

# City of Colonial Heights



## CITY OF COLONIAL HEIGHTS, VIRGINIA

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
ENDING JUNE 30, 2012



**CITY OF COLONIAL HEIGHTS, VIRGINIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**YEAR ENDED JUNE 30, 2012**

**Prepared by the Department of Financial Administration**

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



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# INTRODUCTORY SECTION

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**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**DIRECTORY OF PRINCIPAL OFFICIALS**

**June 30, 2012**

**CITY COUNCIL**

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

**OTHER OFFICIALS**

Thomas L. Mattis.....City Manager  
Hugh P. Fisher, III.....City Attorney  
DeAnna D. Atkins.....City Clerk  
William E. Johnson.....Director of Finance  
Jeffrey W. Faries.....Chief of Police  
William E. Henley.....Director of Public Works  
Craig Skalak.....Director of Recreation and Parks  
Bruce N. Hansen.....Library Director  
Dr. Joseph O. Cox.....Superintendent of Schools

**INDEPENDENT AUDITORS**

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

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Colonial Heights  
Virginia

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2011

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



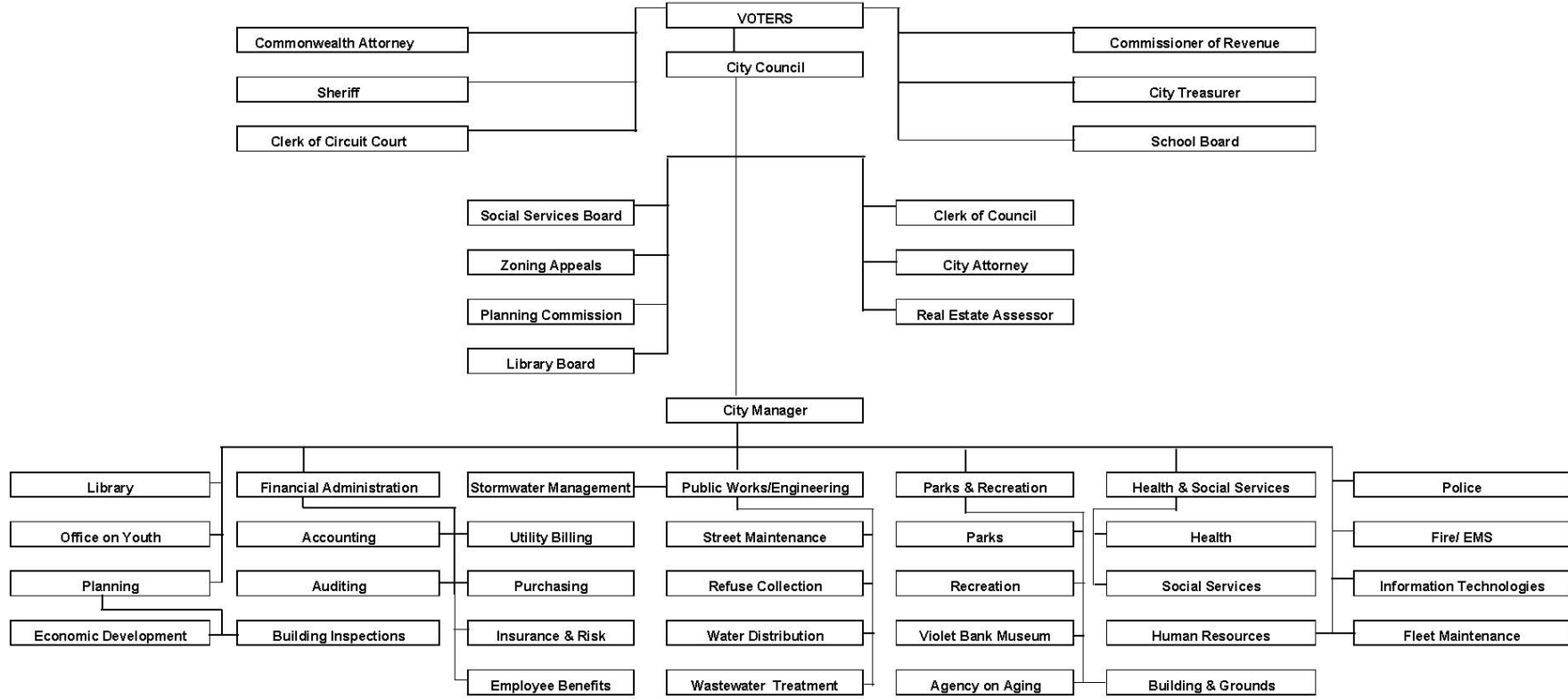
*Linda C. Davison*

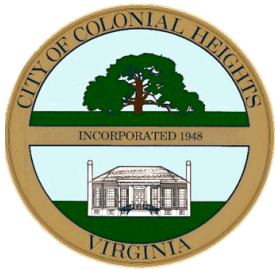
President

*Jeffrey R. Emer*

Executive Director

# CITY OF COLONIAL HEIGHTS, VIRGINIA ORGANIZATIONAL CHART





# City of Colonial Heights

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

**Thomas L.  
Mattis**  
City Manager

**William E.  
Johnson**  
Director of Finance

November 26, 2012

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

The Comprehensive Annual Financial Report (CAFR) of the City of Colonial Heights, Virginia (the "City") for the fiscal year ending June 30, 2012, is transmitted herewith. This report was prepared by the Department of Financial Administration, which assumes full responsibility for the accuracy of data, completeness and the fairness of presentation. We believe the data, as presented, is accurate in all material respects, and that it is presented in a manner designed to fairly set forth the financial position and results as measured by the financial activity of its various governmental activities, business-type activities and funds. All disclosures necessary for a reader to fully understand the City's financial affairs have been included.

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

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

Brown Edwards & Company, LLP, Certified Public Accountants have audited the City's basic financial statements. This independent audit's yearly goal is to provide reasonable assurance that the basic financial statements are free of material misstatement. The Independent auditors concluded, based upon the audit, that there was reasonable basis for rendering an unqualified opinion that the City's basic financial statements for the fiscal year ending June 30, 2012, are fairly presented in conformity with generally accepted accounting principals (GAAP). The independent auditors' report is presented as the first component of the Financial Section.

