generally Accepted Accounting Principles (GAAP). The first set of statements, known as government-wide statements, focus on the City as a whole and include both short and long-term assets and liabilities. Exhibit 1 and Exhibit 2 are government-wide statements. The second set of statements, known as fund financial statements, focus on the individual parts of City government, reporting the City's operations in more detail than the government-wide statements. These statements, which include Exhibits 3 and 5, are presented on the modified-accrual basis of accounting. Fund financial statements only include short-term assets and liabilities. Exhibits 4 and 6 provide a reconciliation of and show the differences between the two sets of statements. Presentation of both perspectives provides the user a broader overview, enhances the basis for comparisons, and improves the City's accountability.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements include the Statement of Net Position (Exhibit 1) and the Statement of Activities (Exhibit 2). 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, 2023
(Continued)**

GOVERNMENT-WIDE FINANCIAL STATEMENTS (Continued)

These two statements report the City's net position and changes that affected net position during the fiscal year. The change in the City's net position, the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources, is one way to measure the City's long-term financial health. 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 functions. Property taxes, other local taxes, charges for services 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 intended to support the cost of these services. As these activities are intended to be self-supporting and are provided in a manner similar to private sector organizations, they are classified as business-type activities.

Component units – The City includes two discretely presented component units in this report, the School Board of the City of Colonial Heights ("School Board") and the Economic Development Authority of the City of Colonial Heights ("EDA"). Although legally separate, the component units are important because the City provides a significant amount of the School Board's funding, and City Council appoints the membership of the EDA. The EDA became financially active during FY2018.

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 immediately 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, in an amount intended to cover the cost of those services, 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.

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 a statement of cash flows. The City's enterprise funds are the Water & Sewer and Storm Water Management funds.

**CITY OF COLONIAL HEIGHTS, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023
(Continued)**

FINANCIAL ANALYSIS OF THE CITY (GOVERNMENT-WIDE)

The following table presents a condensed comparison of net assets:

**Summary Statement of Net Position
June 30, 2023 and 2022
(In Millions)**

	Governmental Activities		Business- Type Activities		Total Primary Government		Component Units	
	2023	2022	2023	2022	2023	2022	2023	2022
Current and Other Assets	\$58.9	\$55.2	\$6.4	\$4.9	\$65.3	\$60.1	\$22.5	\$18.0
Capital Assets, net	80.1	75.6	14.2	14.5	94.3	90.1	31.6	26.5
Total Assets	139.0	130.8	20.6	19.4	159.6	150.2	54.1	44.5
Deferred Outflows	4.1	5.0	0.3	0.4	4.4	5.4	7.0	8.0
Other Liabilities	5.9	9.0	0.4	0.4	6.3	9.4	5.4	4.0
Non-current Liabilities	46.7	46.9	4.4	4.4	51.1	51.3	33.3	30.1
Total Liabilities	52.6	55.9	4.8	4.8	57.4	60.7	38.7	34.1
Deferred Inflows	20.2	25.2	0.4	0.7	20.6	25.9	8.7	17.3
Net Investment in Capital								
Assets	56.1	48.5	12.4	12.5	68.5	61.0	30.0	26.1
Restricted	1.2	0.9	-	-	1.2	0.9	0.5	0.8
Unrestricted	13.0	5.3	3.3	1.8	16.3	7.1	(16.8)	(25.8)
Total Net Position	\$70.3	\$54.7	\$15.7	\$14.3	\$86.0	\$69.0	\$13.7	\$1.1

The City's combined net position increased from \$69.0 million to \$86.0 million. Net position of the governmental activities increased from \$54.7 million to \$70.3 million. Governmental activities' unrestricted net position increased \$7.7 million. Governmental activities' net investment in capital assets increased \$7.6 million. This represents the undepreciated amount of capital assets owned by the City net of any outstanding debt used to fund their purchase or construction. Net position is reported as restricted when constraints on asset use are externally imposed by creditors, grantors, contributors, regulators, or are imposed by law through constitutional provisions or enabling legislation. The net position of component units reflects an increase of \$12.6 million.

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 (or therefore report debt) through general obligation bonds to fund the acquisition, construction or improvement to capital assets. This results in the distribution of capital assets to the Component Unit School Board and recording of the corresponding debt by the Primary Government. See the footnote presentation for further clarification. Further, net position for both entities has been impacted by the application of GASB 68 and GASB 75, which resulted in significant pension and postemployment liabilities on the statements for both entities.

**CITY OF COLONIAL HEIGHTS, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023
(Continued)**

FINANCIAL ANALYSIS OF THE CITY (GOVERNMENT-WIDE) (Continued)

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

**Summary Statement of Changes in Net Position
Years Ended June 30, 2023 and 2022 (In Millions)**

	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit	
	2023	2022	2023	2022	2023	2022	2023	2022
Revenues:								
Program revenues:								
Charges for services	\$4.2	\$3.5	\$6.2	\$6.3	\$10.4	\$9.8	\$0.6	\$0.6
Operating grants and contributions	8.0	7.3	-	-	8.0	7.3	29.9	24.9
Capital grants and contributions	2.9	1.6	-	-	2.9	1.6	-	-
General revenues:								
Property taxes	28.6	26.3	-	-	28.6	26.3	-	-
Other local taxes	28.2	26.2	-	-	28.2	26.2	-	-
Payment from other governments			-	-	-	-	26.0	24.2
Intergovernmental, non-categorical aid	8.1	3.3	-	-	8.1	3.3	-	-
Use of money and property	1.4	0.2	-	-	1.4	0.2	-	-
Miscellaneous	0.3	0.4	-	-	0.3	0.4	0.4	0.3
Total revenues	<u>81.7</u>	<u>68.8</u>	<u>6.2</u>	<u>6.3</u>	<u>87.9</u>	<u>75.1</u>	<u>56.9</u>	<u>50.0</u>
Expenses:								
General government	5.5	5.3	-	-	5.5	5.2	-	-
Judicial administration	5.3	4.8	-	-	5.3	4.8	-	-
Public safety	14.3	13.4	-	-	14.3	13.4	-	-
Public works	7.6	7.0	-	-	7.6	7.0	-	-
Health and welfare	1.7	1.3	-	-	1.7	1.3	-	-
Parks, recreation and cultural	2.9	2.9	-	-	2.9	2.9	-	-
Community development	1.0	0.7	-	-	1.0	0.7	-	-
Education	26.0	24.2	-	-	26.0	24.2	44.3	41.3
Human services	0.5	0.4	-	-	0.5	0.4	-	-
Interest	0.9	1.0	-	-	0.9	1.0	-	-
Water, sewer, and storm water management	-	-	5.2	5.1	5.2	5.2	-	-
Total expenses	<u>65.7</u>	<u>61.0</u>	<u>5.2</u>	<u>5.1</u>	<u>70.9</u>	<u>66.1</u>	<u>44.3</u>	<u>41.3</u>
Change in Net Position Before Transfers	16.0	7.8	1.0	1.2	17.0	9.0	12.6	8.7
Transfers	(0.4)	(0.1)	0.4	0.1	-	-	-	-
Change in Net Position	<u>15.6</u>	<u>7.7</u>	<u>1.4</u>	<u>1.3</u>	<u>17.0</u>	<u>9.0</u>	<u>12.6</u>	<u>8.7</u>
Net Position, beginning	54.7	47.0	14.3	13.0	69.0	60.0	1.1	(7.6)
Net Position, ending	<u>\$70.3</u>	<u>\$54.7</u>	<u>\$15.7</u>	<u>\$14.3</u>	<u>\$86.0</u>	<u>\$69.0</u>	<u>\$13.7</u>	<u>\$1.1</u>

**CITY OF COLONIAL HEIGHTS, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023
(Continued)**

FINANCIAL ANALYSIS OF THE CITY (GOVERNMENT-WIDE) (Continued)

Governmental Activities

Revenue

General property tax revenue, which comprised 35.1% of total revenue generated by governmental activities, includes real estate tax, the local portion of personal property tax, and public service corporation taxes. Real estate tax revenue, the largest source of revenue for the City, totaled \$24 million, an increase from the previous fiscal year of 9.9% due to general reassessment in January 1, 2022.

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 \$1.8 million, which represented 47% of eligible assessed value for calendar year 2023. This revenue is included in the intergovernmental category. Personal property tax revenue increased from \$3.4 million the prior year to \$3.6 million which is a 4.6% increase. The Personal Property tax rate returned to \$3.50, which was the rate prior to calendar year 2022.

Sales tax, utility tax, business and professional occupational license tax, meals tax, and lodging tax comprise the majority of other local taxes collected by the City, which represented approximately 34.5% of total revenues generated for governmental activities. This is an increase of approximately \$2.0 million from collections in FY2022.

Operating grants and contributions comprised approximately 9.7% 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.

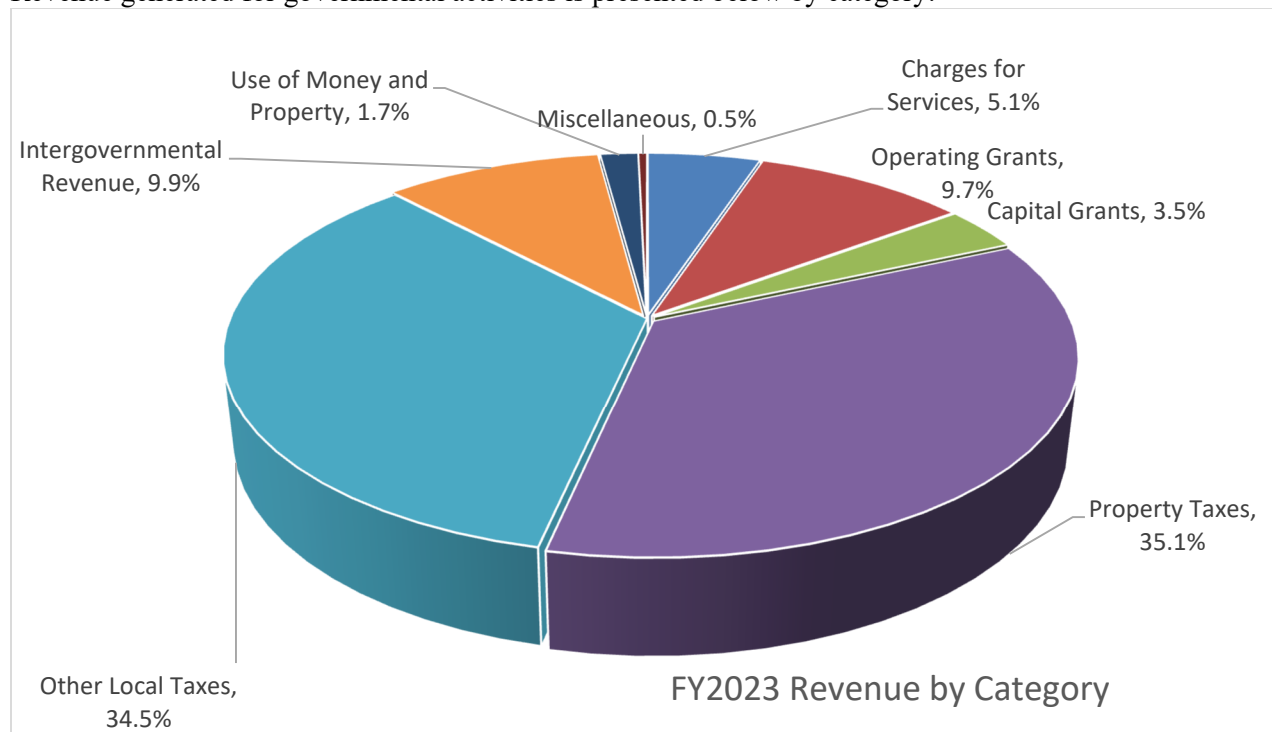
Charges for services, which include items such as EMS transport fees, court fees, inspection fees, and garbage collection fees, slightly increased this fiscal year. Charges for services comprised 5.1% of total revenue for governmental activities, which remained unchanged from last year.

FY2023 intergovernmental revenue is approximately 9.9% of total governmental activities revenue.

**CITY OF COLONIAL HEIGHTS, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023
(Continued)**

FINANCIAL ANALYSIS OF THE CITY (GOVERNMENT-WIDE) (Continued)

Revenue generated for governmental activities is presented below by category:



Expenses

Education funding represents the largest category of governmental activities expenses. Funding of \$26.0 million was provided to the City of Colonial Heights School Board to support School operations and capital projects. The City contribution of \$26.0 million was \$2,042,232 more than the original budget due to conservative budget estimates. City funding for Colonial Heights School Board is provided in accordance with a revenue sharing agreement between the two entities, last revised in 2011, which stipulates that 50.73% of six major revenue sources will be allocated to the School Division. This amount is estimated at the beginning of the fiscal year and reconciled to actual results as fiscal year end. The \$2,042,232 adjustment is reflected in the City's financial statements as an increase in the transfer to schools' expense/expenditures, whereas in the School financial statements it is reflected as a decrease in expense/expenditures of reimbursables to the City.

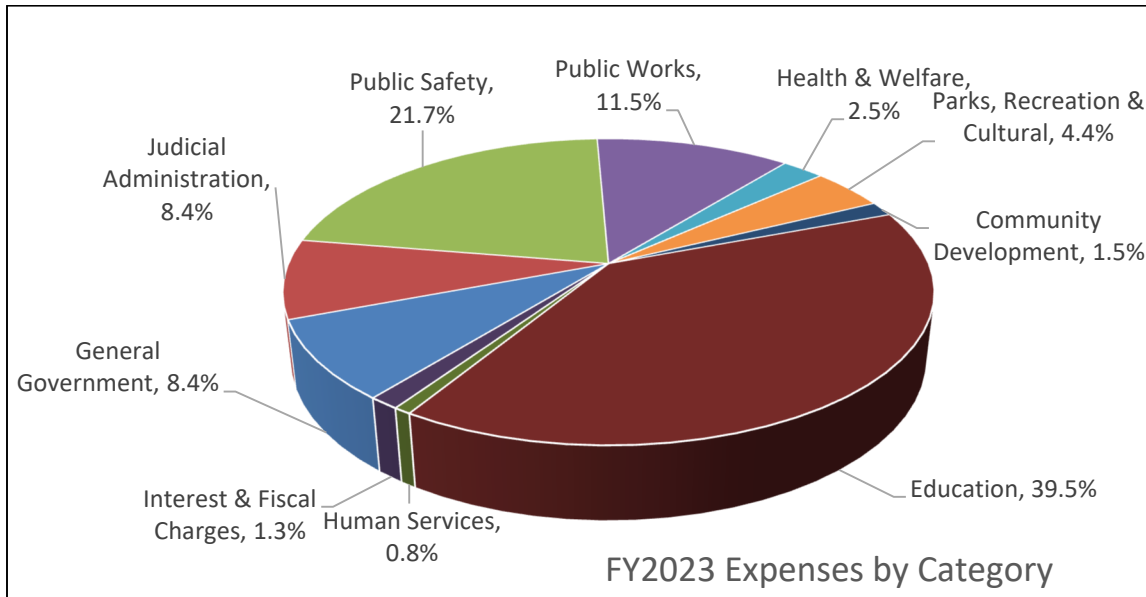
Public Safety is the City's second highest expense category, at 21.7% of governmental activity spending. The Public Safety function consists of the Fire and Emergency Medical Services Department, Emergency Communications, Emergency Management, the Police Department, and Animal Control.

Public Works expenses comprised 11.5% of governmental activities expenses. Expenses for Building Maintenance, Street Paving, and Street Maintenance are included in the Public Works category. General Government includes City Council, the City Manager, Human Resources, Economic Development, Finance, Purchasing, Risk Management, Tax Administration and Collections, Voter Registration, and Information Technology activities. The Comprehensive Services Act and social services programs incurred the majority of expenses reported in the Health and Welfare category, which comprises 2.5% of governmental activities expenses.

**CITY OF COLONIAL HEIGHTS, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023
(Continued)**

FINANCIAL ANALYSIS OF THE CITY (GOVERNMENT-WIDE) (Continued)

Expenses of the governmental activities are shown by functional area:



Business-Type Activities

Total net position of business-type activities increased \$1,413,227, or 9.9% in FY2023, compared with a \$1,228,308 increase, or 8.6%, during FY2022. The business-type activities of the City derive their revenues almost exclusively from charges for services. Expenses in the business-type funds increased 2.0% in comparison with FY2022, and revenue decreased 1.6%.

FINANCIAL ANALYSIS OF THE CITY (FUND FINANCIALS)

On the modified accrual basis of accounting, for the fiscal year ended June 30, 2023, the governmental funds reflect a total fund balance of \$36,868,357. Nearly 29% of this balance, \$10.5 million, constitutes fund balance of the capital projects fund. The total governmental funds increased by just \$6,707,136, however, the general fund increased \$5.6 million and the Capital Projects Fund increased by \$1.1 million. The City issued a \$5.85 million direct placement bank loan in October 2018 for seven projects: replacement of the City's Enterprise Resource Planning (Financial) System, replacement of the Computer Aided Dispatch System, acquisition of a quint fire apparatus, replacement of the Hrouda pump station, replacement of the generator at the Public Safety Building, and multiple school capital improvements. Progress continued on the Financial and Computer Aided Dispatch Systems in FY2023. All other projects were completed. The City issued a GO Bond in April 2022 in the amount of \$5.65 million for various projects including, but not limited to: City facilities security upgrade, Violet Bank restoration, and Lakeview Park pickleball courts.

Restricted, Committed and Assigned fund balances are designated to reserve contributions, donations, and grants intended for a specific purpose which has not yet been fulfilled, to liquidate purchase orders or contracts outstanding at year-end, and to purchase capital equipment, respectively.

**CITY OF COLONIAL HEIGHTS, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023
(Continued)**

FINANCIAL ANALYSIS OF THE CITY (FUND FINANCIALS) (Continued)

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the General Fund unassigned fund balance was \$20,023,517 (an increase of \$3,524,290 or 21.4%) while the total fund balance was \$26,698,268, an increase of 26.6% compared to the prior year. 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 32.5% of the total General Fund expenditures, while total fund balance represents 43.3% of that same amount. The City's adopted financial policies require a minimum unassigned fund balance of 10% of budgeted expenses and a target of 12%.

The General Fund began fiscal year 2023 with budgeted operating revenue and expenditure amounts that were equal. The FY2023 Budget called for the use of \$525,000 in existing assigned and unassigned fund balance for one-time capital expenditures. Unassigned fund balance is typically not appropriated for operating expenses. During the fiscal year, Council appropriated an additional \$2,474,446 of restricted, committed, assigned and unassigned fund balances for various purposes. The table below summarizes the appropriated uses of fund balances in FY2023:

Appropriated Uses of Fund Balance, FY2023

Project	Amount	Original Budget or Amendment	Fund Balance Type
Fire Apparatus	\$ 125,000	Original	Assigned
Fire Station Study	50,000	Original	Assigned
HVAC	90,000	Original	Assigned
Police Department vehicle replacement	200,000	Original	Assigned
Recreation Department vehicle replacement	30,000	Original	Assigned
Fire Department CAD maintenance	30,000	Original	Assigned
Library Donations	18,075	Amendment	Assigned
Prior Year Encumbrances	795,912	Amendment	Unassigned
Office of Youth	1,209	Amendment	Restricted
One time employee bonus	312,000	Amendment	Assigned
Pavement Preservation	395,370	Amendment	Assigned
Vacation Payout	217,000	Amendment	Assigned
Departmental Salary Overages	264,253	Amendment	Unassigned
IT Sharepoint Project	60,000	Amendment	Assigned
Asset forfeiture	36,154	Amendment	Restricted
Emergency Storm Sewer Repairs	200,322	Amendment	Unassigned
Lakeview Dam	162,151	Amendment	Assigned
E-Citation Fees for Police Equipment	12,000	Amendment	Restricted
Total appropriation of General Fund Balance	\$ 2,999,446		

Local taxes generated the majority of General Fund revenue, totaling approximately \$56.9 million in fiscal year 2023, as compared with \$52.2 million in fiscal year 2022. While lodging tax had a slight decrease of 0.9%, sales and meals tax had increases of 5.1% and 13.5% respectively. These three revenue sources are also shared with Colonial Heights Public Schools, resulting in the increase in funding transferred to Schools per the City's Memorandum of Understanding with the School Division.

**CITY OF COLONIAL HEIGHTS, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023
(Continued)**

FINANCIAL ANALYSIS OF THE CITY (FUND FINANCIALS) (Continued)

Cigarette taxes, implemented in FY2020, generated \$658,683 in FY2023, an increase of 40.3% from prior year. Real estate taxes, the City's largest single revenue source, exceed budget by approximately \$1,335,549, which is an increase from prior fiscal year. Personal property collections came in over budget by \$42,824 using the modified accrual basis of accounting.

Intergovernmental revenue is the second largest source of General Fund revenues, generating approximately \$9.3 million in fiscal year 2023 as compared to \$8.3 million in fiscal year 2022. 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. Personal property tax relief is also a significant revenue source from the Commonwealth, providing \$1.8 million in revenue.

CAPITAL PROJECTS FUND HIGHLIGHTS

Multiple capital projects were under construction or completed during FY2023. As mentioned previously, the City issued a \$5.85 million direct placement bank loan in October 2018 for an Enterprise Resource Planning System (ERP), Computer Aided Dispatch System (CAD), a fire apparatus purchase, and multiple school capital improvements. The technology systems projects were ongoing during FY2023. In April 2022, a GO Bond was issued for several projects including a City facilities security upgrade, Violet Bank restoration, and Lakeview Park pickleball courts. The Hill Place Sewer Replacement was completed in FY2023, and the City Facilities Security Upgrade project was in the initial phase.

The City also received state and federal funding of \$3.3 million in reimbursement for various transportation improvements. Projects underway at FY2023 year-end included the radio communications system, the Enterprise Resource Planning (Financial) system, CAD system, E911 Hardware updates, Phase V of the Appomattox River Greenway Trail, two projects at Colonial Heights High School, and other transportation projects. Funds remain allocated for the Lake Avenue Pickleball Courts and lighting, renovation of the Health Department, and water tower repairs. The Hill Place Sewer repair was completed in FY2023, and an ambulance was purchased for the Fire Department.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual General Fund revenues exceeded the original budget by \$8,144,541, however actual revenues exceeded the final revenue budget by \$7.7 million or 11.8%. Management took a conservative approach to major revenue sources in FY2023, however, the increase in cost of goods and services as well as an economic rebound in tourism spending has caused an increase in revenue.

General Fund actual expenditures underspent the original budget by \$3.5 million and underspent the final, amended budget by \$737,299 or 1.2%. For fiscal year 2023, City Council amended the budget to appropriate donations; operational grants; restricted, assigned and unassigned fund balances; additional operating transfer to schools (upcoming amendment); and prior year encumbrances.

CAPITAL ASSETS

As of June 30, 2023, the City's capital assets for its governmental and business-type activities amounted to \$94.3 million (net of accumulated depreciation and amortization). These investments include land, easements, construction in progress, land improvements, buildings and structures, equipment, software, and infrastructure. The City has a capitalization threshold of \$5,000. The City's total net capital asset value (additions less retirements and depreciation and amortization) increased \$4.2 million during FY2023, compared with an increase of \$1.5 million during FY2022. Governmental Activities net capital assets increased \$4.5 million, while Business-Type Activities net capital assets decreased by \$0.3 million.