The City is required to undergo an annual single audit in conformity with provisions of the *Single Audit Act Amendment of 1996* and the U.S. Office of Management and Budget's Circular A-133 (*Audits of States, Local Governments, and Non-Profit Organizations*). The Schedule of Expenditures of Federal Awards and the independent auditors' reports on internal controls and compliance with applicable laws and regulations are included in the Compliance section of this CAFR.

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

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

### **Economic Condition and Outlook**

The City, with a land area of 8.14 square miles, is located in southeastern Virginia. The City is strategically located on Interstate 95 near its intersection with interstates, I85 and I64, thus giving the City access to the East Coast's major markets.

The City is less than 20 miles south of Virginia's state capital, Richmond, and 120 miles south of the nation's capital, Washington, D.C. The City of Petersburg lies just across the Appomattox River which bisects the two cities, with Colonial Heights on the north bank. Richmond's deepwater terminal is approximately 15 miles north and the ports at Hampton Roads are some 80 miles to the southeast.

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

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

The City has a civilian labor force of 9,299 and an unemployment rate of 6.9%. The surrounding labor pool consists of tens of thousands of workers representing the entire spectrum of occupational groups and training opportunities in the area are abundant.

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

The City has seen 2.4 million square feet of retail, office and service industry development in the City's regionally based commercial center area known as "Southpark". Beginning with the opening of the area's only regional mall in 1989, the area has become a Mecca for giant retailers, specialty retailers and office seekers. The City currently has seen an additional hotel completed. This area has lost several car dealerships with the past automotive contraction, but this area is showing continued interest to absorb these closures with additional planned retail businesses. Transportation access and diversity have been two key elements of the area's sustained success. The expansion of Fort Lee continues to reduce the City's exposure to economic downturns. The City's older retail areas along the US1/301 corridor continue to benefit from the increased exposure of the City's regional emphasis.

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

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

The City has endured the past economic challenges by maintaining a good local tax base that softened the effects of the Commonwealth's budget and economic cutbacks. This year's financial operations continued to effectively maintain existing service levels while shifting focus to increasing and enhancing service wherever possible. This included a funding increase in operating capital equipment and an increase in full-time employee's base salaries that was effective October 1, 2011. The City continues to adhere to a conservative budget in order to keep existing programs funded and salaries of public employees competitive while dealing with changing budgetary challenges.

The City's Fund Balance goal of an unassigned fund balance of 10% had been exceeded in the past years to provide a rainy day fund in case of economic downturns. Due to economic conditions, one percent of this excess was utilized in the Fiscal Year 2010 and again in the Fiscal Year 2011 budget preparations. Normal operations only required the partial use of these reserves in 2010 and none in Fiscal Year 2011. No reserves were utilized in the preparation of the Fiscal Year 2012 budget, and prior levels of unassigned fund balance have been re-established.

## **Accounting System and Budgetary Controls**

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

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

Budgetary control is maintained at the function line-item level by the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. Purchase orders which result in an overrun of line item balances are not released until funds are appropriated or transferred to the specific line item. Open encumbrances are recorded as either committed or assigned fund balances at June 30, 2012.

As required by law, each year the City Manager submits to City Council a recommended budget for the fiscal year beginning July 1. After an extensive budget study process and a public hearing to receive citizen input, City Council makes its decision on the adopted budget.

**Capital Financing and Debt Service**

The City’s Financial Management policies were adopted by City Council in 1995 and formally reviewed in 1999, 2003 and 2011. Policies were updated to include new provisions/definitions required by the adoption of GASB 54. Included and maintained in these revised policies are the following debt guidelines: General Fund supported long-term debt will not exceed 4% of assessed value of real estate, General Fund supported long-term debt will not exceed 10% of governmental fund expenditures, and minimum amortization of General Fund supported long-term debt will be 50% within 10 years. The City monitors these ratios to ensure ongoing compliance with the debt policy.

The Constitution of Virginia establishes a debt limit for Virginia cities of 10% of the assessed value of real estate. The City of Colonial Heights could incur debt in the amount of \$165,186,693, but has currently utilized 24.06% of its debt obligatory capacity.

Long-term liabilities, excluding notes payable, compensated absences, retirement incentive programs and environmental liabilities, for all funds of the primary government as of June 30, 2012, totaled \$39,750,000, of which \$957,247 for Enterprise Fund purposes is considered self-supporting and shown only as a liability of the respective fund.

The City’s bonds are rated as follows:

Standard & Poor’s	Fitch Investors Service	Moody’s Investor Service
AA	AA	Aa2



The City annually develops a Capital Improvements Program. Submitted projects are evaluated on a rating system using eleven criteria for funding recommendation. This annual rating by administrative staff is evaluated and approved by the City's Planning Commission and submitted to the governing body for future funding consideration. This list is used to allocate future bond and pay-as-you funding by the City.

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

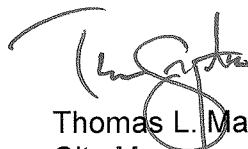
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Colonial Heights, Virginia for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011. The Certificate of Achievement is a prestigious national award recognizing conformance with highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. The CAFR must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last 32 consecutive years (fiscal years ended 1980 through 2011). We believe our current report conforms to the Certificate of Achievement program requirements, and we are submitting it to the GFOA for consideration.

### **Acknowledgments**

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

Respectfully submitted,



Thomas L. Mattis  
City Manager



William E. Johnson  
Director of Finance



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# FINANCIAL SECTION

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## INDEPENDENT AUDITOR'S REPORT

Honorable Members of City Council  
City of Colonial Heights, Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Colonial Heights, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

**In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2012, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2012 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, other supplementary information, other supplementary schedules and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The other supplementary information, supplementary schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia  
November 26, 2012

**CITY OF COLONIAL HEIGHTS, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

The following discussion and analysis of the City of Colonial Heights, Virginia (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2012. It should be read in conjunction with the transmittal letter and the City's basic financial statements.

**FINANCIAL HIGHLIGHTS**

The City's total net assets, excluding those of its component unit, on the government-wide basis, totaled \$42,672,512 at June 30, 2012. Of this amount, \$34,126,053 is invested in capital assets, net of related debt and \$364,421 is restricted for debt service, which results in \$8,182,038 that may be used to meet ongoing obligations to citizens and creditors. The *Code of Virginia* requires the School Board to hold title to the capital assets (buildings and equipment) due to their responsibility for maintaining the asset, however in Virginia the School Board does not have taxing authority and, therefore, it cannot incur debt through general obligation bonds to fund the acquisition, construction or improvement to capital assets. This can result in an inequitable distribution of capital assets and corresponding debt presentation in Virginia. See the footnote presentation for further clarification.

On a government-wide basis for governmental activities, the City's general revenues of \$38,492,993, exclusive of transfers were \$3,182,769 more than the expenses net of program revenues of \$35,310,224.

At June 30, 2012, the City's governmental funds balance sheet reported fund balances of \$27,508,249. Of this amount, \$8,477,484 remains in the various governmental funds of the City as unassigned.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

One of the main goals of these two statements is to report the City's net assets and changes that affected net assets during the fiscal year. The change in the City's net assets, the difference between assets and liabilities, is one way to measure the City's financial health, or financial position. Increases or decreases in net assets 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 Assets and the Statement of Activities, the City's activity is classified as follows:

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

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

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

## **FUND FINANCIAL STATEMENTS**

Traditional users of governmental financial statements will find the fund financial statement presentation more familiar. The fund financial statements begin on page 5 and provide detailed information about the most significant funds, not the City as a whole. The City has two types of funds:

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

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

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

The following table presents a condensed comparison of net assets:

**Summary Statement of Net Assets**  
**June 30, 2012 and 2011**  
(In Millions)

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>		<b>Component Unit</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Current and Other Assets	\$ 42.5	\$ 24.9	\$ 1.2	\$ 1.3	\$ 43.7	\$ 26.2	\$ 7.1	\$ 7.4
Capital Assets, net	45.9	41.6	14.0	14.7	59.9	56.3	19.9	19.2
<b>Total Assets</b>	<b>88.4</b>	<b>66.5</b>	<b>15.2</b>	<b>16.0</b>	<b>103.6</b>	<b>82.5</b>	<b>27.0</b>	<b>26.6</b>
Other Liabilities	14.6	16.1	0.3	1.2	14.9	17.3	3.0	3.3
Non-current Liabilities	43.2	22.9	2.8	2.7	46.0	25.6	2.1	1.7
<b>Total Liabilities</b>	<b>57.8</b>	<b>39.0</b>	<b>3.1</b>	<b>3.9</b>	<b>60.9</b>	<b>42.9</b>	<b>5.1</b>	<b>5.0</b>
<b>Net Assets</b>								
Invested in Capital Assets, net of related debt	22.7	18.6	11.4	11.3	34.1	29.9	19.9	19.2
Restricted	-	-	0.4	0.4	0.4	0.4	-	-
Unrestricted	7.9	8.9	0.3	0.4	8.2	9.3	2.0	2.4
<b>Total Net Assets</b>	<b>\$ 30.6</b>	<b>\$ 27.5</b>	<b>\$ 12.1</b>	<b>\$ 12.1</b>	<b>\$ 42.7</b>	<b>\$ 39.6</b>	<b>\$ 21.9</b>	<b>\$ 21.6</b>



The City's combined net assets increased from \$39.6 million to \$42.7 million. Net assets of the governmental activities increased from \$27.5 million to \$30.6 million. Governmental activities unrestricted net assets, the portion of net assets that can be used to finance the day-to-day operations of the City, reflect a decrease of \$1.0 million. Invested in capital assets, net of related depreciation and debt increased \$4.1 million. This represents the amount of capital assets owned by the City including infrastructure, net of any outstanding debt used to fund the asset purchase or construction. Net assets are reported as restricted when constraints on asset use are externally imposed by creditors, grantors, contributors, regulators, or are imposed by law through constitutional provisions or enabling legislation.

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

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

**Summary Statement of Changes in Net Assets**  
**Years Ended June 30, 2012 and 2011**  
(In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit	
	2012	2011	2012	2011	2012	2011	2012	2011
Revenues:								
Program revenues:								
Charges for services	\$ 5.5	\$ 5.5	\$ 5.7	\$ 5.6	\$ 11.2	\$ 11.1	\$ 0.4	\$ 0.4
Operating grants and contributions	5.4	4.8	-	-	5.4	4.8	14.8	15.0
Capital grants and contributions	2.8	0.9	-	-	2.8	0.9	-	-
General revenues:								
Property taxes	20.8	20.5	-	-	20.8	20.5	-	-
Other local taxes	15.6	14.5	-	-	15.6	14.5	-	-
Payment from other governments	-	-	-	-	-	-	19.0	19.4
Intergovernmental, non-categorical aid	1.8	1.8	-	-	1.8	1.8	-	-
Use of money and property	0.2	0.2	-	-	0.2	0.2	-	-
Miscellaneous	0.1	0.7	-	-	0.1	0.7	0.4	0.3
Total revenues	<u>52.2</u>	<u>48.9</u>	<u>5.7</u>	<u>5.6</u>	<u>57.9</u>	<u>54.5</u>	<u>34.6</u>	<u>35.1</u>
Expenses:								
General government	8.4	8.3	-	-	8.4	8.3	-	-
Judicial administration	4.2	4.8	-	-	4.2	4.8	-	-
Public safety	8.9	8.1	-	-	8.9	8.1	-	-
Public works	4.2	4.1	-	-	4.2	4.1	-	-
Health and welfare	0.6	0.6	-	-	0.6	0.6	-	-
Parks, recreation and cultural	2.3	2.3	-	-	2.3	2.3	-	-
Community development	0.5	0.5	-	-	0.5	0.5	-	-
Education	19.0	19.4	-	-	19.0	19.4	34.3	33.7
Interest	0.9	0.8	-	-	0.9	0.8	-	-
Water, sewer, solid waste, and storm water management	-	-	5.8	5.1	5.8	5.1	-	-
Total expenses	<u>49.0</u>	<u>48.9</u>	<u>5.8</u>	<u>5.1</u>	<u>54.8</u>	<u>54.0</u>	<u>34.3</u>	<u>33.7</u>
Change in Net Assets Before Transfers	3.2	0.0	(0.1)	0.5	3.1	0.5	0.3	1.4
Transfers	(0.1)	(0.1)	0.1	0.1	-	-	-	-
Change in Net Assets	<u>3.1</u>	<u>(0.1)</u>	<u>0.0</u>	<u>0.6</u>	<u>3.1</u>	<u>0.5</u>	<u>0.3</u>	<u>1.4</u>
Net Assets, beginning	27.5	27.6	12.1	11.5	39.6	39.1	21.6	20.2
Net Assets, ending	<u>\$ 30.6</u>	<u>\$ 27.5</u>	<u>\$ 12.1</u>	<u>\$ 12.1</u>	<u>\$ 42.7</u>	<u>\$ 39.6</u>	<u>\$ 21.9</u>	<u>\$ 21.6</u>