**CITY OF COLONIAL HEIGHTS, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023
(Continued)**

**Summary Statement of
Capital Assets, Net of Accumulated Depreciation and Amortization
June 30, 2023 and 2022
(In Millions)**

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land and Easements	\$5.4	\$5.0	\$0.1	\$0.1	\$5.5	\$5.1
Construction in Process	16.1	10.6	-	-	16.1	10.6
Building and Structures	21.1	21.9	2.5	2.6	23.6	24.5
Infrastructure	33.5	33.8	10.8	10.9	44.3	44.7
Equipment and Software	4.0	4.3	0.8	0.9	4.8	5.2
Purchased Capacity	-	-	-	-	-	-
Total	<u>\$80.1</u>	<u>\$75.6</u>	<u>\$14.2</u>	<u>\$14.5</u>	<u>\$94.3</u>	<u>\$90.1</u>

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

LONG-TERM DEBT

At June 30, 2023, the Primary Government's long-term liabilities totaled \$40,263,764, consisting of \$36,647,756 related to governmental activities, and \$3,616,008 related to business-type activities. As previously mentioned, the City issued a \$5.85 million bank loan in October 2018 for capital projects. The City also issued a capital lease in October 2019 for computer replacements in the amount of \$225,000. Most recently in April of 2022 the City issued a GO bond for \$5.65M. The FY2024-FY2028 Capital Improvements Plan anticipates the City's next general obligation debt issuance for approximately \$12.5 million to occur in FY2025, with another issuance in FY2027 anticipated for \$3.9 million.

Standard & Poor's reaffirmed the City's AA+ in March 2022. Fitch Investor's Service reaffirmed the City's AA+ bond rating in March 2022.

The Charter of the City and the *Code of Virginia* limit the City's net debt to 10% of the assessed valuation of real estate. The City's entity-wide general obligation debt of \$34,400,001 is well below the legal debt limit of \$198,151,531

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The unemployment rate for the City in June 2023 was 3.2% compared to a June 2022 rate of 3.4%. This was above the state average of 2.6% for the same period, but compares favorably with the national average unemployment rate of 3.8%. The City had an estimated population of 18,158 in 2022, according to the U.S. Census Bureau, an increase of 4.7% since the 2010 census.

**CITY OF COLONIAL HEIGHTS, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023
(Continued)**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES (Continued)

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. Throughout the year, management monitors revenues and economic indicators to determine if they are on target with the analysis used to develop the budget. Periodic reports are provided to City Council and financial presentations provide projections based on historical data and current trends.

The adopted fiscal year 2024 General Fund budget of \$70,575,890 increased \$4.9 million, or 8.5% in comparison to the fiscal year 2023 adopted budget. The Annual Operating Budget for fiscal year 2024 included a 5.0% raise for full-time City employees and a 5.0% increase for constitutional officers and their employees (provided in the state budget for state-funded positions), along with a revised step plan for public safety. The City budget also included the conversion of a total of two part-time employees to one full time in the Sheriff's office. The FY2024 budget includes the use of assigned fund balances for capital projects in the amount of \$1,034,521. Personal property tax for calendar year 2023 was restored to \$3.50 from the FY2022 reduction of \$3.10 but other tax rates remain stable in FY2024.

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.

THIS PAGE INTENTIONALLY BLANK

BASIC FINANCIAL STATEMENTS

CITY OF COLONIAL HEIGHTS, VIRGINIA

STATEMENT OF NET POSITION

June 30, 2023

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Totals	School Board	Economic Development Authority
ASSETS					
Cash and investments (Note 2)	\$ 28,146,939	\$ 3,783,500	\$ 31,930,439	\$ 16,218,084	\$ 124,619
Receivables, net (Note 3)	17,413,296	1,039,474	18,452,770	15	-
Due from other governments (Note 4)	4,028,278	-	4,028,278	3,750,129	-
Due from primary government	-	-	-	2,024,633	-
Due from component unit	2,685	-	2,685	-	-
Internal balances (Note 5)	(1,602,228)	1,602,228	-	-	-
Inventories	99,228	-	99,228	24,078	-
Prepays	7,910	-	7,910	-	-
Restricted cash (Note 2)	10,812,135	-	10,812,135	-	-
Net pension asset (Note 12)	-	-	-	509,046	-
Capital assets: (Note 7)					
Nondepreciable	21,477,299	136,300	21,613,599	5,452,750	-
Depreciable, net	58,596,140	14,018,350	72,614,490	26,158,589	-
Total assets	138,981,682	20,579,852	159,561,534	54,137,324	124,619
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions (Note 12)	3,505,245	238,875	3,744,120	5,717,509	-
Deferred outflows related to other postemployment benefits (Note 14)	586,701	51,569	638,270	1,315,908	-
Total deferred outflows of resources	4,091,946	290,444	4,382,390	7,033,417	-
LIABILITIES					
Accounts payable and other current liabilities	3,603,898	275,806	3,879,704	5,314,412	-
Due to component unit	2,024,633	-	2,024,633	-	-
Due to other governments	-	-	-	2,685	-
Unearned revenue	-	-	-	160,719	-
Accrued interest	84,341	8,558	92,899	-	-
Customer security deposits	196,077	147,934	344,011	-	-
Noncurrent liabilities due within one year:					-
Net other postemployment benefits/liabilities (Note 14)	98,000	9,000	107,000	305,000	-
Long-term liabilities (Note 8)	3,926,883	281,023	4,207,906	360,908	-
Noncurrent liabilities due in more than one year:					-
Net pension liability (Note 12)	7,533,252	513,374	8,046,626	21,428,011	-
Net other postemployment benefits/liabilities (Note 14)	2,469,617	219,611	2,689,228	8,840,846	-
Long-term liabilities (Note 8)	32,720,873	3,334,985	36,055,858	2,346,376	-
Total liabilities	52,657,574	4,790,291	57,447,865	38,758,957	-
DEFERRED INFLOWS OF RESOURCES					
Property taxes and grants	14,663,538	-	14,663,538	-	-
Deferred inflows related to pensions (Note 12)	3,372,671	229,841	3,602,512	5,199,852	-
Deferred inflows related to other postemployment benefits (Note 14)	2,126,753	181,711	2,308,464	3,508,573	-
Total deferred inflows of resources	20,162,962	411,552	20,574,514	8,708,425	-
NET POSITION					
Net investment in capital assets	56,064,396	12,351,567	68,415,963	29,956,526	-
Restricted for public safety, public works, judicial administration and health and welfare grants	1,210,925	-	1,210,925	-	-
Restricted for net pension asset	-	-	-	509,046	-
Unrestricted	12,977,771	3,316,886	16,294,657	(16,762,213)	124,619
Total net position	\$ 70,253,092	\$ 15,668,453	\$ 85,921,545	\$ 13,703,359	\$ 124,619

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, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government				
					Governmental Activities	Business- Type Activities	Totals	School Board	Economic Development Authority
Primary Government:									
Governmental activities:									
General government	\$ 5,521,471	\$ 900,602	\$ 286,956	\$ -	\$ (4,333,913)		\$ (4,333,913)		
Judicial administration	5,494,429	315,368	1,440,696	-	(3,738,365)		(3,738,365)		
Public safety	14,290,555	1,000,536	1,143,984	-	(12,146,035)		(12,146,035)		
Public works	7,580,576	1,632,422	3,321,625	2,874,137	247,608		247,608		
Health and welfare	1,650,694	-	-	-	(1,650,694)		(1,650,694)		
Parks, recreation, and cultural	2,872,045	111,661	189,858	-	(2,570,526)		(2,570,526)		
Community development	999,578	222,771	133,902	-	(642,905)		(642,905)		
Education	25,966,669	-	1,369,772	-	(24,596,897)		(24,596,897)		
Human services	494,849	-	69,080	-	(425,769)		(425,769)		
Interest	864,661	-	-	-	(864,661)		(864,661)		
Total governmental activities	65,735,527	4,183,360	7,955,873	2,874,137	(50,722,157)		(50,722,157)		
Business-type activities:									
Water and sewer	4,547,745	5,497,754	-	-		\$ 950,009	950,009		
Storm water management	675,987	733,402	-	-		57,415	57,415		
Total business-type activities	5,223,732	6,231,156	-	-		1,007,424	1,007,424		
Total primary government	\$ 70,959,259	\$ 10,414,516	\$ 7,955,873	\$ 2,874,137	(50,722,157)	1,007,424	(49,714,733)		
Discretely Presented Component Units:									
School Board	\$ 44,223,577	\$ 639,566	\$ 29,931,983	\$ -				\$ (13,652,028)	
Economic Development Authority	121	-	-	-					\$ (121)
Total component units	\$ 44,223,698	\$ 639,566	\$ 29,931,983	\$ -				\$ (13,652,028)	\$ (121)
General revenues:									
Taxes:									
General property taxes					28,645,801	-	28,645,801	-	-
Other local taxes:									
Local sales and use					9,869,369	-	9,869,369	-	-
Food and lodging					11,515,654	-	11,515,654	-	-
Consumer utility					944,074	-	944,074	-	-
Motor vehicle license and fees					498,867	-	498,867	-	-
Business & occupation license					3,830,936	-	3,830,936	-	-
Other					1,562,463	-	1,562,463	-	-
Payments from City					-	-	-	25,966,669	-
Intergovernmental, non-categorical aid					8,108,771	-	8,108,771	-	-
Use of money and property					1,402,623	-	1,402,623	-	-
Miscellaneous					307,081	-	307,081	363,788	-
Transfers (Note 6)					(405,803)	405,803	-	-	-
Total general revenues					66,279,836	405,803	66,685,639	26,330,457	-
Change in net position					15,557,679	1,413,227	16,970,906	12,678,429	(121)
NET POSITION AT JULY 1					54,695,413	14,255,226	68,950,639	1,024,930	124,740
NET POSITION AT JUNE 30					\$ 70,253,092	\$ 15,668,453	\$ 85,921,545	\$ 13,703,359	\$ 124,619

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023

	General	Capital Projects	Emergency Response	Total Governmental Funds
ASSETS				
Cash and investments	\$ 26,516,000	\$ 1,630,939	\$ -	\$ 28,146,939
Receivables, net	17,413,296	-	-	17,413,296
Due from other governments	3,645,278	383,000	-	4,028,278
Due from component unit	2,685	-	-	2,685
Inventories	99,228	-	-	99,228
Prepays	7,910	-	-	7,910
Restricted cash	-	10,812,135	-	10,812,135
Total assets	<u>\$ 47,684,397</u>	<u>\$ 12,826,074</u>	<u>\$ -</u>	<u>\$ 60,510,471</u>
LIABILITIES				
Accounts payable and other current liabilities	\$ 2,598,533	\$ 634,652	\$ 370,713	\$ 3,603,898
Due to other funds	-	1,602,228	-	1,602,228
Due to component unit	1,976,241	48,392	-	2,024,633
Customer security deposits	196,077	-	-	196,077
Total liabilities	<u>4,770,851</u>	<u>2,285,272</u>	<u>370,713</u>	<u>7,426,836</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable/deferred revenue	16,215,278	-	-	16,215,278
Total deferred inflows of resources	<u>16,215,278</u>	<u>-</u>	<u>-</u>	<u>16,215,278</u>
FUND BALANCES (Note 15)				
Nonspendable	107,138	-	-	107,138
Restricted	1,210,925	10,540,802	-	11,751,727
Committed	1,113,743	-	-	1,113,743
Assigned	4,242,945	-	-	4,242,945
Unassigned	20,023,517	-	(370,713)	19,652,804
Total fund balances	<u>26,698,268</u>	<u>10,540,802</u>	<u>(370,713)</u>	<u>36,868,357</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 47,684,397</u>	<u>\$ 12,826,074</u>	<u>\$ -</u>	<u>\$ 60,510,471</u>

CITY OF COLONIAL HEIGHTS, VIRGINIA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2023**

Total Fund Balance - Governmental Funds \$ 36,868,357

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	\$ 21,477,299	
Depreciable, net	58,596,140	
		80,073,439

Certain receivables are not available to pay for current-period expenditures and therefore are deferred in the funds.		1,551,740
---	--	-----------

Deferred outflows and inflows of resources related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources - pensions	3,505,245	
Deferred outflows of resources - other postemployment benefits	586,701	
Deferred inflows of resources - pensions	(3,372,671)	
Deferred inflows of resources - other postemployment benefits	(2,126,753)	
Net pension liability	(7,533,252)	
Net other postemployment benefits liabilities	(2,567,617)	
		(11,508,347)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Bonds payable, including unamortized premiums	(33,031,637)	
Landfill post-closure liability	(122,596)	
Compensated absences	(3,306,210)	
Subscription liabilities	(187,313)	
Accrued interest payable	(84,341)	
		(36,732,097)

Total Net Position - Governmental Activities \$ 70,253,092

CITY OF COLONIAL HEIGHTS, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

Year Ended June 30, 2023

	General	Capital Projects	Emergency Response	Total Governmental Funds
REVENUES				
General property taxes	\$ 28,719,881	\$ -	\$ -	\$ 28,719,881
Other local taxes	28,221,363	-	-	28,221,363
Permits, privilege fees, and regulatory licenses	396,992	-	-	396,992
Fines and forfeitures	288,112	-	-	288,112
Charges for services	3,498,256	-	-	3,498,256
Use of money and property	977,398	425,225	-	1,402,623
Miscellaneous	307,081	-	-	307,081
Reimbursement from School Board	1,369,772	-	-	1,369,772
Intergovernmental	9,257,217	2,874,137	5,437,655	17,569,009
Total revenues	73,036,072	3,299,362	5,437,655	81,773,089
EXPENDITURES				
Current:				
General government	5,343,604	-	-	5,343,604
Judicial administration	5,637,167	-	-	5,637,167
Public safety	9,110,377	-	5,481,750	14,592,127
Public works	5,669,365	-	-	5,669,365
Health and welfare	1,645,014	-	-	1,645,014
Parks, recreation, and cultural	2,990,570	-	-	2,990,570
Community development	679,976	-	-	679,976
Education	25,918,277	48,392	-	25,966,669
Human services	502,416	-	-	502,416
Nondepartmental	385,947	-	-	385,947
Debt service:				
Principal retirement	2,681,629	-	-	2,681,629
Interest and fiscal charges	1,079,177	-	-	1,079,177
Capital outlays	-	7,703,907	-	7,703,907
Total expenditures	61,643,519	7,752,299	5,481,750	74,877,568
Excess (deficiency) of revenues over (under) expenditures	11,392,553	(4,452,937)	(44,095)	6,895,521
OTHER FINANCING SOURCES (USES)				
Inception of subscriptions	217,418	-	-	217,418
Transfers in (Note 6)	-	5,602,654	-	5,602,654
Transfers out (Note 6)	(6,008,457)	-	-	(6,008,457)
Total other financing sources (uses)	(5,791,039)	5,602,654	-	(188,385)
Net change in fund balances	5,601,514	1,149,717	(44,095)	6,707,136
FUND BALANCES AT JULY 1	21,096,754	9,391,085	(326,618)	30,161,221
FUND BALANCES AT JUNE 30	\$ 26,698,268	\$ 10,540,802	\$ (370,713)	\$ 36,868,357

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

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, 2023**

Net Change in Fund Balances - Governmental Funds \$ 6,707,136

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	\$ 7,612,985	
Depreciation expense	<u>(3,089,796)</u>	
		4,523,189

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (74,080)

The issuance of long-term debt and inception of subscriptions provides current financial resources to governmental funds, while the repayment of the principal of long-term debt and subscription liabilities consumes current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of those differences. 2,464,211

Some expenses reported in the Statement of Activities, such as compensated absences and landfill post-closure costs do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in compensated absences	404,820	
Change in landfill post-closure liability	<u>(8,127)</u>	
		396,693

Governmental funds report employer pension contributions as expenditures. However, in the Statement of Activities the cost of pension benefits earned, net of employee contributions, is reported as pension expense.

Employer pension contributions	2,170,451	
Pension expense	<u>(1,054,168)</u>	
		1,116,283

Governmental funds report employer other postemployment benefit contributions as expenditures. However, in the Statement of Activities the cost of these benefits earned, net of employee contributions, is reported as other postemployment benefit expense.

Employer other postemployment benefit contributions	76,065	
Other post employment benefits expense	<u>133,666</u>	
		209,731

Governmental funds report the effect of bond premiums and discounts when debt is first issued; whereas, these amounts are deferred and amortized in the Statement of Activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the Statement of Activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of those differences is as follows:

Amortization of premiums	203,756	
Change in accrued interest payable	<u>10,760</u>	
		<u>214,516</u>

Change in Net Position - Governmental Activities \$ 15,557,679

CITY OF COLONIAL HEIGHTS, VIRGINIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2023

	Business-Type Activities – Enterprise Funds		
	Water and Sewer	Storm Water Management	Totals
ASSETS			
Current assets:			
Cash and investments	\$ 3,067,873	\$ 715,627	\$ 3,783,500
Receivables, net	926,467	113,007	1,039,474
Due from other funds	1,602,228	-	1,602,228
Total current assets	5,596,568	828,634	6,425,202
Noncurrent assets:			
Capital assets, net	12,430,254	1,724,396	14,154,650
Total noncurrent assets	12,430,254	1,724,396	14,154,650
Total assets	18,026,822	2,553,030	20,579,852
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	200,685	38,190	238,875
Deferred outflows related to other postemployment benefits	43,320	8,249	51,569
Total deferred outflows of resources	244,005	46,439	290,444
LIABILITIES			
Current liabilities:			
Accounts payable and other current liabilities	269,266	6,540	275,806
Accrued interest	5,269	3,289	8,558
Customer security deposits	147,934	-	147,934
Compensated absences	50,480	1,038	51,518
Net other postemployment benefit liabilities	7,000	2,000	9,000
Debt obligations	150,069	79,436	229,505
Total current liabilities	630,018	92,303	722,321
Noncurrent liabilities:			
Compensated absences	146,341	12,838	159,179
Net pension liability	431,299	82,075	513,374
Net other postemployment benefit liabilities	184,975	34,636	219,611
Debt obligations	2,039,344	1,136,462	3,175,806
Total noncurrent liabilities	2,801,959	1,266,011	4,067,970
Total liabilities	3,431,977	1,358,314	4,790,291
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	193,095	36,746	229,841
Deferred inflows related to other post employment benefits	152,630	29,081	181,711
Total deferred inflows of resources	345,725	65,827	411,552
NET POSITION			
Net investment in capital assets	11,843,069	508,498	12,351,567
Unrestricted	2,650,056	666,830	3,316,886
Total net position	\$ 14,493,125	\$ 1,175,328	\$ 15,668,453

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2023

	Business-Type Activities – Enterprise Funds		
	Water and Sewer	Storm Water Management	Totals
OPERATING REVENUES			
Charges for services	\$ 5,276,114	\$ 733,402	\$ 6,009,516
Connection fees	214,908	-	214,908
Miscellaneous	6,732	-	6,732
Total operating revenues	5,497,754	733,402	6,231,156
OPERATING EXPENSES			
Personnel	945,331	206,064	1,151,395
Fringe benefits	305,473	70,296	375,769
Utilities	99,313	-	99,313
Repairs and maintenance	55,845	22,746	78,591
Materials and supplies	155,208	2,104	157,312
Sewage treatment costs	1,612,099	-	1,612,099
Water purchased for resale	592,617	-	592,617
Depreciation and amortization	478,801	56,328	535,129
Other charges	243,133	282,848	525,981
Total operating expenses	4,487,820	640,386	5,128,206
Operating income	1,009,934	93,016	1,102,950
NONOPERATING EXPENSES			
Interest expense	(59,925)	(35,601)	(95,526)
Total nonoperating expenses	(59,925)	(35,601)	(95,526)
Income before transfers	950,009	57,415	1,007,424
TRANSFERS IN (Note 6)	265,079	147,213	412,292
TRANSFERS OUT (Note 6)	-	(6,489)	(6,489)
Change in net position	1,215,088	198,139	1,413,227
NET POSITION AT JULY 1	13,278,037	977,189	14,255,226
NET POSITION AT JUNE 30	\$ 14,493,125	\$ 1,175,328	\$ 15,668,453

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2023

	Business-Type Activities – Enterprise Funds		
	Water and Sewer	Storm Water Management	Totals
OPERATING ACTIVITIES			
Receipts from customers and properties	\$ 5,398,335	\$ 733,309	\$ 6,131,644
Receipts from other sources	18,329	-	18,329
Payments to suppliers	(2,708,663)	(307,698)	(3,016,361)
Payments to employees	(1,289,364)	(287,608)	(1,576,972)
Net cash provided by operating activities	<u>1,418,637</u>	<u>138,003</u>	<u>1,556,640</u>
NONCAPITAL FINANCING ACTIVITIES			
Transfers in	265,079	147,213	412,292
Transfers out	-	(6,489)	(6,489)
Net cash provided by noncapital financing activities	<u>265,079</u>	<u>140,724</u>	<u>405,803</u>
CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(170,637)	-	(170,637)
Principal paid	(146,258)	(77,218)	(223,476)
Interest paid	(65,901)	(41,139)	(107,040)
Net cash used in capital and related financing activities	<u>(382,796)</u>	<u>(118,357)</u>	<u>(501,153)</u>
Net increase in cash and cash equivalents	1,300,920	160,370	1,461,290
CASH AND CASH EQUIVALENTS			
Beginning at July 1	<u>1,766,953</u>	<u>555,257</u>	<u>2,322,210</u>
Ending at June 30	<u><u>\$ 3,067,873</u></u>	<u><u>\$ 715,627</u></u>	<u><u>\$ 3,783,500</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 1,009,934	\$ 93,016	\$ 1,102,950
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	478,801	56,328	535,129
Pension expense net of employer contributions	(63,909)	(12,162)	(76,071)
Other post-employment benefit expense net of employer contributions	(10,623)	(963)	(11,586)
Change in assets and liabilities:			
(Increase) decrease in:			
Receivables, net	(67,629)	(93)	(67,722)
Due from other governments	11,597	-	11,597
Increase (decrease) in:			
Accounts payable and other current liabilities	64,860	1,982	66,842
Customer security deposits	(25,058)	-	(25,058)
Compensated absences	20,664	(105)	20,559
Net cash provided by operating activities	<u><u>\$ 1,418,637</u></u>	<u><u>\$ 138,003</u></u>	<u><u>\$ 1,556,640</u></u>

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 1. Summary of Significant Accounting Policies

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

A. The Financial Reporting Entity

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

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

Discretely Presented Component Unit – School Board

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

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

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

Discretely Presented Component Unit – Economic Development Authority

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

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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

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

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

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

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

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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 financed purchases, 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).

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

The City reports the following major enterprise funds:

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

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

D. Budgets and Budgetary Accounting

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

1. At least 60 days prior to June 30, the City Manager submits to City Council a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A capital improvement plan (CIP) is prepared simultaneously with the budget. The CIP plans the City's major capital projects over a five-year period, and once approved, the first year of the CIP is appropriated in conjunction with the operating budget.
3. Public hearings are conducted to obtain citizen comments on the proposed budget. Prior to July 1, the budget is legally adopted at the function level through passage of an appropriation ordinance by City Council.
4. The City Manager is authorized to transfer amounts within functions, with any other transfers being approved by City Council. During the year, \$2,907,600 in supplemental general fund 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, Deferred Outflows, Liabilities, Deferred Inflows, and Equity

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

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

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

Property Taxes.

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

For real estate assessed on January 1, payment is due in two installments on May 15 and November 15 and is considered delinquent if not received by the due date. On January 1, real estate taxes become an enforceable lien on related property. The real estate taxes reported as current year revenue are the second installment (November 15) of the levy on assessed value at January 1 of the prior year and the first installment (May 15) of the levy at January 1 of the current year. The tax rate for calendar year 2022 and 2023 was \$1.20 per \$100 of assessed value.

Personal Property – The City levies personal property taxes on motor vehicles and personal and business property. These levies are assessed on a calendar year basis as of January 1. Personal property taxes are payable in two installments, which are due on June 5 and December 5. Taxes become delinquent if not received by the due date. On January 1, personal property taxes become an enforceable lien on related property. The personal property taxes reported as revenue are the second installment (December 5) of the levy on assessed value at January 1 of the prior year, and the first installment (June 5) of the levy at January 1 of the current year. The tax rate for calendar year 2023 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, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value. Depreciation and amortization has been provided over the estimated useful lives using the straight-line method. No depreciation or amortization expense is recorded for land, easements, or construction-in-progress. Capital assets placed in service during the year will begin depreciation on the date they are placed into service. The estimated useful lives are:

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 1. Summary of Significant Accounting Policies (Continued)

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

Capital Assets. (Continued)

Land improvements	5 – 20 years
Buildings and structures	20 – 50 years
Intangibles	5 – 10 years
Equipment	4 – 20 years
Infrastructure	30 – 50 years

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

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

Deferred Outflows/Inflows of Resources.