The property tax classification, which comprised approximately 39.9% of total revenue generated by governmental activities, includes real estate tax, the local portion of personal property tax, and public services corporation taxes. Real estate tax revenue, the largest source of revenue for the City totaled \$17.6 million. The assessed value of real property in the City decreased overall 3.7% for the calendar year due to new biannual assessment.

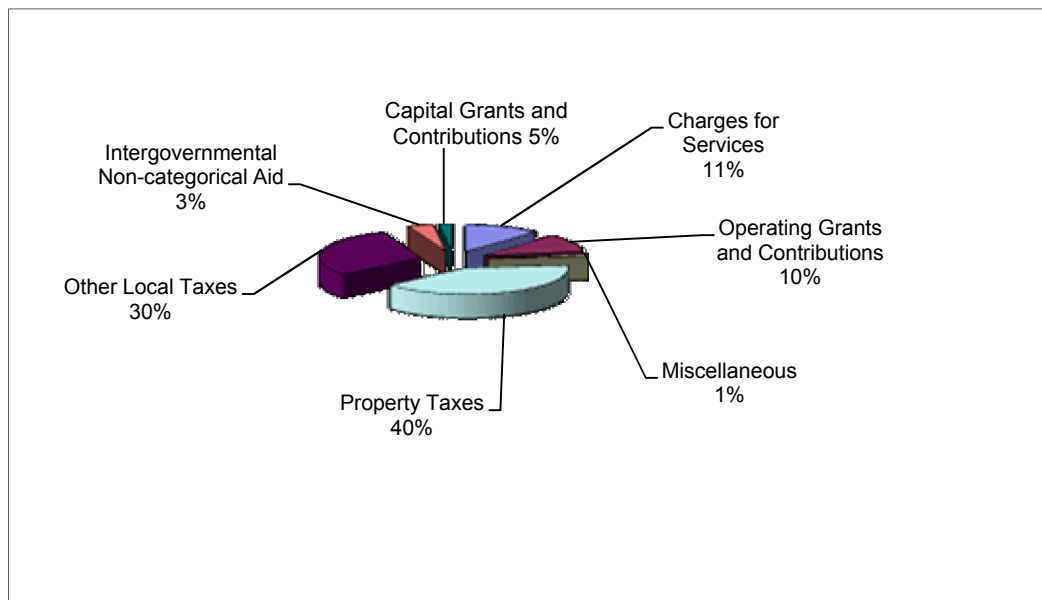
In 1998, the Commonwealth enacted the Personal Property Tax Relief Act (PPTRA). The Commonwealth's share of personal property taxes allocated to the City was 63.5% of vehicle loan values for the current fiscal year and is included in the intergovernmental category. Personal property tax revenue, including the Commonwealth share, totaled \$3.9 million for fiscal year 2012 as compared to \$4.0 million in fiscal year 2011. The net assessed value of taxable personal property increased \$3.5 million or 2.8% from 2011 to 2012 after an increase of \$3.1 million from 2010 to 2011.

Sales tax, utility tax, business and professional occupational tax, prepared food and beverage tax, transient room tax, and utility tax comprise the majority of other local taxes collected by the City which comprised approximately 29.9% of total revenues generated for governmental activities.

Operating grants and contributions comprised approximately 10.3% of governmental activities revenues. Street maintenance funds, funding received under House Bill 599 for law enforcement, and reimbursement for shared expenses of the constitutional officers are some of the major sources of revenue included in this category.

Charges for services include items such as EMS transport fees, court fees, inspection fees, reimbursements for housing prisoners, and garbage collection fees. EMS fees continue to show mixed growth and increased 17% over past collections after a 10% reduction in fiscal year 2011.