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

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

Pensions and Other Postemployment Benefits (OPEB).

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

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

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

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

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 1. Summary of Significant Accounting Policies (Continued)

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

Minimum Fund Balance Policy

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

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

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Encumbrances as of June 30 total \$1,113,743 in the general fund and \$10,386,070 in the capital projects fund. The capital projects fund balance is restricted on Exhibit 3 due to unspent bond proceeds.

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

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

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

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 1. Summary of Significant Accounting Policies (Continued)

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

Encumbrances (Continued)

Net Position. (Continued)

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

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

F. Use of Estimates

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

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.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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 carrying value of the LGIP is the same as the value of the pool shares, i.e., the LGIP maintains a stable net asset value of \$1 per share in accordance with GASB No. 79. The LGIP has been assigned an “AAAm” rating by Standard & Poor’s. The maturity of the LGIP is less than one year.

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

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

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

Deposits:	
Demand deposits	\$ 3,394,799
Cash on hand	11,450
	<hr/>
	3,406,249
Investments (Fair Value):	
LGIP	29,115,206
SNAP	10,221,119
	<hr/>
Total deposits and investments	\$ 42,742,574

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 2. Deposits and Investments (Continued)

Investments (Continued)

Exhibit 1 total deposits and investments is composed as follows:

Cash and investments	\$ 31,930,439
Restricted cash	<u>10,812,135</u>
Total deposits and investments	<u><u>\$ 42,742,574</u></u>

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

Deposits:	
Demand deposits	<u><u>\$ 16,218,084</u></u>

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

Deposits:	
Demand deposits	<u><u>\$ 124,619</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 fund has restricted certain cash balances, representing unspent debt proceeds, in accordance with debt agreements.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 3. Receivables

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

	<u>General</u>	<u>Water and Sewer</u>	<u>Storm Water Management</u>	<u>Total</u>
Taxes	\$ 17,819,644	\$ -	\$ -	\$ 17,819,644
Accounts	336,570	1,258,839	153,618	1,749,027
Other	216,414	-	-	216,414
Gross receivables	18,372,628	1,258,839	153,618	19,785,085
Less allowance for uncollectible account	(959,332)	(332,372)	(40,611)	(1,332,315)
Net receivables	<u>\$ 17,413,296</u>	<u>\$ 926,467</u>	<u>\$ 113,007</u>	<u>\$ 18,452,770</u>

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

Note 4. Due from Other Governmental Units

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

	<u>Governmental Activities</u>	<u>School Board</u>
Federal:		
Highway planning and construction	\$ 383,000	\$ -
Other grants	-	17,437
IDEA	-	166,071
Title I	-	231,013
Title II and IV	-	64,233
ESSER II and III	-	2,019,860
CSLFRF	-	96,784
Perkins	-	38,664
Child nutrition	-	268,506
Commonwealth of Virginia:		
Other aid, grants, and reimbursements	286,498	266,031
Sales tax	1,605,411	581,530
PPTRA	1,753,369	-
	<u>\$ 4,028,278</u>	<u>\$ 3,750,129</u>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 5. Interfund Obligations

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

	<u>Receivables</u>	<u>Payables</u>
Capital Projects	\$ -	\$ 1,602,228
Water and Sewer	<u>1,602,228</u>	<u>-</u>
	<u>\$ 1,602,228</u>	<u>\$ 1,602,228</u>

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

Note 6. Interfund Transfers

	<u>Transfer From Fund:</u>		
	<u>Storm</u>		
	<u>General</u>	<u>Management</u>	<u>Total</u>
Transfer to fund:			
Capital Projects	\$ 5,602,654	\$ -	\$ 5,602,654
Storm Management	147,213	-	147,213
Water and Sewer	258,590	-	258,590
Water and Sewer	<u>-</u>	<u>6,489</u>	<u>6,489</u>
	<u>\$ 6,008,457</u>	<u>\$ 6,489</u>	<u>\$ 6,014,946</u>

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

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 7. Capital Assets

Capital asset activity was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated or amortized:				
Land	\$ 2,642,227	\$ -	\$ -	\$ 2,642,227
Easements	2,315,227	479,449	-	2,794,676
Construction in progress	10,611,013	5,615,788	(186,405)	16,040,396
	<u>15,568,467</u>	<u>6,095,237</u>	<u>(186,405)</u>	<u>21,477,299</u>
Capital assets, depreciated and amortized:				
Buildings and structures	34,277,978	94,042	-	34,372,020
Infrastructure	84,983,821	1,243,404	-	86,227,225
Equipment	17,781,415	179,785	-	17,961,200
Intangibles	224,414	186,922	-	411,336
	<u>137,267,628</u>	<u>1,704,153</u>	<u>-</u>	<u>138,971,781</u>
Less accumulated depreciation and amortization for:				
Buildings and structures	(12,408,671)	(829,206)	-	(13,237,877)
Infrastructure	(51,229,547)	(1,516,896)	-	(52,746,443)
Equipment	(13,456,697)	(705,151)	-	(14,161,848)
Intangibles	(190,930)	(38,543)	-	(229,473)
	<u>(77,285,845)</u>	<u>(3,089,796)</u>	<u>-</u>	<u>(80,375,641)</u>
Capital assets, depreciated and amortized, net	<u>59,981,783</u>	<u>(1,385,643)</u>	<u>-</u>	<u>58,596,140</u>
Governmental activities capital assets, net	<u>\$ 75,550,250</u>	<u>\$ 4,709,594</u>	<u>\$ (186,405)</u>	<u>\$ 80,073,439</u>

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

Governmental activities:	
General government	\$ 49,862
Judicial administration	26,322
Public safety	545,762
Public works	2,096,239
Health and welfare	3,798
Parks, recreation, and cultural	4,507
Community development	363,306
	<u>\$ 3,089,796</u>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 7. Capital Assets (Continued)

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated or amortized:				
Land	\$ 136,300	\$ -	\$ -	\$ 136,300
	<u>136,300</u>	<u>-</u>	<u>-</u>	<u>136,300</u>
Capital assets, depreciated and amortized:				
Land improvements	48,927	-	-	48,927
Buildings and structures	5,577,131	-	-	5,577,131
Infrastructure	19,329,564	162,292	-	19,491,856
Equipment	4,168,173	8,345	-	4,176,518
Intangibles	303,982	-	-	303,982
Purchased capacity	9,874,437	-	-	9,874,437
	<u>39,302,214</u>	<u>170,637</u>	<u>-</u>	<u>39,472,851</u>
Less accumulated depreciation and amortization for:				
Land improvements	(41,707)	(249)	-	(41,956)
Buildings and structures	(3,010,831)	(107,352)	-	(3,118,183)
Infrastructure	(8,390,631)	(265,535)	-	(8,656,166)
Equipment	(3,297,784)	(161,993)	-	(3,459,777)
Intangibles	(303,982)	-	-	(303,982)
Purchased capacity	(9,874,437)	-	-	(9,874,437)
	<u>(24,919,372)</u>	<u>(535,129)</u>	<u>-</u>	<u>(25,454,501)</u>
Capital assets, depreciated and amortized, net	<u>14,382,842</u>	<u>(364,492)</u>	<u>-</u>	<u>14,018,350</u>
Business-type activities capital assets, net	<u>\$ 14,519,142</u>	<u>\$ (364,492)</u>	<u>\$ -</u>	<u>\$ 14,154,650</u>

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

Business-type activities:	
Water and Sewer	\$ 478,801
Storm Water	<u>56,328</u>
	<u>\$ 535,129</u>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 7. Capital Assets (Continued)

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
CIP	494,517	4,362,648	(494,517)	4,362,648
	<u>1,584,619</u>	<u>4,362,648</u>	<u>(494,517)</u>	<u>5,452,750</u>
Capital assets, depreciated and amortized:				
Buildings and structures	41,925,430	1,281,032	-	43,206,462
Equipment	5,335,255	558,821	(338,879)	5,555,197
	<u>47,260,685</u>	<u>1,839,853</u>	<u>(338,879)</u>	<u>48,761,659</u>
Less accumulated depreciation and amortization for:				
Buildings and structures	(19,013,921)	(958,228)	-	(19,972,149)
Equipment	(3,386,611)	(373,665)	338,879	(3,421,397)
	<u>(22,400,532)</u>	<u>(1,331,893)</u>	<u>338,879</u>	<u>(23,393,546)</u>
Capital assets, depreciated and amortized, net	<u>24,860,153</u>	<u>507,960</u>	<u>-</u>	<u>25,368,113</u>
Intangible right-to-use assets				
Leased assets – equipment	74,234	299,731	-	373,965
Subscription assets – software	-	654,689	-	654,689
Intangible right-to-use assets	<u>74,234</u>	<u>954,420</u>	<u>-</u>	<u>1,028,654</u>
Less accumulated amortization				
Leased assets – equipment	(24,745)	(24,745)	-	(49,490)
Subscription assets – software	-	(188,688)	-	(188,688)
	<u>(24,745)</u>	<u>(213,433)</u>	<u>-</u>	<u>(238,178)</u>
Intangible right-to-use assets, net	<u>49,489</u>	<u>740,987</u>	<u>-</u>	<u>790,476</u>
School Board capital assets, depreciated and amortized, net	<u>24,909,642</u>	<u>1,248,947</u>	<u>-</u>	<u>26,158,589</u>
School Board capital assets, net	<u>\$ 26,494,261</u>	<u>\$ 5,611,595</u>	<u>\$ (494,517)</u>	<u>\$ 31,611,339</u>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 8. Long-Term Liabilities

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

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
General obligation bonds	\$ 29,094,999	\$ -	\$ (2,360,000)	\$ 26,734,999	\$ 2,440,000
General obligation – direct borrowing	4,673,348	-	(291,524)	4,381,824	300,494
Issuance premiums	2,118,570	-	(203,756)	1,914,814	-
Subscription liability	-	217,418	(30,105)	187,313	51,532
Landfill post-closure liability	114,469	8,127	-	122,596	-
Compensated absences	3,711,030	1,189,222	(1,594,042)	3,306,210	1,134,857
	<u>\$ 39,712,416</u>	<u>\$ 1,414,767</u>	<u>\$ (4,479,427)</u>	<u>\$ 36,647,756</u>	<u>\$ 3,926,883</u>
Business-Type Activities					
General obligation bonds	\$ 2,970,002	\$ -	\$ (190,000)	\$ 2,780,002	\$ 194,999
General obligation – direct borrowing	536,652	-	(33,476)	503,176	34,506
Issuance premiums	133,236	-	(11,103)	122,133	-
Compensated absences	190,138	95,957	(75,398)	210,697	51,518
	<u>\$ 3,830,028</u>	<u>\$ 95,957</u>	<u>\$ (309,977)</u>	<u>\$ 3,616,008</u>	<u>\$ 281,023</u>
Component Unit – School Board					
Financed purchases	\$ 351,365	\$ -	\$ (180,717)	\$ 170,648	\$ 84,076
Lease liability	50,774	299,731	(89,536)	260,969	81,321
Subscription liability	-	654,689	(59,592)	595,097	111,482
Compensated absences	1,916,295	174,446	(410,171)	1,680,570	84,029
	<u>\$ 2,318,434</u>	<u>\$ 1,128,866</u>	<u>\$ (740,016)</u>	<u>\$ 2,707,284</u>	<u>\$ 360,908</u>

For the year ended June 30, 2023, the City and School Board adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which establishes a single model for subscription accounting based on the principle that subscriptions are financings of right-to-use an underlying asset. The City and School Board are required to recognize a subscription liability and an intangible right-to-use subscription asset. The right-to-use subscription asset information can be found in Note 7, and the corresponding liabilities and maturity schedules are provided in Note 8.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 8. Long-Term Liabilities (Continued)

School Board as Lessee

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

Subscription-Based Information Technology Arrangements

The City and School Board have entered into several non-cancellable subscription liability agreements that convey controls of the right-to-use another party's information technology software, along or in combination with tangible capital assets, as specified in the contract in an exchange or exchange-like transaction. At the commencement of the subscription, the City and School Board initially measured the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The City used its estimated incremental borrowing rate as the rate for subscriptions, which ranged from 2.3543% to 3.4450%. The School Board used its estimated incremental borrowing rate as the rate for subscriptions, as discount rates implicit in the School Board's leases cannot be readily determined. The incremental borrowing rate used was 3.25%. The significant contracts are as follows:

Governmental Activities

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

* Maturity date includes option years, if applicable.

School Board

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

* Maturity date includes option years, if applicable.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 8. Long-Term Liabilities (Continued)

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

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

	<u>Year Issued</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>
General obligation bonds:			
General improvement			
Series 2012	2012	2.50-4.00%	\$ 11,705,000
Series 2015	2015	2.00-5.00%	5,405,000
Series 2016	2016	2.00-5.00%	6,755,000
Series 2018	2018	3.442%	4,885,000
Series 2022	2022	3.00-5.00%	5,650,001
Total general obligation bonds			<u>\$ 34,400,001</u>

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

The City's outstanding note from direct borrowings of \$4,885,000 contain a provision that if required to prevent default, the City shall levy and collect an annual ad valorem tax, over and above all other taxes authorized or limited by law on all locally taxable property in the City sufficient to pay the principal and interest when due for this borrowing. The direct borrowings are secured by the full faith and credit of the City.

Financed purchase payable:

School buses	2021	2.97%	\$ 170,648
--------------	------	-------	------------

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

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

<u>Fiscal Year Ending</u>	<u>General Obligation Bonds</u>			
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 2,740,494	\$ 996,923	\$ 229,505	\$ 102,078
2025	2,809,464	919,287	235,536	96,980
2026	2,912,918	816,892	247,082	85,737
2027	3,006,887	716,688	253,112	78,151
2028	2,790,343	603,551	259,656	70,370
2029-2033	13,000,601	1,627,136	1,424,400	227,132
2034-2038	3,186,116	285,656	633,887	27,569
2039-2042	670,000	42,247	-	-
	<u>\$ 31,116,823</u>	<u>\$ 6,008,380</u>	<u>\$ 3,283,178</u>	<u>\$ 688,017</u>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 8. Long-Term Liabilities (Continued)

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

Fiscal Year Ending	Component Unit – School Board					
	Financed Purchases Payable		Lease Liability		Subscription Liability	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 84,076	\$ 5,067	\$ 81,321	\$ 10,946	\$ 111,482	\$ 17,614
2025	86,572	2,570	57,514	7,300	115,083	14,013
2026	-	-	59,851	4,963	118,879	10,217
2027	-	-	62,283	2,530	122,801	6,295
2028	-	-	-	-	126,852	2,244
	<u>\$ 170,648</u>	<u>\$ 7,637</u>	<u>\$ 260,969</u>	<u>\$ 25,739</u>	<u>\$ 595,097</u>	<u>\$ 50,383</u>

Note 9. Environmental Liabilities

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

The City has completed the process of closing the former City landfill. Effective September 2015, DEQ dismissed the groundwater monitoring portion of the landfill post-closure costs. The new post-closure and corrective action costs for the landfill are currently projected to be approximately \$123,000 based on a minimum eight 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 10. Commitments and Contingent Liabilities

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

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

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 10. Commitments and Contingent Liabilities (Continued)

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 \$10,386,070 still outstanding to be completed at year-end. The School Board has entered into various construction contracts with \$5,533,462 still outstanding to be completed at year-end.

Health Department Commitments: The City entered into a contract with the Virginia Department of Health to help support the cooperative budget of the Colonial Heights Health Department. The City's payment for 2023 totals approximately \$176,000.

Note 11. Defined Benefit Pension Plan

Primary Government – City

Plan Description

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

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

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

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 11. Defined Benefit Pension Plan (Continued)

Primary Government – City (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2021 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>225</u>
Inactive members:	
Vested inactive members	45
Non-vested inactive members	39
Inactive members active elsewhere in VRS	<u>138</u>
Total inactive members	<u>222</u>
Active members	<u>252</u>
Total covered employees	<u><u>699</u></u>

Contributions

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

The political subdivision's contractually required contribution rate for the year ended June 30, 2023 was 15.14% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were \$2,318,363 and \$1,996,397 for the years ended June 30, 2023 and June 30, 2022, respectively.

Net Pension Liability

The net pension liability is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2021 rolled forward to the measurement date of June 30, 2022. The City typically uses the General Fund first of the governmental funds to liquidate net pension liability.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 11. Defined Benefit Pension Plan (Continued)

Primary Government – City (Continued)

Actuarial Assumptions

The total pension liability for General Employees and Public Safety employees with Hazardous Duty Benefits in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

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

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees – Largest 10 – Non-Hazardous Duty and All Others (Non 10 Largest): Update mortality table; adjusted retirement rates; adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service; no change to disability rates, no change to salary scale, no change to line of duty disability; and not change to discount rate.

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

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 11. Defined Benefit Pension Plan (Continued)

Primary Government – City (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00 %	5.71 %	1.94 %
Fixed Income	15.00	2.04	0.31
Credit Strategies	14.00	4.78	0.67
Real Assets	14.00	4.47	0.63
Private Equity	14.00	9.73	1.36
MAPS – Multi-Asset Public Strategies	6.00	3.73	0.22
PIP – Private Investment Partnership	3.00	6.55	0.20
Total	100.00 %		5.33 %
	Inflation		2.50 %
			<u>7.83 %</u>

*Expected arithmetic nominal return

- * The above allocation provides for a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation, providing a median return of 7.11%, including expected inflation of 2.50%.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 11. Defined Benefit Pension Plan (Continued)

Primary Government – City (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions, political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2023, the alternate rate was the employer contribution rate used in the FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2021, actuarial valuations, whichever was greater. From July 1, 2022 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2021	\$ 90,959,746	\$ 87,069,688	\$ 3,890,058
Changes for the year:			
Service cost	1,901,889	-	1,901,889
Interest	6,097,393	-	6,097,393
Differences between expected and actual experience	(1,259,251)	-	(1,259,251)
Contributions – employer	-	1,996,400	(1,996,400)
Contributions – employee	-	699,731	(699,731)
Net investment income	-	(59,887)	59,887
Benefit payments, including refunds of employee contributions	(5,059,760)	(5,059,760)	-
Administrative expenses	-	(54,768)	54,768
Other changes	-	1,987	(1,987)
Net changes	1,680,271	(2,476,297)	4,156,568
Balances at June 30, 2022	\$ 92,640,017	\$ 84,593,391	\$ 8,046,626

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 11. Defined Benefit Pension Plan (Continued)

Primary Government – City (Continued)

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

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

	<u>1.00% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1.00% Increase (7.75%)</u>
Political subdivision's net pension liability (asset)	\$ 19,996,577	\$ 8,046,626	\$ (1,755,185)

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

For the year ended June 30, 2023, the political subdivision recognized pension expense of \$1,126,012. At June 30, 2023, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,090,419
Change in assumptions	1,425,757	-
Net difference between projected and actual earnings on pension plan investments	-	2,512,093
Employer contributions subsequent to the measurement date	2,318,363	-
Total	<u>\$ 3,744,120</u>	<u>\$ 3,602,512</u>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 11. Defined Benefit Pension Plan (Continued)

Primary Government – City (Continued)

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

The \$2,318,363 reported as deferred outflows of resources related to pensions resulting from the Political Subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the Fiscal Year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Increase (Reduction) to Pension Expense
2024	\$ (442,261)
2025	(1,103,969)
2026	(1,801,634)
2027	1,171,109
2028	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2022-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

At June 30, 2023, \$246,970 was payable to the Virginia Retirement System for the legally required contributions related to June 2023 payroll.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 11. Defined Benefit Pension Plan (Continued)

School Nonprofessionals

Plan Description

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

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

Employees Covered by Benefit Terms

As of the June 30, 2021 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>49</u>
Inactive members:	
Vested inactive members	8
Non-vested inactive members	6
Inactive members active elsewhere in VRS	<u>6</u>
Total inactive members	<u>20</u>
Active members	<u>38</u>
Total covered employees	<u><u>107</u></u>

Contributions

The school division’s contractually required contribution rate for the year ended June 30, 2023 was 4.20% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021.

Contributions to the pension plan from the school division were \$80,460 and \$61,028 for the years ended June 30, 2023 and June 30, 2022, respectively.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 11. Defined Benefit Pension Plan (Continued)

School Nonprofessionals (Continued)

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balances at June 30, 2021	\$ 5,547,878	\$ 6,350,664	\$ (802,786)
Changes for the year:			
Service cost	111,038	-	111,038
Interest	372,327	-	372,327
Differences between expected and actual experience	(73,416)	-	(73,416)
Contributions – employer	-	61,141	(61,141)
Contributions – employee	-	63,585	(63,585)
Net investment income	-	(4,687)	4,687
Benefit payments, including refunds of employee contributions	(285,910)	(285,910)	-
Administrative expenses	-	(3,975)	3,975
Other changes	-	145	(145)
Net changes	124,039	(169,701)	293,740
Balances at June 30, 2022	\$ 5,671,917	\$ 6,180,963	\$ (509,046)

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
School division's net pension liability (asset)	\$ 139,861	\$ (509,046)	\$ (1,046,389)

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 11. Defined Benefit Pension Plan (Continued)

School Nonprofessionals (Continued)

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

For the year ended June 30, 2023, the school division recognized pension expense of (\$66,734). At June 30, 2023, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 51,870
Change in assumptions	29,759	-
Net difference between projected and actual earnings on pension plan investments	-	185,052
Employer contributions subsequent to the measurement date	<u>80,460</u>	<u>-</u>
Total	<u><u>\$ 110,219</u></u>	<u><u>\$ 236,922</u></u>

The \$80,460 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the Fiscal Year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Increase (Reduction) to Pension Expense
2024	\$ (80,981)
2025	(87,630)
2026	(124,108)
2027	85,556
2028	-
Thereafter	-

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 11. Defined Benefit Pension Plan (Continued)

School Nonprofessionals (Continued)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2022-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

At June 30, 2023, \$58,103 was payable to the Virginia Retirement System for the legally required contributions related to June 2023 payroll.

Teacher Cost Sharing Plan

General Information about the Teacher Cost Sharing Plan

Plan Description

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

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

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each school division's contractually required contribution rate for the year ended June 30, 2023 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$3,586,604 and \$3,298,236 for the years ended June 30, 2023 and June 30, 2022, respectively.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 11. Defined Benefit Pension Plan (Continued)

Teacher Cost Sharing Plan (Continued)

General Information about the Teacher Cost Sharing Plan (Continued)

In June 2022, the Commonwealth made a special contribution of approximately \$442.4 million to the VRS Teacher Employee plan. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act, and is classified as a non-employer contribution.

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

At June 30, 2023, the school division reported a liability of \$21,428,011 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2022 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the school division's proportion was 0.22507% as compared to 0.22828% at June 30, 2021.

For the year ended June 30, 2023, the school division recognized pension expense of \$767,892. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions. Beginning with the June 30, 2022 measurement date, the difference between the expected and actual contributions is included with the pension expense calculation.

At June 30, 2023, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,477,546
Change in assumptions	2,020,230	-
Net difference between projected and actual earnings on pension plan investments	-	2,793,764
Changes in proportion and differences between Employer contributions and proportionate share of contributions	456	691,620
Employer contributions subsequent to the measurement date	3,586,604	-
Total	<u>\$ 5,607,290</u>	<u>\$ 4,962,930</u>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 11. Defined Benefit Pension Plan (Continued)

Teacher Cost Sharing Plan (Continued)

General Information about the Teacher Cost Sharing Plan (Continued)

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

The \$3,586,604 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the Fiscal Year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Increase (Reduction) to Pension Expense
2024	\$ (981,457)
2025	(1,185,805)
2026	(1,968,762)
2027	1,193,780
2028	-
Thereafter	-

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2022, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	Teacher Employee Retirement Plan
Total Pension Liability	\$ 54,732,329
Plan Fiduciary Net Position	<u>45,211,731</u>
Employers' Net Pension Liability	<u>\$ 9,520,598</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.61%

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 11. Defined Benefit Pension Plan (Continued)

Teacher Cost Sharing Plan (Continued)

General Information about the Teacher Cost Sharing Plan (Continued)

Net Pension Liability (Continued)

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

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
School division's proportionate share of the VRS Teacher Employee Retirement plan net pension liability	<u>\$ 38,272,069</u>	<u>\$ 21,428,011</u>	<u>\$ 7,713,245</u>

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2022-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

At June 30, 2023, \$469,717 was payable to the Virginia Retirement System for the legally required contributions related to June 2023 payroll.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 12. Summary of Pension Elements

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

	Governmental Activities	Business-Type Activities	Total Primary Government
Net pension liability			
VRS Basic Pension Plan	\$ (7,533,252)	\$ (513,374)	\$ (8,046,626)
Deferred outflows of resources			
Change in assumptions	\$ 1,334,794	\$ 90,963	\$ 1,425,757
Pension contributions subsequent to measurement date	2,170,451	147,912	2,318,363
Total deferred outflows of resources	<u>\$ 3,505,245</u>	<u>\$ 238,875</u>	<u>\$ 3,744,120</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ (1,020,850)	\$ (69,569)	\$ (1,090,419)
Net difference between projected and actual earnings on plan investments	(2,351,821)	(160,272)	(2,512,093)
Total deferred inflows of resources	<u>\$ (3,372,671)</u>	<u>\$ (229,841)</u>	<u>\$ (3,602,512)</u>
Net pension expense	<u>\$ 1,054,168</u>	<u>\$ 71,844</u>	<u>\$ 1,126,012</u>
	Teachers' Plan	Non-Teachers' Plan	Total School Board
Net pension liability/asset			
VRS Basic Pension Plan	\$ (21,428,011)	\$ 509,046	\$ (20,918,965)
Deferred outflows of resources			
Change in assumptions	\$ 2,020,230	\$ 29,759	\$ 2,049,989
Change in proportion and differences between employer contributions and proportionate share of contributions	456	-	456
Pension contributions subsequent to measurement date	3,586,604	80,460	3,667,064
Total deferred outflows of resources	<u>\$ 5,607,290</u>	<u>\$ 110,219</u>	<u>\$ 5,717,509</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ (1,477,546)	\$ (51,870)	\$ (1,529,416)
Change in proportion and differences between employer contributions and proportionate share of contributions	(691,620)	-	(691,620)
Net difference between projected and actual earnings on plan investments	(2,793,764)	(185,052)	(2,978,816)
Total deferred inflows of resources	<u>\$ (4,962,930)</u>	<u>\$ (236,922)</u>	<u>\$ (5,199,852)</u>
Net pension expense (benefit)	<u>\$ 767,892</u>	<u>\$ (66,734)</u>	<u>\$ 701,158</u>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 13. Other Postemployment Benefits Liabilities

Primary Government – City – Local Plan

Plan Description and Benefits Provided

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

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

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

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

Employees Covered by Benefit Terms

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

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

Total OPEB Liability

The City's total OPEB liability of \$2,005,377 was measured as of June 30, 2023 and was determined based on an actuarial valuation performed as of January 1, 2023.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 13. Other Postemployment Benefits Liabilities (Continued)

Primary Government – City – Local Plan (Continued)

Actuarial Assumptions and other inputs

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

Inflation	2.5%
Salary increases, including inflation	2.5%
Investment return	3.5%
Healthcare cost trend rates	6.00% initially, grading down to 4.50% ultimate (3.75% for dental)
Discount rate	3.87%

Mortality rates: PUB2010 General (M/F) with SSA 2020 Mortality.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from July 1, 2021 through June 30, 2022

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

Changes in the Total OPEB Liability

Balance at June 30, 2022	\$ 3,113,370
Changes for the year:	
Service cost	89,049
Interest	116,121
Difference between expected and actual experience	(1,163,927)
Assumption or other input changes	(37,184)
Benefit payments	(112,052)
Net changes	(1,107,993)
Balance at June 30, 2023	\$ 2,005,377

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 13. Other Postemployment Benefits Liabilities (Continued)

Primary Government – City – Local Plan (Continued)

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.87%) or one percentage point higher (4.87%) than the current discount rate:

	<u>1.00% Decrease (2.87%)</u>	<u>Current Discount Rate (3.87%)</u>	<u>1.00% Increase (4.87%)</u>
Total OPEB liability	\$ 2,221,890	\$ 2,005,377	\$ 1,820,079

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

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

	<u>1.00% Decrease (3.50%)</u>	<u>Current Healthcare Cost Trend Rates (4.50%)</u>	<u>1.00% Increase (5.50%)</u>
Total OPEB liability	\$ 1,865,574	\$ 2,005,377	\$ 2,165,747

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

For the year ended June 30, 2023, the City recognized OPEB expense of (\$13,303). At June 30, 2022, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 66,709	\$ 1,650,201
Change in assumptions	383,799	447,645
Total	<u>\$ 450,508</u>	<u>\$ 2,097,846</u>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 13. Other Postemployment Benefits Liabilities (Continued)

Primary Government – City – Local Plan (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

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

Year Ending June 30,	Reduction to OPEB Expense
2024	\$ (218,473)
2025	(218,473)
2026	(218,473)
2027	(218,473)
2028	(218,470)
Thereafter	(554,976)

Component Unit – School Board – Local Plan

Plan Description and Benefits Provided

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

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

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

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

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 13. Other Postemployment Benefits Liabilities (Continued)

Component Unit – School Board – Local Plan (Continued)

Employees Covered by Benefit Terms

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

	<u>Number</u>
Inactive employees or beneficiaries:	
Currently receiving benefits	<u>142</u>
Total inactive employees	142
Active plan members	<u>371</u>
	<u><u>513</u></u>

Total OPEB Liability

The School Board's total OPEB liability of \$5,021,578 was measured as of June 30, 2023 and was determined based on an actuarial valuation performed as of January 1, 2023.

Actuarial Assumptions and Other Inputs

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

Inflation	2.50%
Salary increases, including inflation	2.50%
Investment return	3.50%
Healthcare cost trend rates	6.25% initially, then grading down to 4.25% ultimate
Discount rate	3.69%

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

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

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 13. Other Postemployment Benefits Liabilities (Continued)

Component Unit – School Board – Local Plan (Continued)

Actuarial Assumptions and Other Inputs (Continued)

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

Changes in the Total OPEB Liability

Balance at June 30, 2022	\$ 5,913,494
Changes for the year:	
Service cost	99,938
Interest	216,714
Difference between expected and actual experience	(687,728)
Assumption or other input changes	(237,446)
Benefit payments	(283,394)
Net changes	(891,916)
Balance at June 30, 2023	\$ 5,021,578

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

The following presents the total OPEB liability of the School Board, as well as what the School Board's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.87%) or one percentage point higher (4.87%) than the current discount rate:

	1.00% Decrease (2.87%)	Current Discount Rate (3.87%)	1.00% Increase (4.87%)
Total OPEB liability	\$ 5,448,965	\$ 5,021,578	\$ 4,638,382

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

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

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 13. Other Postemployment Benefits Liabilities (Continued)

Component Unit – School Board – Local Plan (Continued)

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

	1.00% Decrease (3.00%)	Current Ultimate Trend Rate (4.00%)	1.00% Increase (5.00%)
Total OPEB liability	\$ 4,750,931	\$ 5,021,578	\$ 5,333,261

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

For the year ended June 30, 2023, the School Board recognized OPEB expense of (\$34,700). At June 30, 2023, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,090,303
Change in assumptions	669,101	882,104
Total	\$ 669,101	\$ 2,972,407

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

Year Ending June 30,	Reduction to OPEB Expense
2024	\$ (351,352)
2025	(351,352)
2026	(351,352)
2027	(344,641)
2028	(217,821)
Thereafter	(686,788)

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 13. Other Postemployment Benefits Liabilities (Continued)

Primary Government – City – Virginia Retirement System Plans

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

Plan Descriptions

Group Life Insurance Program

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

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

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

Contributions

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

Group Life Insurance Program

Governed by:	<i>Code of Virginia 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.</i>
Total rate:	1.34% of covered employee compensation. Rate allocated 60/40; 0.80% employee and 0.54% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2023 Contribution	\$82,841
June 30, 2022 Contribution	\$77,196

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 13. Other Postemployment Benefits Liabilities (Continued)

Primary Government – City – Virginia Retirement System Plans (Continued)

Contributions

In June 2022, the Commonwealth made a special contribution of approximately \$30.4 million to the Group Life Insurance plan. This special payment was authorized by a Budget Amendment included in Chapter 1 of the 2022 Appropriation Act.

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

The net OPEB liabilities were measured as of June 30, 2022 and the total OPEB liabilities used to calculate the net OPEB liabilities was determined by an actuarial valuation performed as of June 30, 2021 and rolled forward to the measurement date of June 30, 2022. The covered employer's proportion of the net OPEB liabilities were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions for all participating employers.

Group Life Insurance Program

June 30, 2023 proportionate share of liability	\$790,851
June 30, 2022 proportion	0.06568%
June 30, 2021 proportion	0.06770%
June 30, 2023 expense	\$6,946

At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 62,625	\$ 31,727
Change in assumptions	29,497	77,032
Net difference between projected and actual earnings on OPEB plan investments	-	49,417
Changes in proportion	12,799	52,442
Employer contributions subsequent to the measurement date	82,841	-
Total	<u>\$ 187,762</u>	<u>\$ 210,618</u>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 13. Other Postemployment Benefits Liabilities (Continued)

Primary Government – City – Virginia Retirement System Plans (Continued)

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

The deferred outflows of resources related to OPEB resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB Liability in the Fiscal Year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future reporting periods as follows:

Year Ended June 30,	Increase (Reduction) to OPEB Expense
2024	\$ (29,082)
2025	(23,411)
2026	(46,001)
2027	3,389
2028	(10,592)

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2021, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022:

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

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

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 13. Other Postemployment Benefits Liabilities (Continued)

Primary Government – City – Virginia Retirement System Plans (Continued)

Net OPEB Liabilities

The net OPEB liabilities represent each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2022, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	Group Life Insurance Program
Total OPEB Liability	\$ 3,672,085
Plan fiduciary net position	2,467,989
Employers' net OPEB liability	\$ 1,204,096
Plan fiduciary net position as a percentage of total OPEB liability	67.21%

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

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 13. Other Postemployment Benefits Liabilities (Continued)

Primary Government – City – Virginia Retirement System Plans (Continued)

Long-Term Expected Rate of Return

Group Life Insurance and Health Insurance Credit Programs

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	34.00 %	5.71 %	1.94 %
Fixed Income	15.00	2.04	0.31
Credit Strategies	14.00	4.78	0.67
Real Assets	14.00	4.47	0.63
Private Equity	14.00	9.73	1.36
MAPS – Multi-Asset Public Strategies	6.00	3.73	0.22
PIP – Private Investment Partnership	3.00	6.55	0.20
Total	100.00 %		5.33 %
	Inflation		2.50 %
	*Expected arithmetic nominal return		7.83 %

- * The above allocation provides for a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11, including inflation of 2.50%.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 13. Other Postemployment Benefits Liabilities (Continued)

Primary Government – City – Virginia Retirement System Plans (Continued)

Discount Rate

The discount rate used to measure the GLI OPEB liabilities was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2022, the rate contributed by the employer for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2020 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
GLI Net OPEB liability	\$ 1,150,780	\$ 790,851	\$ 499,978

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2022-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the OPEB Plan

At June 30, 2023, the following amounts were payable to the Virginia Retirement System for the legally required contributions related to the June 2023 payroll.

- Group Life Insurance \$3,626

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 13. Other Postemployment Benefits Liabilities (Continued)

Component Unit – School Board – Virginia Retirement System Plans

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

Plan Descriptions

Group Life Insurance Program

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

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

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

Teacher Employee Health Insurance Credit Program

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

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

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

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 13. Other Postemployment Benefits Liabilities (Continued)

Component Unit – School Board – Virginia Retirement System Plans (Continued)

Plan Descriptions (Continued)

General Employee Health Insurance Credit Program

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

As of the June 30, 2021 actuarial valuation, the following employees were covered by the benefit terms of the General Employee Health Insurance Credit Program:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>19</u>
Inactive members:	
Vested inactive members	<u>1</u>
Total inactive members	20
Active members	<u>38</u>
Total covered employees	<u><u>58</u></u>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 13. Other Postemployment Benefits Liabilities (Continued)

Component Unit – School Board – Virginia Retirement System Plans (Continued)

Contributions

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

Group Life Insurance Program

Governed by:	Code of Virginia 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.
Total rate:	1.34% of covered employee compensation. Rate allocated 60/40; 0.80% employee and 0.54% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2023 Contribution	\$132,106
June 30, 2022 Contribution	\$118,624

Teacher Health Insurance Credit Program

Governed by:	Code of Virginia 51.1-1401(E) and may be impacted as a result of funding provided to school divisions by the Virginia General Assembly.
Total rate:	1.21% of covered employee compensation.
June 30, 2023 Contribution	\$272,443
June 30, 2022 Contribution	\$211,714

General Employee Insurance Credit Program

Governed by:	Code of Virginia 51.1-1402(E) and may be impacted as a result of funding provided to school divisions by the Virginia General Assembly.
Total rate:	0.58% of covered employee compensation.
June 30, 2023 Contribution	\$11,130
June 30, 2022 Contribution	\$8,855

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 13. Other Postemployment Benefits Liabilities (Continued)

Component Unit – School Board – Virginia Retirement System Plans (Continued)

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

The net OPEB liabilities were measured as of June 30, 2022 and the total OPEB liabilities used to calculate the net OPEB liabilities was determined by actuarial valuation performed as of June 30, 2021 and rolled forward to the measurement date of June 30, 2022. The covered employer's proportion of the net OPEB liabilities were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions for all participating employers.

Group Life Insurance Program

June 30, 2023 proportionate share of liability	\$1,232,151
June 30, 2022 proportion	0.10233%
June 30, 2021 proportion	0.10389%
June 30, 2023 expense	\$25,173

Teacher Health Insurance Credit Program

June 30, 2023 proportionate share of liability	\$2,800,612
June 30, 2022 proportion	0.22422%
June 30, 2021 proportion	0.22747%
June 30, 2023 expense	\$195,267

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

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 13. Other Postemployment Benefits Liabilities (Continued)

Component Unit – School Board – Virginia Retirement System Plans (Continued)

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

General Employee Health Insurance Credit Program

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

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
Balance at June 30, 2021	\$ 116,957	\$ 9,846	\$ 107,111
Changes for the year:			
Service cost	1,827	-	1,827
Interest	7,959	-	7,959
Changes in assumptions	(15,934)	-	(15,934)
Differences between expected and actual experience	(768)	-	(768)
Contributions – employer	-	8,855	(8,855)
Net investment income	-	(132)	132
Benefit payments	(1,760)	(1,760)	-
Administrative expenses	-	(33)	33
Net changes	(8,676)	6,930	(15,606)
Balance at June 30, 2022	\$ 108,281	\$ 16,776	\$ 91,505

In addition, for the year ended June 30, 2022, the School Board recognized OPEB expense of \$5,975 related to the General Employee Health Insurance Credit Program.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 13. Other Postemployment Benefits Liabilities (Continued)

Component Unit – School Board – Virginia Retirement System Plans (Continued)

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

At June 30, 2023, the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

Group Life Insurance Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 97,571	\$ 49,431
Change in assumptions	45,957	120,017
Net difference between projected and actual earnings on OPEB plan investments	-	76,991
Changes in proportion	3,459	47,766
Employer contributions subsequent to the measurement date	132,106	-
Total	<u>\$ 279,093</u>	<u>\$ 294,205</u>

Teacher Health Insurance Credit Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 114,157
Change in assumptions	81,820	7,152
Net difference between projected and actual earnings on OPEB plan investments	-	2,811
Changes in proportion	-	104,918
Employer contributions subsequent to the measurement date	272,443	-
Total	<u>\$ 354,263</u>	<u>\$ 229,038</u>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 13. Other Postemployment Benefits Liabilities (Continued)

Component Unit – School Board – Virginia Retirement System Plans (Continued)

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

General Employee Health Insurance Credit Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 594
Change in assumptions	2,055	12,329
Net difference between projected and actual earnings on OPEB plan investments	266	-
Employer contributions subsequent to the measurement date	11,130	-
Total	<u>\$ 13,451</u>	<u>\$ 12,923</u>

The deferred outflows of resources related to OPEB resulting from the School's contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB Liability in the Fiscal Year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future reporting periods as follows:

Group Life Insurance Program

Year Ended June 30,	Increase (Reduction) to OPEB Expense
2024	\$ (35,157)
2025	(32,217)
2026	(71,653)
2027	4,626
2028	(12,817)

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 13. Other Postemployment Benefits Liabilities (Continued)

Component Unit – School Board – Virginia Retirement System Plans (Continued)

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

Teacher Health Insurance Credit Program

Year Ended June 30,	Reduction to OPEB Expense
2024	\$ (37,100)
2025	(33,216)
2026	(27,277)
2027	(15,204)
2028	(17,616)
Thereafter	(16,805)

General Employee Health Insurance Credit Program

Year Ended June 30,	Reduction to OPEB Expense
2024	\$ (2,941)
2025	(2,941)
2026	(3,341)
2027	(1,379)
2028	-
Thereafter	-

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2021, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022:

Inflation	2.50%
Salary increases, including inflation:	
• Locality – general employees	3.50 – 5.35%
• Teachers	3.50 – 5.95%
Healthcare cost trend rates:	
• Under age 65	7.00 – 4.75%
• Ages 65 and older	5.25 – 4.75%
Investment rate of return, net of expenses, including inflation	GLI & HIC: 6.750%

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

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 13. Other Postemployment Benefits Liabilities (Continued)

Component Unit – School Board – Virginia Retirement System Plans (Continued)

Net OPEB Liabilities

The net OPEB liabilities represent each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2022, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	Group Life Insurance Program	Teacher Employee HIC OPEB Plan
Total OPEB Liability	\$ 3,672,085	\$ 1,470,891
Plan fiduciary net position	2,467,989	221,845
Employers' net OPEB liability	\$ 1,204,096	\$ 1,249,047
Plan fiduciary net position as a percentage of total OPEB liability	67.21%	15.08%

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

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 13. Other Postemployment Benefits Liabilities (Continued)

Component Unit – School Board – Virginia Retirement System Plans (Continued)

Long-Term Expected Rate of Return

Group Life Insurance and Health Insurance Credit Programs

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00 %	5.71 %	1.94 %
Fixed Income	15.00	2.04	0.31
Credit Strategies	14.00	4.78	0.67
Real Assets	14.00	4.47	0.63
Private Equity	14.00	9.73	1.36
MAPS – Multi-Asset Public Strategies	6.00	3.73	0.22
PIP – Private Investment Partnership	3.00	6.55	0.20
Total	100.00 %		5.33 %
	Inflation		2.50 %
	*Expected arithmetic nominal return		7.83 %

- * The above allocation provides for a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%. On October, 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11, including inflation of 2.50%.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 13. Other Postemployment Benefits Liabilities (Continued)

Component Unit – School Board – Virginia Retirement System Plans (Continued)

Discount Rate

The discount rate used to measure the GLI and HIC OPEB liabilities was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2022, the rate contributed by the employer for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2020 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

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

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
GLI Net OPEB liability	\$ 1,792,926	\$ 1,232,151	\$ 778,970
Teacher HIC Net OPEB liability	\$ 3,156,322	\$ 2,800,612	\$ 2,499,086
General Employee HIC Net OPEB liability	\$ 100,919	\$ 91,505	\$ 83,345

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2022-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the OPEB Plan

At June 30, 2023, the following amounts were payable to the Virginia Retirement System for the legally required contributions related to June 2023 payroll.

- Group Life Insurance \$38,845
- Teacher Employee Health Insurance Credit \$39,682
- General Employee Health Insurance Credit \$ 536

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 14. Summary of Other Post-Employment Benefit Elements

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

	Governmental Activities	Business-Type Activities	Total Primary Government	School Board
Net other post-employment benefits liability				
Local Sponsored Health Insurance	\$ (1,841,337)	\$ (164,040)	\$ (2,005,377)	\$ (5,021,578)
VRS – Group Life Insurance	(726,280)	(64,571)	(790,851)	(1,232,151)
VRS – HIC	-	-	-	(2,892,117)
Total net other post-employment benefit liability	<u>\$ (2,567,617)</u>	<u>\$ (228,611)</u>	<u>\$ (2,796,228)</u>	<u>\$ (9,145,846)</u>
Deferred outflows of resources				
Change in proportion –				
VRS – Group Life Insurance	\$ 11,736	\$ 1,063	\$ 12,799	\$ 3,459
Contributions subsequent to measurement date –				
VRS – Group Life Insurance	76,065	6,776	82,841	132,106
VRS – HIC	-	-	-	283,573
Difference between expected and actual experience –				
Local Sponsored Health Insurance	61,252	5,457	66,709	-
VRS – Group Life Insurance	57,502	5,123	62,625	97,571
Difference between projected and actual investment earnings –				
VRS – HIC	-	-	-	266
Changes in actuarial assumptions –				
Local Sponsored Health Insurance	352,404	31,395	383,799	669,101
VRS – Group Life Insurance	27,742	1,755	29,497	45,957
VRS – HIC	-	-	-	83,875
Total deferred outflows of resources	<u>\$ 586,701</u>	<u>\$ 51,569</u>	<u>\$ 638,270</u>	<u>\$ 1,315,908</u>
Deferred inflows of resources				
Differences between expected and actual experience				
Local Sponsored Health Insurance	\$ (1,520,305)	\$ (129,896)	\$ (1,650,201)	\$ (2,090,303)
VRS – Group Life Insurance	(29,230)	(2,497)	(31,727)	(49,431)
VRS – HIC	-	-	-	(114,751)
Difference between projected and actual investment earnings –				
VRS – Group Life Insurance	(45,527)	(3,890)	(49,417)	(76,991)
VRS – HIC	-	-	-	(2,811)
Change in actuarial assumptions –				
Local Sponsored Health Insurance	(412,409)	(35,236)	(447,645)	(882,104)
VRS – Group Life Insurance	(70,968)	(6,064)	(77,032)	(120,017)
VRS – HIC	-	-	-	(19,481)
Change in proportion –				
VRS – Group Life Insurance	(48,314)	(4,128)	(52,442)	(47,766)
VRS – HIC	-	-	-	(104,918)
Total deferred inflows of resources	<u>\$ (2,126,753)</u>	<u>\$ (181,711)</u>	<u>\$ (2,308,464)</u>	<u>\$ (3,508,573)</u>
Net other post-employment benefits expense (benefit)				
Local Sponsored Health Insurance	\$ (12,215)	\$ (1,088)	\$ (13,303)	\$ (34,700)
VRS – Group Life Insurance	6,378	568	6,946	25,173
VRS – HIC	-	-	-	201,242
Total net other post-employment benefit expense (benefit)	<u>\$ (5,837)</u>	<u>\$ (520)</u>	<u>\$ (6,357)</u>	<u>\$ 191,715</u>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 15. Fund Balances

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

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Emergency Response Fund</u>
Nonspendable:			
Inventories	\$ 99,228	\$ -	\$ -
Prepays	7,910	-	-
	<u>107,138</u>	<u>-</u>	<u>-</u>
Restricted:			
General government	10,813	-	-
Judicial administration	116,560	-	-
Public safety – funds restricted for forfeited assets	470,661	-	-
Public works	611,239	-	-
Health and Welfare	1,652	-	-
Other capital projects – funds restricted from 2016 and 2018 bond issuances for various capital projects	-	10,540,802	-
Total restricted	<u>1,210,925</u>	<u>10,540,802</u>	<u>-</u>
Committed:			
General government	84,263	-	-
Judicial administration	56,312	-	-
Public safety – Encumbrances approved by Council for Police car purchases	566,340	-	-
Public works – Encumbrances approved by Council for paving, dam analysis, and waste management	371,930	-	-
Parks, recreation, and cultural	34,898	-	-
Total committed	<u>1,113,743</u>	<u>-</u>	<u>-</u>
Assigned:			
General government	1,624,000	-	-
Public safety	645,500	-	-
Public works	1,924,341	-	-
Parks, recreation, and cultural	47,604	-	-
Community development	1,500	-	-
Total assigned	<u>4,242,945</u>	<u>-</u>	<u>-</u>
Unassigned	<u>20,023,517</u>	<u>-</u>	<u>(370,713)</u>
Total fund balance	<u><u>\$ 26,698,268</u></u>	<u><u>\$ 10,540,802</u></u>	<u><u>\$ (370,713)</u></u>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 16. Risk Management

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

Note 17. Jointly Governed Organizations

Riverside Regional Jail Authority

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

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 17. 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 2023 was \$1,763,000.