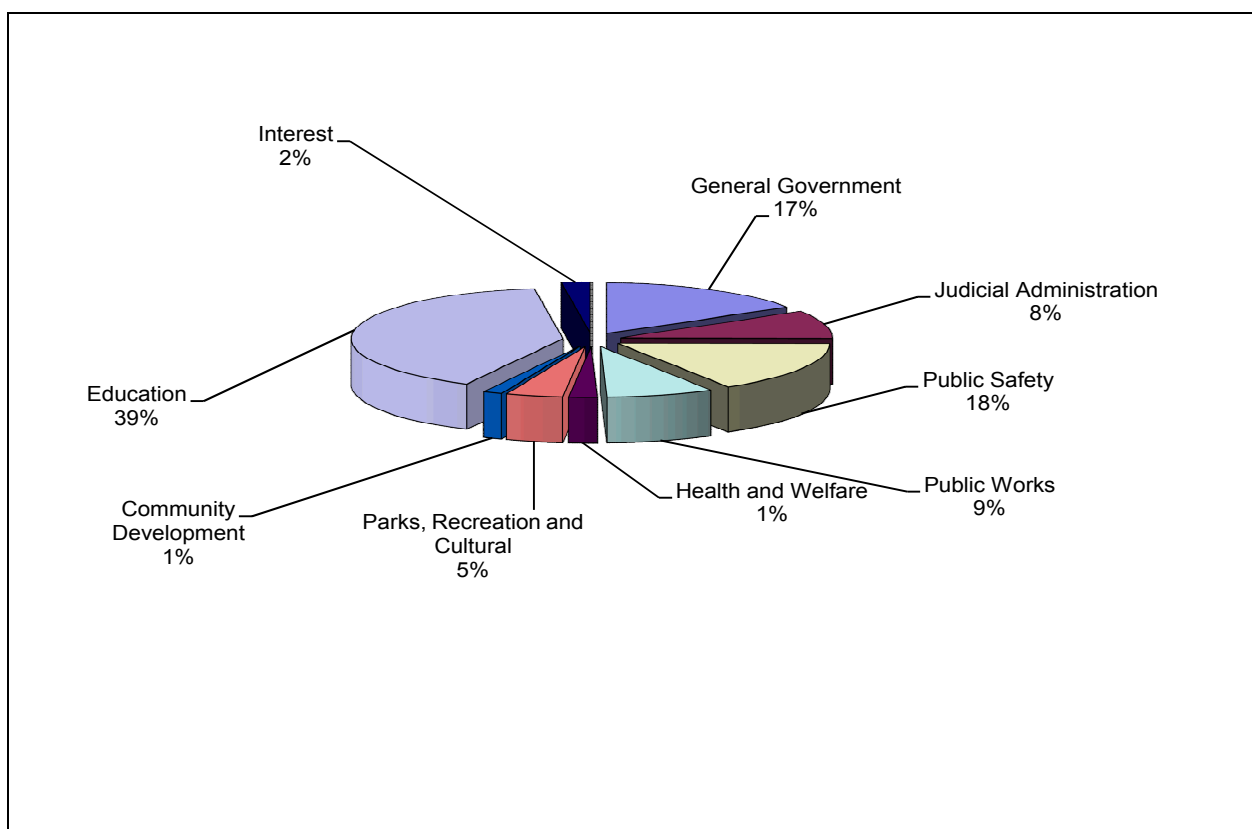
Revenue generated for governmental activities is presented below by category:



Funding, established by the revenue sharing agreement, of \$19.0 million was provided to the City of Colonial Heights School Board to support School operations. This exceeded original budget estimated at \$18.9 million, but within revised estimates.

Public Works and Health and Welfare expenses comprised approximately 8.6% and 1.2% respectively, of governmental activities expenses. Expenses for Building Maintenance, Street Paving, and Street Maintenance are included in Public Works category. The City experienced lower than expected energy and incarceration costs and resulted in a higher unexpended balance than traditionally projected. The Comprehensive Services Act and social services programs incurred the majority of expenses reported in the Health and Welfare category and reflect an increase over last year, but still under projected total expenditures. Employee benefits showed unexpected increase due to a change in employee insurance coverage, after a 4.8% rate increase.

Expenses of the governmental activities are shown by functional area:



The net assets of business-type activities increased \$554,374 during 2011.

The enterprise rate structure was increased for the Water (2.5%), Sewer (6.0%) and Refuse (1.95%) funds for fiscal year 2012. No major changes in operations were experienced. The City established a new Stormwater Management fee in fiscal year 2011 to deal with operational and capital expenses for State and Federal mandates that had previously been funded by General Fund transfers. Fiscal year 2012 was the first full fiscal year of this fee and the General Fund supplement was eliminated.

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

For the fiscal year ended June 30, 2012, the governmental funds reflect a total fund balance of \$27,508,249. Approximately \$27.4 million of this amount constitutes fund balances which are available for spending services and capital projects. Restricted, Committed and Assigned fund balances are designated to purchase capital equipment, pay claims, fund future debt service requirements, pay for future years' capital projects expenditures and encumbrances, which indicates that it has already been committed to liquidate contracts and purchase orders outstanding at year-end.

The City accounts for Solid Waste collection activities as a business-type activity. This included the establishment of a multi-year rate structure increase to bring the operations to be self-sufficient and not be a City supported service, through general government revenues.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the General Fund spendable fund balance was \$10,204,284, while the total fund balance was \$10,271,657. 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 17.3% of the total General Fund expenditures, while total fund balance represents 21.0% of that same amount.

The fund balance of the General Fund reflects an increase of \$886,413 during the current fiscal year. The General Fund began Fiscal Year 2012 with budgeted revenue with and expenditure amounts that are equal. This includes \$366,197 transferred to the Capital Projects fund for a one-time capital projects and \$80,000 to the Solid Waste Fund for landfill monitoring costs.

Local taxes generated the majority of General Fund revenue, totaling approximately \$37.0 million in fiscal 2012. Increased current collections of food and lodging taxes offset the reduction in personal property collections.

Intergovernmental revenue is the second largest source of General Fund revenues, generating approximately \$6.9 million in fiscal year 2012. The majority of this revenue is received from the Commonwealth and includes law enforcement funding received under Virginia House Bill 599, and street maintenance funds. This is a \$580,519 increase from fiscal year 2011. Normal increases to base street maintenance funds were received.

## **CAPITAL PROJECTS FUND HIGHLIGHTS**

The Capital Projects Fund reflects the receipt of \$2,825,936 in donations, Federal and State funding for ongoing road and trail projects and transfers of \$366,197 and from the General Fund for matching grant in the river trail project and Court House Construction project. The sale of General Obligation Bonds and associated bond premium for the court house and fire apparatus Project brought in an addition \$19,009,217. Project expenditures totaled \$6,230,285 which resulted in a net increase in fund balances of \$15,971,065 for an ending fund balance of \$17,236,592.

## GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund revenues were over original budgeted revenues by \$1,548,186 and over final budgeted revenues by \$422,402 or 0.9%. Reductions in Real Property Taxes and lodging tax revenues were offset by increases in food tax revenues increases. The City raised the Meal Tax from 5% to 6% and raised the Real property rate from \$1.10 to \$1.14 per hundred to pay for the construction of the new City Court House. Under the Revenue Sharing Agreement with the City's School System, some revenue surpluses are also shared with the component unit based on their percentage allocation of these revenues. This plan was modified due to the above tax increases for the Courthouse, with any surplus funds generated by these increases being allocated under the original agreement.

General Fund expenditures and transfers exceeded the original budget by \$5,055,584, and were under the final, amended budget by \$1,117,960 or 2.2%. During fiscal year 2012, City Council amended the budget to appropriate the awarding of donations and receipt of operational grants. Budgetary amounts also include appropriation for refunding of 2008 General Obligation Bond Issue that was refunded with the 2012 issue.

## CAPITAL ASSETS

As of June 30, 2012, the City's capital assets for its governmental and business-type activities amounted to \$59,912,576 (net of accumulated depreciation and amortization). This investment includes land, easements, construction in progress, land improvements, buildings and structures, equipment, software, and infrastructure. The total net increase (additions less retirements and depreciation and amortization) in the City's investment in capital assets for the current fiscal year was \$3,571,188 or 6.3%. This increase is a result of the amount expended to acquire capital assets during the year due greatly to the court house construction and major road modernization projects.

**Summary Statement of  
Capital Assets, Net of Accumulated Depreciation and Amortization  
June 30, 2012 and 2011  
(In Millions)**

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land and Easements	\$ 4.7	\$ 4.7	\$ 0.1	\$ 0.1	\$ 4.8	\$ 4.8
Construction in Process	6.4	3.7	-	-	6.4	3.7
Building and Structures	12.6	13.2	1.7	1.8	14.3	15.0
Infrastructure	17.9	17.0	8.0	8.2	25.9	25.2
Equipment and Software	4.3	3.0	1.0	1.0	5.3	4.0
Purchased Capacity	-	-	3.2	3.6	3.2	3.6
Total	\$ 45.9	\$ 41.6	\$ 14.0	\$ 14.7	\$ 59.9	\$ 56.3

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

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

Courts Building Construction

Road improvements - Southern End of City

Fire Apparatus Purchase

Riverfront Trail Expansion

## **LONG-TERM DEBT**

At June 30, 2012, the City's long-term liabilities, including the landfill obligation, OPEB and not including compensated absences, totaled \$44,428,347 consisting of \$41,729,073 related to governmental activities, and \$2,699,274 related to business-type activities. An obligation relating to the purchase of capacity in the South Central Wastewater Authority is detailed in note 8 and 9.

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

The Charter of the City and *Code of Virginia* limits the City's net debt to 10% of the assessed valuation of real estate. The City's entity-wide debt of \$39,750,000 is below the legal debt limit of \$165,186,693.

The School Board Component Unit relies upon the City to provide full faith and credit for any debt obligations incurred. Therefore, the City reports School Board Component Unit long-term liabilities, other than compensated absences, as its own. In addition to bonded debt, the City's long-term obligations include compensated absences. Additional information concerning the City's long-term liabilities is presented in notes 9, 10 and 13 to the Basic Financial Statements.

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

The unemployment rate for the City at June 30, 2012 was 6.9%, compared to a June 30, 2011 rate of 7.6%. This is above the state average of 6.0% and compares favorably with the national average unemployment rate of 8.4%.

The City had a population of 17,411, according to the 2010 census, an increase of 510 since the 2000 census. Current estimation of the City's population by the Virginia Employment Commission is 17,556.

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

The adopted fiscal 2013 General Fund budget increased \$3,020,906 over 2012 amounts that maintained basic current services to the community and current operating capital investments, while absorbing a reduction in Real Estate tax assessment and providing funding for the issued 2012 General Obligation Bonds. The Solid Waste Management Fund was reclassified back into the General Fund and a full year of increased Real Estate and Meal tax rates for the bond issuance are reflected in this budget. The projected revenues for fiscal 2012 are \$51,055,456 or 6.3% greater than fiscal 2012. The projected increase in the major six revenues, minus any rate increases, at budget creation was .9% for fiscal 2013. Since its passage, the Commonwealth of Virginia's estimated funding has been increased slightly due to mostly increases in projected street maintenance revenues.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

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# **BASIC FINANCIAL STATEMENTS**

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## CITY OF COLONIAL HEIGHTS, VIRGINIA

## STATEMENT OF NET ASSETS

June 30, 2012

	Primary Government		Totals	Discretely
	Governmental Activities	Business-Type Activities		Presented Component Unit School Board
<b>ASSETS</b>				
Cash and investments (Note 2)	\$ 8,341,738	\$ 185,936	\$ 8,527,674	\$ 4,797,823
Receivables, net (Note 3)	11,482,512	971,228	12,453,740	-
Due from other governments (Note 5)	4,850,849	37,897	4,888,746	2,203,129
Due from primary government	-	-	-	87,999
Internal balances (Note 6)	431,301	(431,301)	-	-
Inventories	57,460	-	57,460	33,245
Prepays	9,913	-	9,913	279
Restricted cash (Note 2)	16,792,519	364,421	17,156,940	-
Bond issue costs, net	533,370	6,735	540,105	-
Capital assets: (Note 8)				
Nondepreciable	11,144,917	147,300	11,292,217	1,125,324
Depreciable, net	34,727,366	13,892,993	48,620,359	18,748,337
Total assets	88,371,945	15,175,209	103,547,154	26,996,136
<b>LIABILITIES</b>				
Accounts payable and other current liabilities	2,037,337	152,147	2,189,484	3,043,228
Accrued interest	313,216	17,429	330,645	-
Unearned revenue (Note 4)	12,087,957	-	12,087,957	16,880
Customer security deposits	112,962	120,301	233,263	-
Due to component unit	87,999	-	87,999	-
Noncurrent liabilities: (Note 9)				
Due within one year	3,215,653	855,218	4,070,871	37,824
Due in more than one year	39,958,632	1,915,791	41,874,423	2,039,293
Total liabilities	57,813,756	3,060,886	60,874,642	5,137,225
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	22,707,728	11,418,325	34,126,053	19,873,661
Restricted for debt service	-	364,421	364,421	-
Unrestricted	7,850,461	331,577	8,182,038	1,985,250
Total net assets	\$ 30,558,189	\$ 12,114,323	\$ 42,672,512	\$ 21,858,911