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

Appomattox River Water Authority

The City, in conjunction with the Counties of Chesterfield, Dinwiddie, and Prince George and the City of Petersburg, participated in the creation of the Authority. The Authority, whose five-member board is comprised of one representative from each participating entity, is responsible for providing a supply of filtered water to be purchased by the members of the Authority. In accordance with the joint venture agreement, each participating entity is required to purchase water from the Authority. The City retains an ongoing financial responsibility for the joint venture due to this requirement of the agreement. The City's purchase of water for 2023 was approximately \$593,000. Complete financial statements for the Authority can be obtained from the Authority's office at 21300 Chesdin Road, South Chesterfield, Virginia 23803.

South Central Wastewater Authority (SCWWA)

The Authority was created on July 2, 1996, and currently provides wastewater treatment to the Cities of Colonial Heights and Petersburg, the Counties of Chesterfield and Prince George and the Dinwiddie County Water Authority. The City has 4.0 million gallons per day of wastewater treatment capacity reserved at SCWWA's plant pursuant to a long-term service contract which is further described in Note 7. The City's cost of wastewater treatment for 2023 was approximately \$1,612,000. 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 2023 contribution requirement and direct payments for special projects totaled approximately \$1,186,000. Complete financial statements for the Authority can be obtained from the Authority's office at 2100 W. Laburnum Ave., Suite 105, Richmond, Virginia 23227.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 17. Jointly Governed Organizations (Continued)

Virginia's Gateway Region

The Virginia's Gateway Region (VGR) serves the Cities of Colonial Heights, Hopewell, and Petersburg, as well as the Counties of Dinwiddie and Prince George in their efforts to provide balanced industrialization to corporation members. The City appoints two members of the board and contributed \$49,000 to VGR during 2023.

Note 18. Health Coverage Risk Sharing Program

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

Note 19. New Accounting Standards

In April 2022, the GASB issued Statement No. 99, Omnibus 2022. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

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

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

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

THIS PAGE INTENTIONALLY BLANK

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COLONIAL HEIGHTS, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Revenue from local sources:				
General property taxes:				
Real property	\$ 22,686,946	\$ 22,686,946	\$ 24,022,495	\$ 1,335,549
Real and personal public service corporation property	436,354	436,354	356,477	(79,877)
Personal property	3,590,686	3,590,686	3,633,510	42,824
Delinquent	252,724	252,724	362,114	109,390
Penalties and interest	215,079	215,079	345,285	130,206
Total general property taxes	27,181,789	27,181,789	28,719,881	1,538,092
Other local taxes:				
Food and lodging	8,800,000	8,800,000	11,515,654	2,715,654
Consumer utility	965,740	893,717	944,074	50,357
Bank stock	470,190	470,190	614,325	144,135
Local option sales and use	8,650,000	8,650,000	9,863,793	1,213,793
Recordation	300,000	300,000	289,454	(10,546)
Business and occupation licenses	3,350,000	3,350,000	3,830,936	480,936
Motor vehicle license and fees	506,600	506,600	504,444	(2,156)
Cigarette sales tax	650,000	650,000	658,683	8,683
Total other local taxes	23,692,530	23,620,507	28,221,363	4,600,856
Permits, fees, and licenses:				
Zoning and construction permits	159,700	159,700	204,000	44,300
Other fees	119,965	119,965	192,992	73,027
Total permits, fees, and licenses	279,665	279,665	396,992	117,327
Fines and forfeitures	256,900	256,900	288,112	31,212
Charges for services:				
Refuse collection fees	1,566,350	1,566,350	1,624,712	58,362
Recreation use charges and fees	175,917	175,917	111,661	(64,256)
Administrative	656,125	656,125	754,103	97,978
Emergency medical transport fees	898,000	898,000	984,306	86,306
Other	2,000	2,000	23,474	21,474
Total charges for services	3,298,392	3,298,392	3,498,256	199,864
Use of money and property:				
Interest	125,000	125,000	864,273	739,273
Rental of property	116,500	116,500	113,125	(3,375)
Total use of money and property	241,500	241,500	977,398	735,898
Miscellaneous	170,500	293,377	307,081	13,704
Reimbursement from School Board	1,354,652	1,354,652	1,369,772	15,120
Total revenue from local sources	56,475,928	56,526,782	63,778,855	7,252,073

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2023**

	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	5,000	5,000	5,237	237
Vehicle rental tax	267,000	267,000	384,465	117,465
Communications sales and use tax	525,000	525,000	521,779	(3,221)
Total non-categorical aid	2,550,369	2,550,369	2,664,850	114,481
Categorical aid:				
Commissioner of Revenue	109,716	109,716	108,694	(1,022)
Treasurer	105,898	105,898	106,445	547
Circuit Court	297,123	297,123	379,903	82,780
Sheriff	359,377	359,377	363,460	4,083
Commonwealth's attorney	569,027	569,027	571,148	2,121
Law enforcement	624,800	624,800	686,922	62,122
Street construction and maintenance	2,780,000	2,780,000	3,312,086	532,086
Other	581,088	679,813	699,004	19,191
Total categorical aid	5,427,029	5,525,754	6,227,662	701,908
Total revenue from the Commonwealth	7,977,398	8,076,123	8,892,512	816,389
Revenue from federal government:				
Categorical aid	438,205	694,878	364,705	(330,173)
Total intergovernmental	8,415,603	8,771,001	9,257,217	486,216
Total revenue	\$ 64,891,531	\$ 65,297,783	73,036,072	\$ 7,738,289
Expenditures				
General government:				
City council	\$ 108,282	\$ 110,989	\$ 98,011	\$ 12,978
Clerk of council	95,203	103,652	98,565	5,087
City manager	326,893	353,559	351,011	2,548
Human resources	230,446	255,486	253,525	1,961
City attorney	409,511	447,790	407,214	40,576
Real estate assessor	251,334	249,589	234,307	15,282
Commissioner of the revenue	329,389	320,475	304,412	16,063
Treasurer	143,443	152,978	147,861	5,117
Finance	795,054	713,268	679,399	33,869
Information technologies	675,576	689,699	585,963	103,736
Auditing	123,850	123,850	123,525	325
Purchasing	209,806	193,195	193,844	(649)
Insurance and risk management	694,111	699,721	741,972	(42,251)
Employee benefits	213,886	195,685	172,324	23,361
Board of elections	36,272	36,621	30,933	5,688
Registrar	213,316	236,759	226,115	10,644
Economic development	360,548	372,039	365,647	6,392
Billing & collections	322,973	341,328	328,976	12,352
Total general government	5,539,893	5,596,683	5,343,604	253,079

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Continued)				
Judicial administration:				
Circuit courts	\$ 637,491	\$ 700,555	\$ 731,167	\$ (30,612)
General district court	62,965	62,200	29,972	32,228
Probation	5,584	5,584	2,921	2,663
Commonwealth's attorney	1,135,355	1,222,523	1,197,295	25,228
Sheriff	1,262,242	1,415,779	1,345,170	70,609
Incarceration	2,000,000	2,000,000	1,867,255	132,745
Community correction services	350,800	350,800	350,802	(2)
Community diversion services	98,700	98,700	54,200	44,500
Victim witness	47,477	47,477	50,390	(2,913)
Juvenile & Domestic Court	16,756	16,765	7,995	8,770
Total judicial administration	5,617,370	5,920,383	5,637,167	283,216
Public safety:				
Police	5,815,278	4,283,092	3,693,840	589,252
Fire and emergency medical services	5,258,151	4,164,870	4,114,434	50,436
Emergency management	58,910	32,518	27,586	4,932
Communications	1,735,038	1,146,953	1,041,836	105,117
Animal Control	246,282	250,455	232,681	17,774
Total public safety	13,113,659	9,877,888	9,110,377	767,511
Public works:				
Administration	334,553	233,296	232,980	316
Engineering division	943,315	1,258,713	1,045,452	213,261
Street maintenance	1,926,949	2,448,071	1,733,962	714,109
Building maintenance	745,605	726,275	753,131	(26,856)
Fleet maintenance	452,192	443,914	429,724	14,190
Solid waste	1,252,822	1,330,582	1,195,887	134,695
Recycling	310,018	378,582	278,229	100,353
Total public works	5,965,454	6,819,433	5,669,365	1,150,068
Health and welfare:				
Health	328,269	328,269	175,698	152,571
Welfare	400,000	400,000	335,702	64,298
Mental health	98,965	98,965	98,965	-
Comprehensive services	582,400	996,400	1,034,649	(38,249)
Total health and welfare	1,409,634	1,823,634	1,645,014	178,620
Parks, recreation, and cultural:				
Parks and recreation	737,276	727,816	718,797	9,019
Parks and grounds	766,375	844,465	845,618	(1,153)
Agency on aging	335,177	313,933	309,763	4,170
Violet bank museum	86,005	87,117	78,766	8,351
Library	760,444	834,771	830,351	4,420
Recreation trips and classes	160,917	160,917	72,454	88,463
Horticulture	135,239	138,725	134,821	3,904
Total parks, recreation, and cultural	2,981,433	3,107,744	2,990,570	117,174

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Continued)				
Community development:				
Planning	\$ 345,520	\$ 331,298	\$ 320,648	\$ 10,650
Building inspections	320,982	366,254	359,328	6,926
Total community development	666,502	697,552	679,976	17,576
Education:				
Payments to School Board	23,876,045	23,876,045	25,918,277	(2,042,232)
Human Services:				
Office of youth	392,091	375,907	368,133	7,774
CDBG	107,000	133,902	134,283	(381)
Total human services	499,091	509,809	502,416	7,393
Nondepartmental:				
Contributions and subsidies	88,853	86,603	79,829	6,774
Contingencies and miscellaneous	1,629,419	329,136	306,118	23,018
Total nondepartmental	1,718,272	415,739	385,947	29,792
Debt service:				
Principal retirement	2,651,523	2,651,523	2,651,523	-
Interest and fiscal charges	1,104,787	1,104,787	1,104,787	-
Other charges	6,500	6,500	4,496	2,004
Total debt service	3,762,810	3,762,810	3,760,806	2,004
Total expenditures	65,150,163	62,407,720	61,643,519	764,201
Excess (deficiency) of revenues over (under) expenditures	(258,632)	2,890,063	11,392,553	8,502,490
Other financing sources (uses):				
Inception of subscriptions	-	-	217,418	217,418
Transfers out	(266,368)	(5,916,411)	(6,008,457)	(92,046)
Total other financing sources (uses)	(266,368)	(5,916,411)	(5,791,039)	125,372
Net change in fund balance	\$ (525,000)	\$ (3,026,348)	\$ 5,601,514	\$ 8,627,862

Note: The basis of budgeting is the same as GAAP

CITY OF COLONIAL HEIGHTS, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS –
PRIMARY GOVERNMENT
June 30, 2023

	Primary Government								
	Plan Year								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability									
Service cost	\$ 1,901,889	\$ 1,819,489	\$ 1,812,580	\$ 1,705,814	\$ 1,675,436	\$ 1,767,349	\$ 1,764,320	\$ 1,776,096	\$ 1,701,944
Interest on total pension liability	6,097,393	5,573,448	5,378,973	5,274,781	5,101,751	5,005,168	4,817,132	4,525,376	4,300,904
Changes of assumptions	-	3,585,997	-	2,298,160	-	(104,084)	-	-	-
Difference between expected and actual experience	(1,259,251)	(518,173)	(119,037)	(1,174,690)	(1,020,058)	(1,914,015)	(810,107)	566,769	-
Benefit payments, including refunds of employee contributions	(5,059,760)	(4,141,226)	(4,241,580)	(3,297,608)	(3,272,948)	(3,476,363)	(2,693,858)	(2,706,743)	(2,885,463)
Net change in total pension liability	1,680,271	6,319,535	2,830,936	4,806,457	2,484,181	1,278,055	3,077,487	4,161,498	3,117,385
Total pension liability - beginning	90,959,746	84,640,211	81,809,275	77,002,818	74,518,637	73,240,582	70,163,095	66,001,597	62,884,212
Total pension liability - ending	92,640,017	90,959,746	84,640,211	81,809,275	77,002,818	74,518,637	73,240,582	70,163,095	66,001,597
Plan Fiduciary Net Position									
Contributions - employer	1,996,400	1,957,747	1,780,870	1,750,448	1,873,791	1,866,696	2,096,376	2,084,048	2,141,597
Contributions - employee	699,731	672,834	655,398	651,719	644,771	650,821	651,691	684,051	640,031
Net investment income	(59,887)	18,942,417	1,330,906	4,436,348	4,640,950	6,900,717	997,365	2,455,417	7,293,094
Benefit payments, including refunds of employee contributions	(5,059,760)	(4,141,226)	(4,241,580)	(3,297,608)	(3,272,948)	(3,476,363)	(2,693,858)	(2,706,743)	(2,885,463)
Administrative expenses	(54,768)	(47,278)	(46,139)	(43,752)	(39,901)	(39,983)	(34,358)	(33,037)	(39,060)
Other	1,987	1,788	(1,571)	(2,802)	(4,140)	(6,145)	(416)	(520)	384
Net change in plan fiduciary net position	(2,476,297)	17,386,282	(522,116)	3,494,353	3,842,523	5,895,743	1,016,800	2,483,216	7,150,583
Plan fiduciary net position - beginning	87,069,688	69,683,406	70,205,522	66,711,169	62,868,646	56,972,903	55,956,103	53,472,887	46,322,304
Plan fiduciary net position - ending	84,593,391	87,069,688	69,683,406	70,205,522	66,711,169	62,868,646	56,972,903	55,956,103	53,472,887
Net pension liability - ending	\$ 8,046,626	\$ 3,890,058	\$ 14,956,805	\$ 11,603,753	\$ 10,291,649	\$ 11,649,991	\$ 16,267,679	\$ 14,206,992	\$ 12,528,710
Plan fiduciary net position as a percentage of total pension liability	91%	96%	82%	86%	87%	84%	78%	80%	81%
Covered payroll	\$ 14,276,518	\$ 14,002,872	\$ 13,920,331	\$ 13,596,271	\$ 13,175,927	\$ 13,056,245	\$ 13,053,400	\$ 12,961,992	\$ 12,747,601
Net pension liability as a percentage of covered payroll	56%	28%	107%	85%	78%	89%	125%	110%	98%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2022 information was presented in the entity's fiscal year 2023 financial report.

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS –

SCHOOLS – NONPROFESSIONAL EMPLOYEES

June 30, 2023

	Schools – Nonprofessional Employees Plan Year								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability									
Service cost	\$ 111,038	\$ 136,659	\$ 138,549	\$ 138,821	\$ 133,737	\$ 133,817	\$ 132,525	\$ 126,804	\$ 137,965
Interest on total pension liability	372,327	343,451	337,514	326,214	320,772	310,335	305,624	299,424	287,415
Changes of assumptions	-	174,919	-	127,676	-	(31,143)	-	-	-
Difference between expected and actual experience	(73,416)	(51,671)	(108,126)	45,765	(71,725)	11,549	(98,133)	(70,089)	-
Benefit payments, including refunds of employee contributions	(285,910)	(287,291)	(272,666)	(324,278)	(285,805)	(265,098)	(280,345)	(254,780)	(252,875)
Net change in total pension liability	124,039	316,067	95,271	314,198	96,979	159,460	59,671	101,359	172,505
Total pension liability - beginning	5,547,878	5,231,811	5,136,540	4,822,342	4,725,363	4,565,903	4,506,232	4,404,873	4,232,368
Total pension liability - ending	5,671,917	5,547,878	5,231,811	5,136,540	4,822,342	4,725,363	4,565,903	4,506,232	4,404,873
Plan Fiduciary Net Position									
Contributions - employer	61,141	60,888	63,290	63,072	73,835	72,037	95,491	93,422	118,587
Contributions - employee	63,585	62,577	62,902	62,051	62,086	60,431	56,470	55,511	57,398
Net investment income	(4,687)	1,388,900	98,513	330,236	354,248	535,907	75,984	199,346	608,037
Benefit payments, including refunds of employee contributions	(285,910)	(287,291)	(272,666)	(324,278)	(285,805)	(265,098)	(280,345)	(254,780)	(252,875)
Administrative expenses	(3,975)	(3,521)	(3,405)	(3,425)	(3,125)	(3,159)	(2,843)	(2,797)	(3,309)
Other	145	130	(116)	(207)	(314)	(474)	(33)	(42)	33
Net change in plan fiduciary net position	(169,701)	1,221,683	(51,482)	127,449	200,925	399,644	(55,276)	90,660	527,871
Plan fiduciary net position - beginning	6,350,664	5,128,981	5,180,463	5,053,014	4,852,089	4,452,445	4,507,721	4,417,061	3,889,190
Plan fiduciary net position - ending	6,180,963	6,350,664	5,128,981	5,180,463	5,053,014	4,852,089	4,452,445	4,507,721	4,417,061
Net pension (asset) liability - ending	<u>\$ (509,046)</u>	<u>\$ (802,786)</u>	<u>\$ 102,830</u>	<u>\$ (43,923)</u>	<u>\$ (230,672)</u>	<u>\$ (126,726)</u>	<u>\$ 113,458</u>	<u>\$ (1,489)</u>	<u>\$ (12,188)</u>
Plan fiduciary net position as a percentage of total pension liability	<u>109%</u>	<u>114%</u>	<u>98%</u>	<u>101%</u>	<u>105%</u>	<u>103%</u>	<u>98%</u>	<u>100%</u>	<u>100%</u>
Covered payroll	<u>\$ 1,362,225</u>	<u>\$ 1,331,610</u>	<u>\$ 1,318,931</u>	<u>\$ 1,290,027</u>	<u>\$ 1,276,466</u>	<u>\$ 1,237,361</u>	<u>\$ 1,147,595</u>	<u>\$ 1,116,864</u>	<u>\$ 1,147,986</u>
Net pension (asset) liability as a percentage of covered payroll	<u>-37%</u>	<u>-60%</u>	<u>8%</u>	<u>-3%</u>	<u>-18%</u>	<u>-10%</u>	<u>10%</u>	<u>0%</u>	<u>-1%</u>

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2022 information was presented in the entity's fiscal year 2023 financial report.

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS

June 30, 2023

Entity Fiscal Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
Primary Government					
2023	\$ 2,318,363	\$ 2,318,363	\$ -	\$ 14,832,775	15.63%
2022	1,996,397	1,996,397	-	14,276,518	13.98
2021	1,961,588	1,961,588	-	14,002,872	14.01
2020	1,791,884	1,791,884	-	13,920,331	12.87
2019	1,750,448	1,750,448	-	13,596,271	12.87
2018	1,873,791	1,873,791	-	13,175,927	14.22
2017	1,866,696	1,866,696	-	13,056,245	14.30
2016	2,096,376	2,096,376	-	13,053,400	16.06
2015	2,066,219	2,066,219	-	12,961,992	15.94
Schools - Nonprofessional Employees					
2023	\$ 80,460	\$ 80,460	\$ -	\$ 1,678,498	4.79%
2022	61,028	61,028	-	1,362,225	4.48
2021	61,110	61,110	-	1,331,610	4.59
2020	63,122	63,122	-	1,318,931	4.79
2019	63,072	63,072	-	1,290,027	4.89
2018	73,835	73,835	-	1,276,466	5.78
2017	72,037	72,037	-	1,237,361	5.82
2016	95,491	95,491	-	1,147,595	8.32
2015	100,000	100,000	-	1,116,864	8.95

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

The covered payroll amounts above are for the entity's fiscal year – i.e., the covered payroll on which required contributions were based for the same year.

CITY OF COLONIAL HEIGHTS, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY –
VRS TEACHER RETIREMENT PLAN
June 30, 2023

Plan Year	Employer's Proportion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability	Covered Payroll	Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2022	0.22507 %	\$ 21,428,011	\$ 20,905,129	103%	82.61%
2021	0.22828	17,721,978	20,124,102	88	85.46
2020	0.22900	33,325,514	19,985,866	167	71.47
2019	0.23325	30,697,025	19,463,488	158	73.51
2018	0.23542	27,685,000	18,972,065	146	74.81
2017	0.23693	29,138,000	18,582,653	157	72.92
2016	0.24029	33,675,000	18,328,457	184	68.28
2015	0.24579	30,936,000	17,861,181	173	70.68
2014	0.25511	30,829,000	17,591,360	175	70.88

Schedule is intended to show information for 10 years. Since fiscal year 2015 (plan year 2014) was the first year for this presentation, only nine years of data is available. However, additional years will be included as they become available.

CITY OF COLONIAL HEIGHTS, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS –
VRS TEACHER RETIREMENT PLAN
June 30, 2023

Entity Fiscal Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2023	\$ 3,586,604	\$ 3,586,604	-	\$ 21,580,046	16.62 %
2022	3,298,236	3,298,236	-	20,905,129	15.78
2021	3,234,001	3,234,001	-	20,124,102	16.07
2020	3,044,773	3,044,773	-	19,985,866	15.23
2019	2,989,247	2,989,247	-	19,463,488	15.36
2018	3,044,775	3,044,775	-	18,972,065	16.05
2017	2,696,034	2,696,034	-	18,582,653	14.51
2016	2,576,981	2,576,981	-	18,328,457	14.06
2015	2,600,000	2,600,000	-	17,861,181	14.56

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

The covered payroll amounts above are for the entity's fiscal year – i.e., the covered payroll on which required contributions were based for the same year.

CITY OF COLONIAL HEIGHTS, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN NET OPEB LIABILITY
 AND RELATED RATIOS – LOCAL PLANS

June 30, 2023

	Plan Year 2022		Plan Year 2021		Plan Year 2020		Plan Year 2019		Plan Year 2018		Plan Year 2017	
	Primary Government	Schools	Primary Government	Schools	Primary Government	Schools	Primary Government	Schools	Primary Government	Schools	Primary Government	Schools
	Local Plan	Schools Local Plan	Local Plan	Schools Local Plan	Local Plan	Schools Local Plan	Local Plan	Schools Local Plan	Local Plan	Schools Local Plan	Local Plan	Schools Local Plan
Total OPEB Liability												
Service cost	\$ 89,049	\$ 99,938	\$ 86,877	\$ 209,966	\$ 79,487	\$ 318,323	\$ 77,548	\$ 310,559	\$ 101,489	\$ 290,499	\$ 99,014	\$ 283,414
Interest on total OPEB liability	116,121	216,714	69,158	129,820	79,507	238,340	90,107	274,972	133,189	350,691	126,738	341,473
Changes in benefit terms			-	-	-	(2,047,926)	-	-	-	-	-	-
Difference between expected and actual experience	(1,163,927)	(687,728)	-	-	95,299	(1,363,832)	-	-	(1,128,599)	(1,201,183)	-	-
Changes in assumptions	(37,184)	(237,446)	(505,358)	(817,772)	198,956	313,037	259,706	762,154	162,634	59,753	(22,679)	(60,363)
Benefit payments	(112,052)	(283,394)	(104,358)	(318,473)	(103,200)	(313,788)	(23,088)	(508,850)	(67,493)	(339,786)	(104,308)	(522,536)
Net change in total OPEB liability	(1,107,993)	(891,916)	(453,681)	(796,459)	350,049	(2,855,846)	404,273	838,835	(798,780)	(840,026)	98,765	41,988
Total OPEB liability – beginning	3,113,370	5,913,494	3,567,051	6,709,953	3,217,002	9,565,799	2,812,729	8,726,964	3,611,509	9,566,990	3,512,744	9,525,002
Total OPEB liability – ending	\$ 2,005,377	\$ 5,021,578	\$ 3,113,370	\$ 5,913,494	\$ 3,567,051	\$ 6,709,953	\$ 3,217,002	\$ 9,565,799	\$ 2,812,729	\$ 8,726,964	\$ 3,611,509	\$ 9,566,990
Net OPEB liability - ending	\$ 2,005,377	\$ 5,021,578	\$ 3,113,370	\$ 5,913,494	\$ 3,567,051	\$ 6,709,953	\$ 3,217,002	\$ 9,565,799	\$ 2,812,729	\$ 8,726,964	\$ 3,611,509	\$ 9,566,990
Plan fiduciary net position as a percentage of total OPEB liability												
Covered-employee payroll	<u>\$ 13,814,852</u>	<u>\$ 25,679,572</u>	<u>\$ 14,276,519</u>	<u>\$ 22,675,237</u>	<u>\$ 14,013,398</u>	<u>\$ 18,390,666</u>	<u>\$ 13,628,932</u>	<u>\$ 22,016,000</u>	<u>\$ 13,214,563</u>	<u>\$ 21,302,671</u>	<u>\$ 13,131,639</u>	<u>\$ 18,902,040</u>
Net OPEB liability as a percentage of covered-employee payroll	<u>15%</u>	<u>20%</u>	<u>22%</u>	<u>26%</u>	<u>25%</u>	<u>36%</u>	<u>24%</u>	<u>43%</u>	<u>21%</u>	<u>41%</u>	<u>28%</u>	<u>51%</u>

The plan is not administered through a trust and, therefore, there are no assets accumulated in a GASB-compliant trust.

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2022 information was presented in the entity's fiscal year 2023 financial report.

This schedule is intended to show information for 10 years. Since fiscal year 2018 (plan year 2017) is the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

CITY OF COLONIAL HEIGHTS, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY – VRS
June 30, 2023

Plan Year Ended June 30	Employer's Proportion of the Net OPEB Liability	Employer's Proportionate Share of the Net OPEB Liability	Covered Payroll	Employer's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
Virginia Retirement System - Health Insurance Credit - Schools - Teachers					
2022	0.2242%	\$ 2,800,612	17,642,832	15.87%	15.08%
2021	0.2275%	2,919,734	20,419,685	14.30%	13.15%
2020	0.2278%	2,971,820	19,960,953	14.89%	9.95%
2019	0.2321%	3,037,760	18,991,552	16.00%	8.97%
2018	0.2346%	2,978,000	18,680,215	15.94%	8.08%
2017	0.2362%	2,996,000	18,647,567	16.07%	7.04%
Virginia Retirement System - Group Life Insurance - Primary Government					
2022	0.0657%	\$ 790,851	14,272,394	5.54%	67.21%
2021	0.0677%	788,212	14,004,850	5.63%	67.45%
2020	0.0664%	1,108,107	13,615,577	8.14%	52.64%
2019	0.0677%	1,102,147	13,305,144	8.28%	52.00%
2018	0.0693%	1,053,000	13,185,396	7.99%	51.22%
2017	0.0711%	1,069,000	13,437,608	7.96%	48.86%
Virginia Retirement System - Group Life Insurance - Schools - Teachers					
2022	0.0961%	\$ 1,156,775	20,607,420	5.61%	67.21%
2021	0.0974%	1,134,466	20,124,102	5.64%	67.45%
2020	0.0972%	1,621,608	20,013,218	8.10%	52.64%
2019	0.0994%	1,617,828	19,489,779	8.30%	52.00%
2018	0.1001%	1,521,000	19,040,281	7.99%	51.22%
2017	0.1013%	1,524,000	18,687,655	8.16%	48.86%
Virginia Retirement System - Group Life Insurance - Schools - Nonprofessional Employees					
2022	0.0063%	\$ 75,376	1,359,943	5.54%	67.21%
2021	0.0065%	75,096	1,331,610	5.64%	67.45%
2020	0.0064%	107,139	1,321,773	8.11%	52.64%
2019	0.0066%	107,074	1,290,027	8.30%	52.00%
2018	0.0068%	102,000	1,283,854	7.94%	51.22%
2017	0.0068%	102,000	1,249,590	8.16%	48.86%

Schedule is intended to show information for 10 years. Since fiscal year 2023 (plan year 2022) is the sixth year for this presentation, only five additional years of data are available. However, additional years will be included as they become available.

The amounts presented have a measurement date (plan year) of the previous fiscal year-end.

CITY OF COLONIAL HEIGHTS, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF OPEB CONTRIBUTIONS – VRS

June 30, 2023

Entity Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
Virginia Retirement System - Health Insurance Credit - Schools - Teachers					
2023	\$ 272,443	\$ 272,443	\$ -	\$ 22,515,912	1.21%
2022	211,714	211,714	-	17,642,832	1.20%
2021	245,036	245,036	-	20,419,685	1.20%
2020	239,531	239,531	-	19,960,953	1.20%
2019	233,562	233,562	-	18,991,552	1.23%
2018	233,356	233,356	-	18,680,215	1.25%
Virginia Retirement System - Group Life Insurance - Primary Government					
2023	\$ 82,841	\$ 82,841	-	\$ 15,340,636	0.54%
2022	77,196	77,196	-	14,272,394	0.54%
2021	75,626	75,626	-	14,004,850	0.54%
2020	70,800	70,800	-	13,615,577	0.52%
2019	69,037	69,037	-	13,305,144	0.52%
2018	68,563	68,563	-	13,185,396	0.52%
Virginia Retirement System - Group Life Insurance - Schools					
2023	\$ 132,106	\$ 132,106	-	\$ 24,464,128	0.54%
2022	118,624	118,624	-	21,967,363	0.54%
2021	116,198	116,198	-	21,455,712	0.54%
2020	110,796	110,796	-	21,334,991	0.52%
2019	108,055	108,055	-	20,779,806	0.52%
2018	105,685	105,685	-	20,324,135	0.52%
Virginia Retirement System - Health Insurance Credit - Schools – Nonprofessional Employees					
2023	\$ 11,130	\$ 11,130	\$ -	\$ 1,915,420	0.58%
2022	8,855	8,855	-	1,362,225	0.65%
2021	8,656	8,656	-	1,331,610	0.65%

Schedule is intended to show information for 10 years. Since plan year 2018 is the first year for the presentation for Health Insurance - Teachers, Group Life Insurance - Primary Government Employees and Schools and 2021 is the first year for the presentation for Health Insurance - School Non-Professionals, no earlier data is available. However, additional years will be included as they become available.

The amounts presented have a measurement date (plan year) of the previous fiscal year-end.

CITY OF COLONIAL HEIGHTS, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS -
SCHOOLS - NONPROFESSIONAL EMPLOYEES

June 30, 2023

	2022	2021	2020
Total OPEB Liability			
Service cost	\$ 1,827	\$ 1,728	\$ -
Interest on total OPEB liability	7,959	7,053	-
Changes in benefit terms	-	-	104,483
Difference between expected and actual experience	(768)	-	-
Changes in assumptions	(15,934)	3,693	-
Benefit payments, including refunds of employee contributions	(1,760)	-	-
Net change in total OPEB liability	(8,676)	12,474	104,483
Total HIC OPEB liability - beginning	116,957	104,483	-
Total HIC OPEB liability - ending	108,281	116,957	104,483
Plan Fiduciary Net Position			
Contributions - employer	8,855	8,656	-
Net investment income (expense)	(132)	1,229	-
Benefit payments, including refunds of employee contributions	(1,760)	-	-
Administrative expenses	(33)	(39)	-
Net change in plan fiduciary net position	6,930	9,846	-
Plan fiduciary net position - beginning	9,846	-	-
Plan fiduciary net position - ending	16,776	9,846	-
Net HIC OPEB liability - ending	\$ 91,505	\$ 107,111	\$ 104,483
Plan fiduciary net position as a percentage of total HIC OPEB liability	15%	8%	0%
Covered payroll	\$ 1,362,225	\$ 1,331,610	\$ 1,301,683
Net HIC OPEB liability as a percentage of covered payroll	7%	8%	8%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2022 information was presented in the entity's fiscal year 2023 financial report.

This schedule is intended to show information for 10 years. Since fiscal year 2021 (plan year 2020) was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2023

Note 1. Changes of Benefit Terms

Pension

There have been no actuarially material changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation.

Other Postemployment Benefits (OPEB)

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Note 2. Changes of Assumptions

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Largest 10 – Non-Hazardous Duty:

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Scape MP-2020.
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age.
- Adjusted withdrawal rates to better fit experience at each age and service through 9 years of service.
- No change to disability rates.
- No change to salary scale.
- No change to line of duty rates.
- No change to discount rate.

Largest 10 – Hazardous Duty/Public Safety Employees:

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Scape MP-2020.
- Adjusted retirement rates to better fit experience and changed final retirement age from 65 to 70.
- Decreased withdrawal rates.
- No change to disability rates.
- No change to salary scale.
- No change to line of duty rates.
- No change to discount rate.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2023

Note 2. Changes of Assumptions (Continued)

All Others (Non 10 Largest) – Non-Hazardous Duty:

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Scape MP-2020.
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age.
- Adjusted withdrawal rates to better fit experience at each age and service through 9 years of service.
- No change to disability rates.
- No changes to salary scale.
- No change to line of duty rates.
- No change to discount rate.

All Others (Non 10 Largest) – Hazardous Duty/Public Safety Employees:

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Scape MP-2020.
- Adjusted retirement rates to better fit experience and changed final retirement age from 65 to 70.
- Decreased withdrawal rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty.
- No change to disability rates.
- No change to salary scale.
- No change to line of duty rates.
- No change to discount rate.

Teacher cost-sharing pool

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Scape MP-2020.
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all.
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service.
- No change to disability rates.
- No changes to salary scale.
- No change to discount rate.

THIS PAGE INTENTIONALLY BLANK

OTHER SUPPLEMENTARY INFORMATION

CITY OF COLONIAL HEIGHTS, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2023

	School Operating Fund	School Activity Fund	Total Governmental Funds
ASSETS			
Cash and investments	\$ 15,619,962	\$ 598,122	\$ 16,218,084
Receivables, net	15	-	15
Due from other governments	3,750,129	-	3,750,129
Due from primary government	2,024,633	-	2,024,633
Inventories	24,078	-	24,078
Total assets	<u>\$ 21,418,817</u>	<u>\$ 598,122</u>	<u>\$ 22,016,939</u>
LIABILITIES			
Accounts payable and other current liabilities	\$ 5,314,412	\$ -	\$ 5,314,412
Due to primary government	2,685	-	2,685
Unearned revenue	160,719	-	160,719
Total liabilities	<u>5,477,816</u>	<u>-</u>	<u>5,477,816</u>
FUND BALANCE			
Nonspendable	24,078	-	24,078
Committed	5,238,968	-	5,238,968
Assigned	<u>10,677,955</u>	<u>598,122</u>	<u>11,276,077</u>
Total fund balance	<u>15,941,001</u>	<u>598,122</u>	<u>16,539,123</u>
Total liabilities and fund balance	<u>\$ 21,418,817</u>	<u>\$ 598,122</u>	<u>\$ 22,016,939</u>
Adjustments for the Statement of Net Position (Exhibit 1):			
Total Fund Balance - School Board			\$ 16,539,123
Amounts reported for the School Board's governmental activities in the Statement of Net Position are different because:			
Long-term assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.			
Net pension asset			509,046
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.			
Nondepreciable	\$ 5,452,750		
Depreciable, net	<u>26,158,589</u>		31,611,339
Deferred outflows and inflows of resources related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.			
Deferred outflows related to:			
Pensions	\$ 5,717,509		
Other postemployment benefits	1,315,908		
Deferred inflows related to:			
Pensions	(5,199,852)		
Other postemployment benefits	(3,508,573)		
Net pension liability	(21,428,011)		
Net other postemployment benefits liability	<u>(9,145,846)</u>		(32,248,865)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.			
Financed purchases			(170,648)
Lease liabilities			(260,969)
Subscription liabilities			(595,097)
Compensated absences			<u>(1,680,570)</u>
Total Net Position - School Board Governmental Activities			<u>\$ 13,703,359</u>

CITY OF COLONIAL HEIGHTS, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
Year Ended June 30, 2023

	School Operating Fund	School Activity Fund	Total Governmental Funds
REVENUES			
Charges for services	\$ 145,830	\$ 493,736	\$ 639,566
Miscellaneous	363,788	-	363,788
Payments from City	25,966,669	-	25,966,669
Intergovernmental	29,931,983	-	29,931,983
Total revenue	<u>56,408,270</u>	<u>493,736</u>	<u>56,902,006</u>
EXPENDITURES			
Education:			
Administration, attendance, and health	2,692,543	-	2,692,543
Instruction	34,364,381	398,894	34,763,275
Operation and maintenance	5,176,692	-	5,176,692
Pupil transportation	2,053,558	-	2,053,558
Food service	1,938,758	-	1,938,758
Facilities	4,335,177	-	4,335,177
Technology	2,009,909	-	2,009,909
Reimbursement to City	1,113,418	-	1,113,418
Debt service			
Principal retirement	329,845	-	329,845
Interest	12,465	-	12,465
Total expenditures	<u>54,026,746</u>	<u>398,894</u>	<u>54,425,640</u>
Excess of revenues over expenditures	<u>2,381,524</u>	<u>94,842</u>	<u>2,476,366</u>
OTHER FINANCING SOURCES			
Inception of leases	299,731	-	299,731
Inception of subscriptions	654,689	-	654,689
Total other financing sources	<u>954,420</u>	<u>-</u>	<u>954,420</u>
Net change in fund balance	<u>3,335,944</u>	<u>94,842</u>	<u>3,430,786</u>
FUND BALANCE AT JULY 1	<u>12,605,057</u>	<u>503,280</u>	<u>13,108,337</u>
FUND BALANCE AT JUNE 30	<u>\$ 15,941,001</u>	<u>\$ 598,122</u>	<u>\$ 16,539,123</u>

Reconciliation to the Statement of Activities (Exhibit 2):

Net Change in Fund Balance - School Board \$ 3,430,786

Governmental funds report capital outlays, subscriptions, and leases as expenditures; however, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation and amortization expense.

Capital outlays	\$ 6,662,404	
Depreciation and amortization expense	<u>(1,545,326)</u>	5,117,078

Governmental funds report employer pension contributions as expenditures.

However, in the Statement of Activities the cost of pension benefits earned net of employee contributions is reported as pension expense. This is the amount by which employer pension contributions of \$3,586,604 and non-professional pension contributions of \$80,460 exceed pension expense of \$340,306 in the current period.

4,007,370

The issuance of long-term debt and inception of leases and subscriptions provides current financial resources to governmental funds, while the repayment of the principal of long-term debt and subscription and lease liabilities consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of those differences.

(624,575)

Governmental funds report employer other postemployment benefit contributions as expenditures. However, in the Statement of Activities the cost of other postemployment benefits earned net of employee contributions is reported as other postemployment benefit expense. This is the amount by which employer other postemployment contributions of \$415,679 exceed other postemployment expense of \$96,366 in the current period.

512,045

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		<u>235,725</u>
----------------------	--	----------------

Change in Net Position - School Board Governmental Activities

\$ 12,678,429

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, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES				
Revenue from local sources:				
Charges for services:				
Cafeteria	\$ 92,692	\$ 110,897	\$ 110,897	\$ -
Other	29,000	94,059	34,933	(59,126)
	121,692	204,956	145,830	(59,126)
Miscellaneous	267,000	363,787	363,788	1
Payments from City	23,876,045	25,966,670	25,966,669	(1)
Total revenue from local sources	24,264,737	26,535,413	26,476,287	(59,126)
Intergovernmental:				
Revenue from the Commonwealth of Virginia:				
Categorical aid:				
Basic school aid	8,134,363	8,203,619	8,203,619	-
State sales tax	3,723,000	3,923,422	3,923,422	-
Other	11,226,137	11,059,634	11,118,761	59,127
	23,083,500	23,186,675	23,245,802	59,127
Revenue from the federal government:				
Categorical aid:				
Title I Grant	602,431	580,206	695,307	115,101
Title VI B Grant	667,852	778,199	778,200	1
Other	1,605,295	5,327,776	5,212,674	(115,102)
	2,875,578	6,686,181	6,686,181	-
Total intergovernmental	25,959,078	29,872,856	29,931,983	59,127
Total revenues	50,223,815	56,408,269	56,408,270	1
EXPENDITURES				
Education:				
Administration, attendance, and health	2,410,730	2,711,414	2,692,543	18,871
Instruction	36,087,179	33,558,180	34,364,381	(806,201)
Operation and maintenance	4,854,666	6,176,256	5,176,692	999,564
Pupil transportation	2,029,969	2,442,604	2,053,558	389,046
Food service	1,449,970	1,938,757	1,938,758	(1)
Facilities	104,288	4,581,311	4,335,177	246,134
Technology	1,845,963	2,033,490	2,009,909	23,581
Contingencies	3,325,260	4,871,700	-	4,871,700
Reimbursement to City	1,134,651	1,113,418	1,113,418	-
Debt service				
Principal retirement	329,845	329,845	329,845	-
Interest	12,465	12,465	12,465	-
Total expenditures	53,584,986	59,769,440	54,026,746	5,742,694
Excess (deficiency) of revenues over (under) expenditures	(3,361,171)	(3,361,171)	2,381,524	5,742,695
OTHER FINANCING SOURCES				
Proceeds from financed purchase	-	-	299,731	299,731
Inception of leases	-	-	654,689	654,689
Total other financing sources	-	-	954,420	954,420
Net change in fund balance	\$ (3,361,171)	\$ (3,361,171)	\$ 3,335,944	\$ 6,697,115

CITY OF COLONIAL HEIGHTS, VIRGINIA

**DISCRETELY PRESENTED COMPONENT UNIT - ECONOMIC DEVELOPMENT AUTHORITY –
STATEMENT OF NET POSITION
June 30, 2023**

	<u>Economic Development Authority</u>
ASSETS	
Current assets:	
Cash and investments	<u>\$ 124,619</u>
Total assets	<u>124,619</u>
LIABILITIES	
Total liabilities	<u>-</u>
NET POSITION	
Unrestricted	<u>124,619</u>
Total net position	<u><u>\$ 124,619</u></u>

CITY OF COLONIAL HEIGHTS, VIRGINIA

**DISCRETELY PRESENTED COMPONENT UNIT - ECONOMIC DEVELOPMENT AUTHORITY –
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
Year Ended June 30, 2023**

	Economic Development Authority
OPERATING REVENUES	
Intergovernmental	\$ -
Total operating revenues	<u>-</u>
OPERATING EXPENSES	
Grant programs	<u>121</u>
Total operating expenses	<u>121</u>
Operating loss	<u>(121)</u>
Change in net position	<u>(121)</u>
NET POSITION AT JULY 1	<u>124,740</u>
NET POSITION AT JUNE 30	<u><u>\$ 124,619</u></u>

CITY OF COLONIAL HEIGHTS, VIRGINIA

**DISCRETELY PRESENTED COMPONENT UNIT - ECONOMIC DEVELOPMENT AUTHORITY –
STATEMENT OF CASH FLOWS
Year Ended June 30, 2023**

	<u>Economic Development Authority</u>
OPERATING ACTIVITIES	
Payments to other sources	\$ (18,641)
Net cash used in operating activities	<u>(18,641)</u>
Net decrease in cash and cash equivalents	(18,641)
CASH AND CASH EQUIVALENTS	
Beginning at July 1	<u>143,260</u>
Ending at June 30	<u><u>\$ 124,619</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	\$ (121)
Change in assets and liabilities:	
Decrease in:	
Unearned revenue	<u>(18,520)</u>
Net cash used in operating activities	<u><u>\$ (18,641)</u></u>

SUPPORTING SCHEDULE

CITY OF COLONIAL HEIGHTS, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2023

Federal Granting Agency/Recipient State Agency/Grant Program	Assistance Listing Number	Entity Identifying Pass-Through Number	Cluster Amounts	Federal Expenditures
U.S. Department of Agriculture				
Pass-through payments:				
Commonwealth of Virginia Department of Agriculture and Consumer Services				
Child Nutrition Cluster				
School Breakfast Program	10.553	-	\$ 424,782	
National School Lunch Program	10.555	-	1,192,041	
National School Lunch Program - Commodities	10.555	-	93,423	
After School Snack	10.555	-	1,941	
Summer Food Service Program for Children	10.559	-	27,452	
Total Child Nutrition Cluster				1,739,639
Child & Adult Care Food Program (CACFP)	10.558	-		1,376
COVID-19 Pandemic EBT Administrative Costs	10.649	-		3,135
Total U.S. Department of Agriculture				<u>1,744,150</u>
U.S. Department of Housing and Urban Development				
Direct payments:				
CDBG - Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants	14.218	-		<u>133,902</u>
Total U.S. Department of Housing and Urban Development				<u>133,902</u>
U.S. Department of Justice				
Pass-through payments:				
Department of Criminal Justice Services				
COVID-19 Coronavirus Emergency Supplemental Funding	16.034	-		12,500
Crime Victim Assistance	16.575	-		88,329
Edward Byrne Memorial Justice Assistance Grant Program	16.738	-		<u>6,265</u>
Total U.S. Department of Justice				<u>107,094</u>
U.S. Department of Transportation				
Pass-through payments:				
Federal Highway Administration				
Highway Planning and Construction	20.205	-		<u>3,683,818</u>
Total U.S. Department of Transportation				<u>3,683,818</u>
U.S. Department of Treasury				
Direct payments:				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	-		5,425,155
Pass-through payments:				
Commonwealth of Virginia Department of Education:				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	-		<u>410,347</u>
Total U.S. Department of Treasury				<u>5,835,502</u>
U.S. Department of Education				
Pass-through payments:				
Commonwealth of Virginia Department of Education:				
Title I Grants to Local Educational Agencies	84.010	-		580,206
Title I Part A NCLB for ESSA	84.010	-		115,101
Special Education Cluster (IDEA)				
Special Education - Grants to States	84.027	-	762,194	
Special Education - Preschool Grants	84.173	-	<u>16,006</u>	
Total Special Education Cluster (IDEA)				778,200
Career and Technical Education - Basic Grants to States	84.048	-		56,830
English Language Acquisition State Grants	84.365	-		6,526
Improving Teacher Quality State Grants	84.367	-		116,307
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	-		612,508
COVID-19 American Rescue Plan Elementary and Secondary School Emergency Relief Fund (ARP ESSER)	84.425U	-		<u>2,453,586</u>
Total Education Stabilization Fund				<u>3,066,094</u>
Total U.S. Department of Education				<u>4,719,264</u>

CITY OF COLONIAL HEIGHTS, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2023

Federal Granting Agency/Recipient State Agency/Grant Program	Assistance Listing Number	Entity Identifying Pass-Through Number	Cluster Amounts	Federal Expenditures
U.S. Department of Health and Human Services:				
Pass-through Payments:				
Commonwealth of Virginia Department of Medical Assistance Services:				
Medicaid Cluster				
Medical Assistance Program	93.778	-	\$ 101,592	
Total Medicaid Cluster				101,592
Commonwealth of Virginia Department of Education:				
COVID-19 Public Health Workforce	93.354			24,393
Total U.S. Department of Health and Human Services				125,985
U.S. Department of Homeland Security:				
Pass-through Payments:				
Department of Emergency Management:				
Staffing for Adequate Fire and Emergency Response	97.083	-		92,716
Emergency Management Performance Grants	97.042	-		2,100
Total U.S. Department of Homeland Security				94,816
Federal Communications Commission (FCC)				
COVID-19 Emergency Connectivity Fund Program	32.009	-		197,053
Total Federal Communications Commission				197,053
Total Expenditures of Federal Awards				\$ 16,641,584

Note 1. Basis of Presentation

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

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

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 \$93,423 from the National School Lunch Program.