## CITY OF COLONIAL HEIGHTS, VIRGINIA

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Totals	Discretely Presented Component Unit School Board
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities		
<b>Primary Government:</b>								
Governmental activities:								
General government	\$ 8,430,859	\$ 3,282,387	\$ 757,496	\$ -	\$ (4,390,976)		\$ (4,390,976)	\$ -
Judicial administration	4,185,393	718,053	693,032	-	(2,774,308)		(2,774,308)	-
Public safety	8,862,843	1,209,231	1,405,301	-	(6,248,311)		(6,248,311)	-
Public works	4,204,531	103,396	2,247,324	2,809,970	956,159		956,159	-
Health and welfare	650,043	-	-	-	(650,043)		(650,043)	-
Parks, recreation, and cultural	2,262,706	150,502	-	-	(2,112,204)		(2,112,204)	-
Community development	468,981	-	-	-	(468,981)		(468,981)	-
Education	18,996,933	-	315,449	-	(18,681,484)		(18,681,484)	-
Interest	940,076	-	-	-	(940,076)		(940,076)	-
Total governmental activities	<u>49,002,365</u>	<u>5,463,569</u>	<u>5,418,602</u>	<u>2,809,970</u>	<u>(35,310,224)</u>		<u>(35,310,224)</u>	<u>-</u>
Business-type activities:								
Water	1,599,243	1,531,079	-	-		\$ (68,164)	(68,164)	-
Sewer	2,687,436	2,696,866	-	-		9,430	9,430	-
Solid waste	1,226,034	1,143,300	-	-		(82,734)	(82,734)	-
Storm water management	258,114	377,976	-	-		119,862	119,862	-
Total business-type activities	<u>5,770,827</u>	<u>5,749,221</u>	<u>-</u>	<u>-</u>		<u>(21,606)</u>	<u>(21,606)</u>	<u>-</u>
Total primary government	<u>\$ 54,773,192</u>	<u>\$ 11,212,790</u>	<u>\$ 5,418,602</u>	<u>\$ 2,809,970</u>	<u>(35,310,224)</u>	<u>(21,606)</u>	<u>(35,331,830)</u>	<u>-</u>
<b>Discretely Presented Component Unit:</b>								
School Board	<u>\$ 34,304,488</u>	<u>\$ 409,019</u>	<u>\$ 14,838,115</u>	<u>\$ -</u>				<u>(19,057,354)</u>
General revenues:								
Taxes:								
General property taxes					20,829,561	-	20,829,561	-
Other local taxes:								
Local sales and use					7,066,137	-	7,066,137	-
Food and lodging					6,338,213	-	6,338,213	-
Consumer utility and communications sales and use					1,648,135	-	1,648,135	-
Other					535,199	-	535,199	-
Payments from City					-	-	-	18,996,933
Intergovernmental, non-categorical aid					1,757,530	-	1,757,530	-
Use of money and property					194,826	-	194,826	434
Miscellaneous					123,392	-	123,392	341,305
Transfers					(80,000)	80,000	-	-
Total general revenues and transfers					<u>38,412,993</u>	<u>80,000</u>	<u>38,492,993</u>	<u>19,338,672</u>
Change in net assets					3,102,769	58,394	3,161,163	281,318
<b>NET ASSETS AT JULY 1</b>					<u>27,455,420</u>	<u>12,055,929</u>	<u>39,511,349</u>	<u>21,577,593</u>
<b>NET ASSETS AT JUNE 30</b>					<u>\$ 30,558,189</u>	<u>\$ 12,114,323</u>	<u>\$ 42,672,512</u>	<u>\$ 21,858,911</u>

## CITY OF COLONIAL HEIGHTS, VIRGINIA

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2012**

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and investments	\$ 7,387,716	\$ 954,022	\$ 8,341,738
Receivables, net	11,482,512	-	11,482,512
Due from other governments	2,757,434	2,093,415	4,850,849
Due from other funds	431,301	-	431,301
Inventories	57,460	-	57,460
Prepays	9,913	-	9,913
Restricted cash	-	16,792,519	16,792,519
Total assets	<u>\$ 22,126,336</u>	<u>\$ 19,839,956</u>	<u>\$ 41,966,292</u>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	\$ 800,236	\$ 1,237,101	\$ 2,037,337
Deferred revenue (Note 4)	10,853,482	1,366,263	12,219,745
Customer security deposits	112,962	-	112,962
Due to component unit	87,999	-	87,999
Total liabilities	<u>11,854,679</u>	<u>2,603,364</u>	<u>14,458,043</u>
<b>FUND BALANCES (Note 14)</b>			
Nonspendable	67,373	-	67,373
Restricted	369,152	16,792,519	17,161,671
Committed	484,422	246,683	731,105
Assigned	873,226	197,390	1,070,616
Unassigned	8,477,484	-	8,477,484
Total fund balances	<u>10,271,657</u>	<u>17,236,592</u>	<u>27,508,249</u>
Total liabilities and fund balances	<u>\$ 22,126,336</u>	<u>\$ 19,839,956</u>	<u>\$ 41,966,292</u>