Note 3. De Minimis Indirect Cost Rate

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

Note 4. Outstanding Loan Balances

At June 30, 2023 the City had no outstanding loan balances requiring continuing disclosure.

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 Annual Comprehensive Financial Reports for the relevant year.

Notes

The City implemented GASB Statement 68 and restated beginning net position for 2015. The restatement is not included in the prior year data.

The City implemented GASB Statement 75 and restated beginning net position for 2018. The restatement is not included in the prior year data.

The City implemented GASB Statement 84 and restated beginning net position for 2020. The restatement is not included in the prior year data.

The City implemented GASB 87 in 2022. No restatement to beginning net position was required.

The City implemented GASB 96 in 2023. No restatement to beginning net position was required.

TABLE 1

CITY OF COLONIAL HEIGHTS, VIRGINIA

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Governmental activities										
Net investment in capital assets	\$ 56,064,396	\$ 48,490,590	\$ 45,755,925	\$ 41,322,523	\$ 37,146,892	\$ 36,467,607	\$ 37,861,696	\$ 35,926,630	\$ 34,894,010	\$ 29,874,492
Restricted	1,210,925	867,773	775,093	1,156,780	221,514	209,951	590,549	235,027	332,329	313,998
Unrestricted	12,977,771	5,337,050	457,700	(793,984)	(2,727,109)	(6,200,101)	(4,498,752)	(4,586,604)	(7,129,653)	6,085,816
Total governmental activities net position	<u>\$ 70,253,092</u>	<u>\$ 54,695,413</u>	<u>\$ 46,988,718</u>	<u>\$ 41,685,319</u>	<u>\$ 34,641,297</u>	<u>\$ 30,477,457</u>	<u>\$ 33,953,493</u>	<u>\$ 31,575,053</u>	<u>\$ 28,096,686</u>	<u>\$ 36,274,306</u>
Business-type activities										
Net investment in capital assets	\$ 12,351,567	\$ 12,481,480	\$ 11,930,368	\$ 11,092,180	\$ 11,215,784	\$ 11,233,677	\$ 11,837,529	\$ 11,891,771	\$ 11,855,032	\$ 11,926,690
Restricted	-	-	-	-	-	-	-	-	-	364,421
Unrestricted	3,316,886	1,773,746	1,096,550	1,230,104	1,015,978	428,086	(161,263)	(590,377)	(763,712)	(277,999)
Total business-type activities net position	<u>\$ 15,668,453</u>	<u>\$ 14,255,226</u>	<u>\$ 13,026,918</u>	<u>\$ 12,322,284</u>	<u>\$ 12,231,762</u>	<u>\$ 11,661,763</u>	<u>\$ 11,676,266</u>	<u>\$ 11,301,394</u>	<u>\$ 11,091,320</u>	<u>\$ 12,013,112</u>
Primary government										
Net investment in capital assets	\$ 68,415,963	\$ 60,972,070	\$ 57,686,293	\$ 52,414,703	\$ 48,362,676	\$ 47,701,284	\$ 49,699,225	\$ 47,818,401	\$ 46,749,042	\$ 41,801,182
Restricted	1,210,925	867,773	775,093	1,156,780	221,514	209,951	590,549	235,027	332,329	678,419
Unrestricted	16,294,657	7,110,796	1,554,250	436,120	(1,711,131)	(5,772,015)	(4,660,015)	(5,176,981)	(7,893,365)	5,807,817
Total primary government net position	<u>\$ 85,921,545</u>	<u>\$ 68,950,639</u>	<u>\$ 60,015,636</u>	<u>\$ 54,007,603</u>	<u>\$ 46,873,059</u>	<u>\$ 42,139,220</u>	<u>\$ 45,629,759</u>	<u>\$ 42,876,447</u>	<u>\$ 39,188,006</u>	<u>\$ 48,287,418</u>
Component Units										
Net investment in capital assets	\$ 29,956,526	\$ 26,092,122	\$ 25,681,825	\$ 25,704,618	\$ 24,987,091	\$ 22,211,414	\$ 18,974,941	\$ 17,659,025	\$ 18,080,934	\$ 18,710,224
Restricted	509,046	802,786	-	43,923	-	-	-	-	-	-
Unrestricted	(16,637,594)	(25,745,238)	(33,192,004)	(39,277,126)	(39,479,732)	(42,141,522)	(31,762,183)	(31,784,153)	(33,894,001)	67,351
Total component units net position	<u>\$ 13,827,978</u>	<u>\$ 1,149,670</u>	<u>\$ (7,510,179)</u>	<u>\$ (13,528,585)</u>	<u>\$ (14,492,641)</u>	<u>\$ (19,930,108)</u>	<u>\$ (12,787,242)</u>	<u>\$ (14,125,128)</u>	<u>\$ (15,813,067)</u>	<u>\$ 18,777,575</u>
Total reporting entity										
Net investment in capital assets	\$ 89,802,138	\$ 77,639,306	\$ 75,233,534	\$ 69,183,489	\$ 63,656,086	\$ 60,776,685	\$ 58,753,096	\$ 60,186,205	\$ 58,993,061	\$ 54,238,252
Restricted	1,719,971	1,670,559	775,093	1,200,703	221,514	209,951	590,549	235,027	332,329	678,419
Unrestricted	8,227,414	(9,209,556)	(23,503,170)	(29,905,174)	(31,497,182)	(38,777,524)	(26,501,128)	(31,669,913)	(35,950,451)	12,148,322
Total reporting entity	<u>\$ 99,749,523</u>	<u>\$ 70,100,309</u>	<u>\$ 52,505,457</u>	<u>\$ 40,479,018</u>	<u>\$ 32,380,418</u>	<u>\$ 22,209,112</u>	<u>\$ 32,842,517</u>	<u>\$ 28,751,319</u>	<u>\$ 23,374,939</u>	<u>\$ 67,064,993</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 Units because the outstanding debt for the schools has 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 Units 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)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Expenses										
Governmental activities										
General government	\$ 5,521,471	\$ 5,245,210	\$ 4,998,792	\$ 4,616,418	\$ 4,309,196	\$ 3,998,220	\$ 4,091,160	\$ 4,222,021	\$ 4,035,396	\$ 4,229,539
Judicial administration	5,494,429	4,795,051	5,121,647	5,180,828	5,443,209	5,256,841	5,255,271	5,298,386	5,401,538	5,373,484
Public safety	14,290,555	12,717,873	15,384,878	12,916,249	10,940,370	12,751,210	11,137,517	11,043,829	11,268,573	11,299,988
Public works	7,580,576	7,722,218	7,416,659	6,516,750	6,189,090	6,472,875	5,741,092	5,867,451	5,568,423	6,056,945
Health and welfare	1,650,694	1,320,023	1,197,067	1,124,958	1,053,058	1,141,789	1,082,908	900,875	700,961	623,784
Parks, recreation, and cultural	2,872,045	2,937,064	2,774,841	2,990,371	2,883,843	3,006,186	3,056,313	2,978,081	2,860,914	2,914,469
Community development	999,578	650,006	570,560	540,066	491,236	441,174	583,330	536,782	455,683	567,323
Education	25,966,669	24,198,494	23,573,632	21,952,287	24,204,644	24,530,154	20,289,595	20,503,749	19,383,253	19,461,176
Human Services	494,849	398,321	388,682	295,463	407,476	462,086	468,039	447,513	437,567	470,011
Interest	864,661	1,039,624	928,874	1,011,649	1,020,656	943,038	1,093,100	831,949	1,312,329	1,115,804
Total governmental activities	65,735,527	61,023,884	62,355,632	57,145,039	56,942,778	59,003,573	52,798,325	52,630,636	51,424,637	52,112,523
Business-type activities										
Water and Sewer	4,547,745	4,735,897	5,138,801	5,364,729	5,125,010	5,273,714	5,010,173	4,668,983	4,324,991	4,206,290
Storm water management	675,987	418,232	621,640	517,464	357,458	376,511	305,172	290,846	309,071	298,556
Total business-type activities expense	5,223,732	5,154,129	5,760,441	5,882,193	5,482,468	5,650,225	5,315,345	4,959,829	4,634,062	4,504,846
Total primary government expenses	70,959,259	66,178,013	68,116,073	63,027,232	62,425,246	64,653,798	58,113,670	57,590,465	56,058,699	56,617,369
Program revenues										
Governmental activities										
Charges for services										
Refuse collection	1,632,422	1,162,328	1,179,389	1,183,119	1,183,184	1,151,497	972,808	978,597	1,109,042	1,109,143
Parks and recreation	111,661	89,988	21,205	106,672	174,852	192,540	178,767	196,353	181,843	184,839
Other activities	2,439,277	2,269,379	1,819,122	1,759,294	2,006,844	5,586,033	5,135,773	5,267,723	5,294,990	5,289,334
Operating grants and contributions	7,955,873	7,267,449	7,304,900	6,688,762	6,586,110	6,197,981	5,910,440	5,463,958	5,306,971	5,556,569
Capital grants and contributions	2,874,137	1,626,119	2,827,004	5,263,281	1,320,884	1,606,438	765,492	913,850	4,230,162	3,436,635
Total governmental activities program revenues	15,013,370	12,415,263	13,151,620	15,001,128	11,271,874	14,734,489	12,963,280	12,820,481	16,123,008	15,576,520
Business-type activities										
Charges for services										
Water and sewer	5,497,754	5,608,681	5,116,055	5,229,957	5,333,822	5,418,622	5,052,084	4,784,973	4,181,407	4,164,312
Storm water management	733,402	692,113	730,374	742,758	718,645	434,958	388,089	384,930	396,082	379,088
Total business-type activities program revenues	6,231,156	6,300,794	5,846,429	5,972,715	6,052,467	5,853,580	5,440,173	5,169,903	4,577,489	4,543,400
Total primary government program revenues	21,244,526	18,716,057	18,998,049	20,973,843	17,324,341	20,588,069	18,403,453	17,990,384	20,700,497	20,119,920

TABLE 2

CITY OF COLONIAL HEIGHTS, VIRGINIA

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Net (expense) revenue										
Governmental activities	\$ (50,722,157)	\$ (48,608,621)	\$ (49,204,012)	\$ (42,143,911)	\$ (45,670,904)	\$ (44,269,084)	\$ (39,835,045)	\$ (39,810,155)	\$ (35,301,629)	\$ (36,536,003)
Business-type activities	1,007,424	1,146,665	85,988	90,522	569,999	203,355	124,828	210,074	(56,573)	38,554
Total primary government net expense	(49,714,733)	(47,461,956)	(49,118,024)	(42,053,389)	(45,100,905)	(44,065,729)	(39,710,217)	(39,600,081)	(35,358,202)	(36,497,449)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
General property taxes	28,645,801	26,296,173	25,553,468	24,047,590	23,736,247	23,139,195	22,319,312	21,547,059	21,604,557	21,415,093
Local sales and use	9,869,369	9,386,473	8,677,937	7,809,472	8,171,187	7,847,364	7,567,072	7,602,518	7,505,833	7,192,330
Food and lodging	11,515,654	10,336,254	8,954,118	7,869,846	8,524,496	7,978,399	7,813,174	7,668,016	7,277,458	6,841,952
Other taxes	6,836,340	6,448,291	6,383,926	5,829,775	6,273,907	2,285,121	2,247,185	2,251,352	2,145,835	2,232,755
Intergovernmental, non-categorical aid	8,108,771	3,271,266	5,243,097	3,126,275	1,807,537	1,758,246	1,758,517	1,759,131	1,758,845	1,759,070
Use of money and property	1,402,623	224,113	141,509	409,352	475,088	440,533	359,133	215,801	167,783	175,282
Miscellaneous	307,081	434,389	172,002	95,623	53,177	51,670	368,686	217,348	218,790	142,232
Transfers	(405,803)	(81,643)	(618,646)	-	-	-	(250,044)	-	-	-
Gain on sale of capital assets	-	-	-	-	-	-	30,450	2,027,297	-	-
Total governmental activities	66,279,836	56,315,316	54,507,411	49,187,933	49,041,639	43,500,528	42,213,485	43,288,522	40,679,101	39,758,714
Business-type activities:										
Transfers	405,803	81,643	618,646	-	-	-	250,044	-	-	-
Total business-type activities	405,803	81,643	618,646	-	-	-	250,044	-	-	-
Total primary government	66,685,639	56,396,959	55,126,057	49,187,933	49,041,639	43,500,528	42,463,529	43,288,522	40,679,101	39,758,714
Changes in Net Position										
Governmental activities	15,557,679	7,706,695	5,303,399	7,044,022	3,370,735	(768,556)	2,378,440	3,478,367	5,377,472	3,222,711
Business-type activities	1,413,227	1,228,308	704,634	90,522	569,999	203,355	374,872	210,074	(56,573)	38,554
Total primary government	16,970,906	8,935,003	6,008,033	7,134,544	3,940,734	(565,201)	2,753,312	3,688,441	5,320,899	3,261,265
Component Units:										
Expenses:										
Education	44,223,577	41,323,693	40,413,173	41,143,685	37,954,220	38,037,916	36,376,383	35,087,111	35,871,027	36,905,074
Economic Development Authority	121	-	481,480	5,671	-	-	-	-	-	-
Total component units	44,223,698	41,323,693	40,894,653	41,149,356	37,954,220	38,037,916	36,376,383	35,087,111	35,871,027	36,905,074
Program revenues										
Charges for services	639,566	547,410	252,851	256,739	438,978	410,270	389,665	390,422	376,249	478,386
Operating grants and contributions	29,931,983	24,912,721	22,069,448	19,239,002	18,572,563	17,449,390	16,899,977	15,801,934	15,234,548	14,765,427
Total program revenues	30,571,549	25,460,131	22,322,299	19,495,741	19,011,541	17,859,660	17,289,642	16,192,356	15,610,797	15,243,813
Net expense	(13,652,149)	(15,863,562)	(18,572,354)	(21,653,615)	(18,942,679)	(20,178,256)	(19,086,741)	(18,894,755)	(20,260,230)	(21,661,261)
General Revenues and Other Changes in Net Position										
Contribution from primary government	25,966,669	24,194,457	23,573,632	22,249,720	24,204,644	24,530,154	20,289,595	20,503,749	19,383,253	19,461,176
Use of money and property	-	-	-	-	5	-	-	-	-	-
Miscellaneous	363,788	328,954	539,423	367,951	175,497	106,668	135,032	110,631	103,926	115,801
Loss on sale of capital assets	-	-	-	-	-	-	-	(31,686)	-	-
Total general revenue	26,330,457	24,523,411	24,113,055	22,617,671	24,380,146	24,636,822	20,424,627	20,582,694	19,487,179	19,576,977
Total component units change in net position	\$ 12,678,308	\$ 8,659,849	\$ 5,540,701	\$ 964,056	\$ 5,437,467	\$ 4,458,566	\$ 1,337,886	\$ 1,687,939	\$ (773,051)	\$ (2,084,284)

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.

In 2018, the EDA was established as a discretely presented component unit.

In 2019, there were certain revenues reclassified between Program Revenues and General Revenues.

TABLE 3

CITY OF COLONIAL HEIGHTS, VIRGINIA

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Post-GASB 54 implementation:										
General Fund										
Nonspendable	\$ 107,138	\$ 132,602	\$ 130,735	\$ 49,791	\$ 55,371	\$ 39,876	\$ 60,051	\$ 64,871	\$ 60,599	\$ 68,832
Restricted	1,210,925	867,773	775,093	1,156,780	221,514	209,951	590,549	235,027	332,329	313,998
Committed	1,113,743	795,912	1,117,432	941,440	539,946	129,903	196,092	554,259	618,698	431,512
Assigned	4,242,945	2,801,240	3,493,542	2,315,581	2,188,941	1,333,927	1,415,321	1,969,999	728,241	1,407,705
Unassigned	20,023,517	16,499,227	11,191,172	10,861,863	10,528,255	9,227,574	8,735,172	7,950,089	8,015,011	7,415,836
Total general fund	<u>\$ 26,698,268</u>	<u>\$ 21,096,754</u>	<u>\$ 16,707,974</u>	<u>\$ 15,325,455</u>	<u>\$ 13,534,027</u>	<u>\$ 10,941,231</u>	<u>\$ 10,997,185</u>	<u>\$ 10,774,245</u>	<u>\$ 9,754,878</u>	<u>\$ 9,637,883</u>
Capital Projects Fund										
Restricted	\$ 10,540,802	\$ 9,391,085	\$ 5,210,356	\$ 6,483,427	\$ 8,241,167	\$ 8,089,873	\$ 11,462,474	\$ 2,192,697	\$ 3,388,835	\$ 372,795
Unassigned	-	-	-	-	-	-	(348,287)	(1,505,584)	(3,587,598)	(10,080)
Total capital projects fund	<u>\$ 10,540,802</u>	<u>\$ 9,391,085</u>	<u>\$ 5,210,356</u>	<u>\$ 6,483,427</u>	<u>\$ 8,241,167</u>	<u>\$ 8,089,873</u>	<u>\$ 11,114,187</u>	<u>\$ 687,113</u>	<u>\$ (198,763)</u>	<u>\$ 362,715</u>
Emergency Response Fund										
Unassigned	\$ (370,713)	\$ (326,618)	\$ -							
Total emergency response fund	<u>\$ (370,713)</u>	<u>\$ (326,618)</u>	<u>\$ -</u>							

Note: The Emergency Response Fund was established in 2020.

TABLE 4

CITY OF COLONIAL HEIGHTS, VIRGINIA

Changes in Fund Balances - Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(unaudited)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Revenues										
General property taxes	\$ 28,719,881	\$ 26,080,401	\$ 25,103,358	\$ 24,133,663	\$ 23,721,544	\$ 23,231,130	\$ 22,375,525	\$ 21,520,136	\$ 21,560,377	\$ 21,309,428
Other local taxes	28,221,363	26,171,018	24,015,981	21,509,093	22,969,590	18,110,884	17,627,431	17,521,886	16,929,126	16,267,037
Permits, fees, and licenses	396,992	425,833	215,861	174,232	368,665	3,873,336	3,487,901	3,766,603	3,541,207	3,509,526
Fines and forfeitures	288,112	214,403	241,082	245,712	342,061	415,893	341,560	438,930	505,391	540,368
Charges for services	3,498,256	2,881,459	2,562,773	2,629,141	2,654,154	2,640,841	2,457,887	2,237,140	2,539,277	2,533,422
Use of money and property	1,402,623	224,113	141,509	409,352	475,088	440,533	359,133	215,801	167,783	175,282
Miscellaneous	307,081	434,389	172,002	95,623	53,177	51,670	368,686	217,348	245,348	142,232
Reimbursement from component unit	1,369,772	1,376,947	1,230,258	1,045,732	1,394,495	907,818	538,537	381,605	377,274	781,768
Intergovernmental	17,569,009	10,787,887	14,144,743	14,032,586	8,320,036	8,654,847	7,895,912	7,755,334	10,892,146	9,970,506
Total revenues	81,773,089	68,596,450	67,827,567	64,275,134	60,298,810	58,326,952	55,452,572	54,054,783	56,757,929	55,229,569
Expenditures										
General government	5,343,604	5,119,805	4,697,898	4,407,791	4,259,541	3,907,317	3,749,469	3,860,820	3,774,029	3,929,794
Judicial administration	5,637,167	4,957,299	5,024,769	5,183,133	5,538,614	5,306,612	5,271,039	5,375,979	5,452,078	5,411,741
Public safety	14,592,127	12,988,310	14,833,748	12,132,266	11,321,769	11,511,864	11,182,996	11,219,742	11,146,037	10,969,018
Public works	5,669,365	6,174,241	4,927,971	4,483,490	4,328,848	4,754,712	4,635,226	4,235,724	4,079,575	4,555,044
Health and welfare	1,645,014	1,312,722	1,177,648	1,132,135	1,040,789	1,102,579	1,072,990	897,077	697,163	619,986
Parks, recreation, and cultural	2,990,570	2,717,333	2,405,532	2,621,295	2,648,118	2,803,734	2,684,709	2,707,421	2,726,632	2,707,146
Community development	679,976	642,815	545,508	539,068	503,584	504,284	583,721	547,914	515,386	568,937
Education	25,966,669	24,198,494	23,573,632	21,952,287	24,204,644	24,530,154	20,289,595	20,503,749	19,383,253	19,461,176
Human services	502,416	406,142	387,146	298,113	440,153	477,214	465,663	458,317	447,668	490,762
Nondepartmental	385,947	227,800	178,171	171,006	151,017	333,790	336,656	417,516	334,301	249,008
Debt service:										
Principal retirement	2,681,629	2,638,908	2,543,664	2,692,616	2,551,685	2,997,480	2,398,190	2,783,005	2,607,026	2,839,657
Interest and fiscal charges	1,079,177	1,167,332	1,041,344	1,122,773	1,116,082	1,086,667	1,227,077	927,997	1,190,669	1,220,379
Capital expenditures	7,703,907	3,943,519	5,762,442	7,730,473	4,674,876	2,090,813	1,889,302	855,647	5,132,587	8,486,471
Total expenditures	74,877,568	66,494,720	67,099,473	64,466,446	62,779,720	61,407,220	55,786,633	54,790,908	57,486,404	61,509,119
Excess (deficiency) of revenues over (under) expenditures	6,895,521	2,101,730	728,094	(191,312)	(2,480,910)	(3,080,268)	(334,061)	(736,125)	(728,475)	(6,279,550)
Other Financing Sources (Uses)										
Premium on issuance of debt	-	572,804	-	-	-	-	918,669	-	625,569	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	(8,887,096)	-
Issuance of debt	-	5,650,000	-	-	5,225,000	-	10,285,000	-	8,424,044	-
Inception of subscriptions	217,418	-	-	-	-	-	-	-	-	-
Issuance of financed purchases	-	-	-	225,000	-	-	-	-	121,475	-
Proceeds from sale of capital assets	-	-	-	-	-	-	30,450	2,641,368	-	-
Transfers in	5,602,654	564,018	1,792,334	1,274,438	577,758	754,666	11,735,993	826,982	378,901	657,198
Transfers out	(6,008,457)	(645,661)	(2,410,980)	(1,274,438)	(577,758)	(754,666)	(11,986,037)	(826,982)	(378,901)	(657,198)
Total other financing sources (uses)	(188,385)	6,141,161	(618,646)	225,000	5,225,000	-	10,984,075	2,641,368	283,992	-
Net change in fund balances	\$ 6,707,136	\$ 8,242,891	\$ 109,448	\$ 33,688	\$ 2,744,090	\$ (3,080,268)	\$ 10,650,014	\$ 1,905,243	\$ (444,483)	\$ (6,279,550)

(Continued)

TABLE 4

CITY OF COLONIAL HEIGHTS, VIRGINIA

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Debt service as a percentage of noncapital expenditures:										
Primary Government										
Total debt service	\$ 3,760,806	\$ 3,806,240	\$ 3,585,008	\$ 3,815,389	\$ 3,667,767	\$ 4,084,147	\$ 3,625,267	\$ 3,711,002	\$ 3,797,695	\$ 4,060,036
Total expenditures	74,877,568	66,494,720	67,099,473	64,466,446	62,779,720	61,407,220	55,786,633	54,790,908	57,486,404	61,509,119
Capital expenditures	(7,612,985)	(4,433,540)	(6,420,822)	(7,621,519)	(5,009,553)	(3,314,765)	(3,145,974)	(1,541,702)	(5,729,345)	(9,164,371)
Non-capital expenditures	<u>\$ 67,264,583</u>	<u>\$ 62,061,180</u>	<u>\$ 60,678,651</u>	<u>\$ 56,844,927</u>	<u>\$ 57,770,167</u>	<u>\$ 58,092,455</u>	<u>\$ 52,640,659</u>	<u>\$ 53,249,206</u>	<u>\$ 51,757,059</u>	<u>\$ 52,344,748</u>
Debt service as a percentage of non-capital expenditures - primary government only	<u>5.59%</u>	<u>6.13%</u>	<u>5.91%</u>	<u>6.71%</u>	<u>6.35%</u>	<u>7.03%</u>	<u>6.89%</u>	<u>6.97%</u>	<u>7.34%</u>	<u>7.76%</u>
School Board										
School expenditures, excluding City contribution	\$ 29,931,983	\$ 24,912,721	\$ 18,763,740	\$ 19,899,833	\$ 18,337,059	\$ 17,976,665	\$ 17,337,789	\$ 14,570,190	\$ 15,744,708	\$ 16,273,697
Capital expenditures - Public Schools	(6,662,404)	(2,108,882)	(1,219,320)	(2,006,929)	(3,701,608)	(4,133,792)	(2,151,024)	(320,139)	(170,982)	(543,416)
Non-capital expenditures	<u>\$ 23,269,579</u>	<u>\$ 22,803,839</u>	<u>\$ 17,544,420</u>	<u>\$ 17,892,904</u>	<u>\$ 14,635,451</u>	<u>\$ 13,842,873</u>	<u>\$ 15,186,765</u>	<u>\$ 14,250,051</u>	<u>\$ 15,573,726</u>	<u>\$ 15,730,281</u>
Debt service as a percentage of non-capital expenditures - total reporting entity	<u>4.15%</u>	<u>4.49%</u>	<u>4.58%</u>	<u>5.11%</u>	<u>5.07%</u>	<u>5.68%</u>	<u>5.34%</u>	<u>5.50%</u>	<u>5.64%</u>	<u>5.96%</u>

Notes:

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

TABLE 5

CITY OF COLONIAL HEIGHTS, VIRGINIA

ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Calendar Years
(unaudited)

Calendar Year	Real Property			Public Service**	Personal Property***	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						
2023	\$1,184,806,900	\$120,642,400	\$639,722,120	\$36,343,886	\$ 167,945,900	\$ 2,149,461,206	\$ 1.38	\$ 2,149,461,206	100.00 %
2022	1,184,739,400	120,722,400	635,526,220	35,405,344	164,317,400	2,140,710,764	1.38	2,140,710,764	100.00
2021	1,034,500,100	96,183,500	634,845,320	38,477,154	147,749,585	1,951,755,659	1.37	1,951,755,659	100.00
2020	1,048,656,100	96,316,500	671,801,340	38,869,088	138,946,665	1,994,589,693	1.36	1,994,589,693	100.00
2019	967,897,500	87,648,900	632,280,320	37,444,341	137,524,528	1,862,795,589	1.37	1,862,795,589	100.00
2018	965,592,500	87,645,105	624,188,200	37,071,997	134,129,650	1,848,627,452	1.37	1,848,627,452	100.00
2017	937,034,800	87,022,300	603,466,400	37,380,404	137,155,861	1,802,059,765	1.38	1,802,059,765	100.00
2016	936,134,000	87,022,300	598,832,200	35,854,598	140,902,070	1,798,745,168	1.38	1,798,745,168	100.00
2015	937,198,700	87,323,500	590,412,800	33,778,852	139,126,750	1,787,840,602	1.38	1,787,840,602	100.00
2014	936,946,100	87,323,500	580,791,400	34,376,713	124,991,591	1,764,429,304	1.36	1,764,429,304	100.00

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

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

***Personal property added to Table in 2018. Total taxable assessed values for previous years has also been updated.

TABLE 6

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	Personal Property	Total Direct Rate
2023	\$ 1.20	\$ 1.20	\$ 3.50	\$ 1.38
2022	1.20	1.20	3.10	1.38
2021	1.20	1.20	3.50	1.37
2020	1.20	1.20	3.50	1.36
2019	1.20	1.20	3.50	1.37
2018	1.20	1.20	3.50	1.37
2017	1.20	1.20	3.50	1.38
2016	1.14	1.14	3.50	1.38
2015	1.14	1.14	3.50	1.38
2014	1.14	1.14	3.50	1.36

Notes: 1) There is no overlapping government taxation.

2) Direct Rate is calculated as a weighted average of the tax rates applied to Real Estate, Personal Property, and Public Service Property.

TABLE 7

CITY OF COLONIAL HEIGHTS, VIRGINIA

PRINCIPAL PROPERTY TAXPAYERS
Current Year and Nine Years Ago
(unaudited)

Taxpayer	Calendar Year					
	2023			2014		
	Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Southpark Mall	\$ 43,204,000	1	2.17%	\$ 75,804,045	1	4.62%
Southgate Square Virginia LLC	31,311,800	2	1.57%	-	-	-
Roslyn Farm Corporation	29,273,400	3	1.47%	34,368,276	2	2.10%
Wal-Mart/Sams	27,328,300	4	1.37%	26,454,454	3	1.61%
Dunlop House	17,066,600	5	0.86%	13,734,558	6	0.84%
Colonial Square Associates	15,454,000	6	0.77%	13,538,200	7	0.83%
Faison Colonial Heights	15,382,100	7	0.77%	12,328,500	10	0.75%
Dominion Power	15,176,962	8	0.76%	15,701,163	5	0.96%
Dimmock Square Marketplace	14,505,500	9	0.73%	12,764,200	9	0.78%
CH Convalescent Center	14,145,000	10	0.71%	-	-	-
Roslyn Farms Associates LP	-	-	-	19,067,000	4	1.16%
Colonial Heights Operations	-	-	-	13,019,057	8	0.79%
	<u>\$ 222,847,662</u>		<u>11.18%</u>	<u>\$ 236,779,453</u>		<u>14.44%</u>

Source: Real Property Assessments; City Assessor's Office.

TABLE 8

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

Calendar Year Ended December 31	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
2022	\$ 29,134,361	\$ 27,589,687	94.70 %	\$ 1,062,709	\$ 28,652,396	98.35 %
2021	26,954,681	25,472,344	94.50	673,189	26,145,533	97.00
2020	26,533,719	25,014,939	94.28	566,658	25,581,597	96.41
2019	25,557,177	25,099,156	98.21	370,920	25,470,076	99.66
2018	24,988,073	24,357,798	97.48	393,029	24,750,827	99.05
2017	23,672,547	23,096,026	97.56	519,744	23,615,770	99.76
2016	23,612,144	23,056,541	97.65	358,813	23,415,354	99.17
2015	23,205,467	22,622,829	97.49	484,795	23,107,624	99.58
2014	23,087,247	22,546,470	97.66	494,193	23,040,663	99.80
2013	23,197,067	22,707,550	97.89	455,649	23,163,199	99.85

Source: Detailed City property tax records.

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

*Does not include penalties and interest.

TABLE 9

CITY OF COLONIAL HEIGHTS, VIRGINIA

TAXABLE SALES BY CATEGORY

Last Ten Calendar Years

(in thousands of dollars)

(unaudited)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Apparel	\$ 74,517	\$ 81,293	\$ 63,106	\$ 76,758	\$ 78,521	\$ 76,804	\$ 77,638	\$ 73,203	\$ 71,591	\$ 71,301
Automotive	11,507	12,409	8,207	8,206	7,151	4,323	4,053	3,816	3,623	3,665
Food	227,544	207,822	180,314	176,395	168,728	146,146	160,041	158,054	144,188	136,078
Furniture, home furnishings, and equipment	13,241	13,429	12,907	12,201	11,169	11,533	11,536	12,567	12,387	12,944
General merchandise	276,608	264,886	266,770	257,336	262,380	268,174	272,096	283,051	286,433	282,948
Machinery, equipment, and supplies	24,523	25,925	23,248	26,328	27,375	25,779	29,123	28,851	29,887	31,905
Miscellaneous	237,826	222,164	170,762	200,015	217,240	184,478	175,037	161,193	150,454	144,172
Total	<u>\$ 865,766</u>	<u>\$ 827,928</u>	<u>\$ 725,314</u>	<u>\$ 757,239</u>	<u>\$ 772,564</u>	<u>\$ 717,237</u>	<u>\$ 729,524</u>	<u>\$ 720,735</u>	<u>\$ 698,563</u>	<u>\$ 683,013</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.

There is no overlapping government taxation.

TABLE 10

CITY OF COLONIAL HEIGHTS, VIRGINIA

TAXABLE SALES BY CATEGORY

Calendar Years 2022 and 2013

(taxable sales in thousands of dollars)

(unaudited)

	Calendar Year 2022				Calendar Year 2013			
	Number of Filers	Percentage of Total	Taxable Sales	Percentage of Total	Number of Filers	Percentage of Total	Taxable Sales	Percentage of Total
Apparel	69	10.68 %	\$ 74,517	8.61 %	68	11.87 %	\$ 71,301	10.44 %
Automotive	12	1.86	11,507	1.33	7	1.22	3,665	0.54
Food	115	17.80	227,544	26.28	103	17.98	136,078	19.92
Furniture, home furnishings, and equipment	13	2.01	13,241	1.53	17	2.97	12,944	1.90
General merchandise	83	12.85	276,608	31.95	76	13.26	282,948	41.43
Machinery, equipment, and supplies	12	1.86	24,523	2.83	17	2.97	31,905	4.67
Miscellaneous	342	52.94	237,826	27.47	285	49.74	144,172	21.11
Total	646	100.00 %	\$ 865,766	100.00 %	573	100.00 %	\$ 683,013	100.00 %

Source: Virginia Department of Taxation.**Notes:**

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

TABLE 11

CITY OF COLONIAL HEIGHTS, VIRGINIA

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

(unaudited)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Debt limit	\$ 214,946,121	\$ 214,071,076	\$ 195,175,566	\$ 199,458,969	\$ 186,279,559	\$ 184,862,745	\$ 180,205,977	\$ 179,874,517	\$ 178,784,060	\$ 176,442,930
Total net debt applicable to limit	34,400,001	37,275,001	34,405,000	37,085,000	39,925,000	36,864,995	40,125,000	32,485,000	35,555,000	34,040,000
Legal debt margin	<u>\$ 180,546,120</u>	<u>\$ 176,796,075</u>	<u>\$ 160,770,566</u>	<u>\$ 162,373,969</u>	<u>\$ 146,354,559</u>	<u>\$ 147,997,750</u>	<u>\$ 140,080,977</u>	<u>\$ 147,389,517</u>	<u>\$ 143,229,060</u>	<u>\$ 142,402,930</u>
Total net debt applicable to the limit as a percentage of debt limit	16.00%	17.41%	17.63%	18.59%	21.43%	19.94%	22.27%	18.06%	19.89%	19.29%

Legal Debt Margin Calculation for Fiscal Year 2023

Assessed value*	<u>\$ 2,149,461,206</u>
Debt limit (10% of assessed value)	\$ 214,946,121
Less debt applicable to limit:	
General obligation bonds	<u>34,400,001</u>
Legal debt margin	<u>\$ 180,546,120</u>

Note: Assessed value of property can be found in Table 5.

*Personal property was added to Table 5 in 2018. Total taxable assessed values for previous years has also been updated.

TABLE 12

CITY OF COLONIAL HEIGHTS, VIRGINIA

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

(unaudited)

Governmental Activities					Business-type Activities		
Fiscal Year	General Obligation Bonds	Net Deferred Amounts ⁽¹⁾	Financed Purchases	Subscription Liability	General Obligation Bonds	Net Deferred Amounts ⁽¹⁾	Financed Purchases
2023	\$ 31,116,823	\$ 1,914,814	\$ -	\$ 187,313	\$ 3,283,178	\$ 122,133	\$ -
2022	33,768,347	2,118,570	-	-	3,506,654	133,236	-
2021	30,680,900	1,749,521	76,355	-	3,724,100	144,339	-
2020	33,150,002	1,915,089	150,917	-	3,934,998	155,443	-
2019	35,749,226	2,080,658	19,310	-	4,175,774	166,546	-
2018	33,050,862	2,246,226	44,357	-	3,814,133	177,647	-
2017	36,024,071	2,470,747	68,628	-	4,100,929	193,625	19,791
2016	28,113,743	1,789,006	92,146	-	4,371,257	209,603	45,518
2015	30,873,958	1,964,688	114,936	-	4,681,042	225,580	70,510
2014	33,406,897	1,230,564	-	-	633,103	8,186	94,789

Fiscal Year	Total Net General Bonded Debt ⁽²⁾	Net General Bonded Debt Per Capita	Net General Bonded Debt to Estimated Actual Value of Taxable Property	Total Primary Government Outstanding Debt	Total Outstanding Debt Per Capita	Total Outstanding Debt to Estimated Actual Value of Taxable Property ⁽³⁾
2023	\$ 36,436,948	\$ 2,007	1.70 %	\$ 36,624,261	\$ 2,017	1.70 %
2022	39,526,807	2,181	1.85	39,526,807	2,181	1.85
2021	36,298,860	2,100	1.86	36,375,215	2,105	1.86
2020	39,155,532	2,247	1.96	39,306,449	2,255	1.97
2019	42,172,204	2,397	2.26	42,191,514	2,398	2.26
2018	39,288,868	2,235	2.13	39,333,225	2,237	2.13
2017	42,789,372	2,438	2.37	42,877,791	2,443	2.38
2016	34,483,609	1,969	1.92	34,621,273	1,977	1.92
2015	37,745,268	2,152	2.11	37,930,714	2,162	2.12
2014	35,278,750	2,018	2.00	35,373,539	2,024	2.00

(1) Net deferred amounts include premiums and discounts.

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

(3) Since personal income information is not available, estimated actual value of taxable property was used as an alternative economic base.

CITY OF COLONIAL HEIGHTS, VIRGINIA

DEMOGRAPHIC STATISTICS

Last Ten Calendar Years

(unaudited)

Calendar Year	Population	Median Household Income	Per Capita Personal Income	School Fall Membership	Unemployment Rate
2022	18,158	72,216	37,039	2,843	3.20 %
2021	18,127	65,570	34,081	2,786	4.80
2020	17,283	60,522	32,629	2,784	7.10
2019	17,428	54,550	28,364	2,899	3.20
2018	17,593	53,716	27,579	2,866	3.40
2017	17,582	50,952	27,608	2,833	4.00
2016	17,554	49,639	27,209	2,837	4.50
2015	17,515	50,304	27,572	2,795	4.70
2014	17,542	52,529	28,282	2,826	5.80
2013	17,481	50,835	27,610	2,812	6.50

Sources:

US Census ACS 1-Year Estimates Data Profiles.

US Census ACS 5-Year Estimates Data Profiles.

Virginia Department of Education.

Virginia Employment Commission.

TABLE 14

CITY OF COLONIAL HEIGHTS, VIRGINIA

PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago
(unaudited)

Employer	2023		2014	
	Employees	Rank	Employees	Rank
Colonial Heights School Board	500 to 999	1	500 to 999	2
Wal - Mart	501 to 999	2	501 to 999	1
City of Colonial Heights	250 to 499	3	250 to 499	3
Publix Nc Employee Services, LLC	100 to 249	4	-	-
Care Advantage	100 to 249	5	100 to 249	10
The Home Depot	100 to 249	6	-	-
Colonial Heights Rehab & Nursing	100 to 249	7	-	-
Red Lobster and Olive Garden	50 to 99	8	100 to 249	7
Chick-Fil-A at Southpark	50 to 99	9	-	-
Texas Roadhouse	50 to 99	10	-	-
Colonial Heights Operations	-	-	250 to 499	6
J.C. Penney Corporation, Inc.	-	-	100 to 249	8
Martin's Food Market	-	-	100 to 249	9
VDOT	-	-	250 to 499	4
Randstad US L P	-	-	100 to 249	5

Source: Virginia Employment Commission.

TABLE 15

CITY OF COLONIAL HEIGHTS, VIRGINIA

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

Last Ten Fiscal Years

(unaudited)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<u>Function/Program</u>										
General government										
Management services	7	7	7	7	7	7	7	7	7	7
Tax collections	6	6	6	6	6	6	6	9	9	9
Finance	14	14	14	15	15	15	15	11	11	11
Information technology	3	3	3	2	2	2	2	2	2	2
Board of elections	2	2	2	2	2	2	2	2	2	2
Judicial administration	28	28	28	28	28	27	26	25	25	22
Public safety	125	125	125	118	118	118	118	115	115	115
Public works	49	49	49	48	48	48	48	48	48	45
Parks, recreation, and cultural	27	27	28	27	27	27	27	27	26	26
Community development	7	7	6	6	6	6	6	6	5	5
Human services	3	3	3	3	3	3	3	3	3	4
Education	581	485.5	480	481	481	482	464	456	453	436
Total	852	756.5	751	743	743	743	724	711	706	684

Source: City Adopted Budget.

TABLE 16

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

Function/Program	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
General Government										
Registered voters	12,999	13,044	12,761	12,314	12,112	12,240	12,172	12,113	11,775	12,050
Structures										
Detached	6,265	6,137	6,138	6,133	6,135	6,155	6,152	6,159	6,161	6,221
Duplex/Triplex/Quadplex	357	357	357	357	375	357	357	357	379	379
Multi-family	1,198	1,198	1,198	1,198	1,198	1,198	1,198	1,198	1,198	1,198
Parcel with elderly/disabled: Exemptions	121	124	130	154	169	175	178	207	234	272
Judicial Administration										
Average daily jail population	94	89	110	125	144	155	165	172	181	180
Public safety										
Volunteers	16	15	15	31	31	44	46	54	46	53
Public works										
Road mileage maintained:										
Arterial	30	30	30	30	30	30	30	31	31	31
Local/collector	164	164	146	164	164	164	163	162	162	162
Parks, Recreational, and Cultural										
Parks:										
Number	10	10	10	10	10	10	10	10	10	10
Areas	75	75	75	75	75	75	75	75	75	75
Recreation:										
Baseball fields	11	11	11	11	11	11	11	11	11	11
Tennis courts	6	6	8	8	6	4	9	9	9	9
Pickleball Court	2	2	-	-	-	-	-	-	-	-
Basketball courts	10	10	10	10	10	10	10	10	10	10
Soccer fields	7	7	7	7	11	11	11	11	11	11
Library										
Physical volumes in collection	4,537	46,627	36,653	44,249	55,848	60,535	62,663	62,399	60,789	61,326
Community development										
Building permits issued - calendar	784	126	129	240	561	588	647	491	520	551
Value	\$ 18,461,172	\$ 3,201,913	\$ 2,682,902	\$ 14,033,991	\$ 10,491,759	\$ 18,098,886	\$ 5,856,620	\$ 6,849,319	\$ 6,827,056	\$ 6,957,542
Education										
Elementary	3	3	3	3	3	3	3	3	3	3
Secondary	2	2	2	2	2	2	2	2	2	2
Vocational buildings	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

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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the City of Colonial Heights, Virginia (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 15, 2024.

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

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 have not been identified. **We identified certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002 that we consider to be material weaknesses.**

Report on Compliance and Other Matters

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

City of Colonial Heights Response to Findings

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

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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
October 15, 2024

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the City of Colonial Heights, Virginia's (the "City") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2023. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions Section of our report, the City 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 *84.425D COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund and 84.425U COVID-19 American Rescue Plan Elementary and Secondary School Emergency Relief Fund (ARP ESSER)* for the year ended June 30, 2023.

Unmodified Opinion on Each of the Other Major Federal Programs

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 other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2023.

Basis for Qualified and Unmodified Opinions

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

Report on Compliance for Each Major Federal Program (Continued)

Basis for Qualified and Unmodified Opinions (Continued)

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

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

As described in the accompanying schedule of findings and questioned costs, the City of Colonial Heights, Virginia did not comply with the requirements regarding *Assistance Listing # 84.425D, COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund and 84.425U, COVID-19 American Rescue Plan Elementary and Secondary School Emergency Relief Fund (ARP ESSER)* as described in finding number 2023-003 for Special Tests and Provisions – Wage Rate.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

Report on Compliance for Each Major Federal Program (Continued)

Auditor's Responsibilities for the Audit of Compliance (Continued)

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

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

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2023-004. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control over Compliance

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

Report on Internal Control over Compliance (Continued)

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. **Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses or significant deficiencies as defined above. However, material weaknesses or significant deficiencies in internal controls over compliance may exist that have not been identified.**

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

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
October 15, 2024

CITY OF COLONIAL HEIGHTS, VIRGINIA

SUMMARY OF COMPLIANCE MATTERS

June 30, 2023

As more fully described in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts, and grants shown below:

STATE COMPLIANCE MATTERS

Code of Virginia:

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

State Agency Requirements:

Education
Highway Maintenance Funds

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

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

CITY OF COLONIAL HEIGHTS, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2023

A. SUMMARY OF AUDITOR'S RESULTS

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

<u>Name of Program:</u>	<u>Assistance Listing #</u>
Highway Planning and Construction	20.205
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027
Special Education Cluster	
Special Education - Grants to States	84.027
Special Education - Preschool Grants	84.173
COVID-19 Elementary and Secondary School Emergency	
Relief (ESSER) Fund	84.425D
COVID-19 American Rescue Plan Elementary and Secondary	
School Emergency Relief Fund (ARP ESSER)	84.425U

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

B. FINDINGS – FINANCIAL STATEMENT AUDIT

2023-001: Fund Balance Adjustments (Material Weakness)

Condition:

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

Criteria:

Due to the financial software conversion, various fund balances were misstated due to the way the software was converting the fold balances and posting some new transactions.

CITY OF COLONIAL HEIGHTS, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2023

B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

2023-001: Fund Balance Adjustments (Material Weakness) (Continued)

Cause:

The financial software conversion lead to errors in fund balance reporting.

Effect:

Fund balance for several funds was materially misstated.

Recommendation:

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

Views of Responsible Officials and Planned Corrective Action:

Management concurs with this recommendation.

2023-002: Audit Adjustments (Material Weakness)

Condition:

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

Criteria:

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

Cause:

The financial software conversion lead to errors in financial reporting for some accounts.

Effect:

The ending balance for several accounts were materially misstated.

CITY OF COLONIAL HEIGHTS, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2023

B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

2023-002: Audit Adjustments (Material Weakness) (Continued)

Recommendation:

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

Views of Responsible Officials and Planned Corrective Action:

Management concurs with this recommendation.

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

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

Condition:

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

Criteria:

Federally funded projects under ESSER must comply with the Davis Bacon Act in the written contract.

Cause:

The omission of this clause was due to oversight.

Effect:

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

Recommendation:

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

Views of Responsible Officials and Planned Corrective Action:

The School Board agrees that the Davis Bacon Act was not included in the contract language. However, Colonial Heights Public Schools did not request any reimbursements for wages from the federal funding sources, only materials and supplies.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2023

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

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

Condition:

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

Criteria:

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

Cause:

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

Effect:

The data collection form was not filed timely.

Recommendation:

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

Views of Responsible Officials and Planned Corrective Action:

Colonial Heights Public Schools will work with the City to ensure that the annual data collection form was filed on behalf of the school district.

City management concurs with this recommendation.

CITY OF COLONIAL HEIGHTS, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2023

D. FINDINGS – COMMONWEALTH OF VIRGINIA

2023-005: General Government Budget Appropriation

Condition:

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

Recommendation:

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

Management's Response:

Management concurs with this recommendation.

CITY OF COLONIAL HEIGHTS, VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2023

D. FINDINGS – COMMONWEALTH OF VIRGINIA

2022-001: Annual Weldon Cooper Survey

Condition:

The 2021 VDOT Weldon Cooper Survey was not submitted to the Auditor of Public Accounts before the statutory due date.

Recommendation:

Procedures should be implemented to ensure that the VDOT Weldon Cooper Survey is completed and submitted timely.

Current Status:

No longer applicable in the current year.

2022-002: Annual School Report

Condition:

The fiscal year 2022 Annual School Report was not completed or submitted to the Virginia Department of Education by the statutory due date.

Recommendation:

Procedures should be implemented to ensure that the Annual School Report is completed and submitted timely.

Current Status:

No longer applicable in the current year.