## CITY OF COLONIAL HEIGHTS, VIRGINIA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
June 30, 2012**

<b>Total Fund Balance - Governmental Funds</b>		\$ 27,508,249
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds.</p>		
Nondepreciable	\$ 11,144,917	
Depreciable, net	34,727,366	45,872,283
<p>Bond issuance costs are reported as expenditures in the governmental funds, but are amortized over the life of the debt in the statement of net assets:</p>		
Issuance costs	787,138	
Accumulated amortization	(253,768)	533,370
<p>Certain receivables are not available to pay for current-period expenditures and therefore are deferred in the funds</p>		
		131,788
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.</p>		
Bonds payable, including unamortized deferred amounts	(40,490,444)	
Landfill post-closure liability	(356,000)	
Compensated absences	(1,445,212)	
Other post-employment benefits	(882,629)	
Accrued interest payable	(313,216)	(43,487,501)
<b>Total Net Assets - Governmental Activities</b>		<b>\$ 30,558,189</b>

**CITY OF COLONIAL HEIGHTS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2012**

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
General property taxes	\$ 21,405,217	\$ -	\$ 21,405,217
Other local taxes	15,587,684	-	15,587,684
Permits, privilege fees, and regulatory licenses	3,384,894	-	3,384,894
Fines and forfeitures	718,053	-	718,053
Charges for services	1,360,622	-	1,360,622
Use of money and property	178,860	15,966	194,826
Miscellaneous	123,392	-	123,392
Reimbursement from School Board	315,449	-	315,449
Intergovernmental	6,860,683	2,809,970	9,670,653
Total revenues	<u>49,934,854</u>	<u>2,825,936</u>	<u>52,760,790</u>
<b>EXPENDITURES</b>			
Current:			
General government	7,560,760	-	7,560,760
Judicial administration	4,152,036	-	4,152,036
Public safety	8,261,480	-	8,261,480
Public works	2,894,228	-	2,894,228
Health and welfare	646,245	-	646,245
Parks, recreation, and cultural	2,012,473	-	2,012,473
Community development	465,879	-	465,879
Education	18,996,933	-	18,996,933
Grants	433,956	-	433,956
Nondepartmental	361,190	-	361,190
Debt service:			
Principal retirement	2,028,330	-	2,028,330
Interest and fiscal charges	788,734	-	788,734
Bond issuance costs	311,693	-	311,693
Capital outlays	-	6,230,285	6,230,285
Total expenditures	<u>48,913,937</u>	<u>6,230,285</u>	<u>55,144,222</u>
Excess (deficiency) of revenues over expenditures	<u>1,020,917</u>	<u>(3,404,349)</u>	<u>(2,383,432)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from long-term debt	4,281,693	17,548,307	21,830,000
Payment to refunded bond escrow agent	(3,970,000)	-	(3,970,000)
Premium on sale of bonds	-	1,460,910	1,460,910
Transfers in	-	366,197	366,197
Transfers out	(446,197)	-	(446,197)
Total other financing sources (uses)	<u>(134,504)</u>	<u>19,375,414</u>	<u>19,240,910</u>
Net change in fund balance	886,413	15,971,065	16,857,478
<b>FUND BALANCES AT JULY 1</b>	<u>9,385,244</u>	<u>1,265,527</u>	<u>10,650,771</u>
<b>FUND BALANCES AT JUNE 30</b>	<u>\$ 10,271,657</u>	<u>\$ 17,236,592</u>	<u>\$ 27,508,249</u>

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, 2012

<b>Net Change in Fund Balance - Governmental Funds</b>		\$ 16,857,478
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	\$ 6,843,873	
Depreciation expense	<u>(2,575,186)</u>	4,268,687
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(575,656)
The repayment of the principal of long-term debt consumes current financial resources of governmental funds. However, the transaction has no effect on net assets.		2,028,330
Some expenses reported in the statement of activities, such as compensated absences and other post-employment benefits do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in compensated absences	(26,490)	
Change in other post-employment benefits	<u>(289,021)</u>	(315,511)
Governmental funds report the effect of bond issuance costs, premiums and discounts when debt is first issued; whereas, these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of those differences is as follows:		
Bond proceeds, net of payment to refunded bond escrow agent	(17,860,000)	
Bond premium	(1,460,910)	
Amortization of discounts and premiums	147,951	
Bond issuance costs	311,693	
Amortization of bond issuance costs	(49,569)	
Amortization of gain/loss from refundings	(26,781)	
Change in accrued interest payable	<u>(222,943)</u>	<u>(19,160,559)</u>
<b>Change in Net Assets - Governmental Activities</b>		<u><u>\$ 3,102,769</u></u>

## CITY OF COLONIAL HEIGHTS, VIRGINIA

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2012

	Business-Type Activities – Enterprise Funds			
	Water	Sewer	Nonmajor Proprietary Funds	Totals
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ -	\$ -	\$ 185,936	\$ 185,936
Receivables, net	252,268	451,985	266,975	971,228
Due from other governments	-	37,897	-	37,897
Total current assets	252,268	489,882	452,911	1,195,061
Noncurrent assets:				
Restricted cash	-	364,421	-	364,421
Deferred bond costs, net	3,350	3,385	-	6,735
Capital assets, net	3,885,786	9,980,766	173,741	14,040,293
Total noncurrent assets	3,889,136	10,348,572	173,741	14,411,449
Total assets	4,141,404	10,838,454	626,652	15,606,510
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and other current liabilities	122,876	19,671	9,600	152,147
Accrued interest	1,006	16,423	-	17,429
Due to other funds	38,465	392,836	-	431,301
Customer security deposits	120,301	-	-	120,301
Compensated absences	26,144	9,452	1,178	36,774
Debt obligations, current	66,263	710,248	41,933	818,444
Total current liabilities	375,055	1,148,630	52,711	1,576,396
Noncurrent liabilities:				
Compensated absences	15,709	15,228	4,024	34,961
Other post-employment benefits	38,747	26,569	5,255	70,571
Debt obligations	290,394	1,487,308	32,557	1,810,259
Total noncurrent liabilities	344,850	1,529,105	41,836	1,915,791
Total liabilities	719,905	2,677,735	94,547	3,492,187
<b>NET ASSETS (DEFICIT)</b>				
Invested in capital assets, net of related debt	3,532,479	7,786,595	99,251	11,418,325
Restricted for debt service	-	364,421	-	364,421
Unrestricted	(110,980)	9,703	432,854	331,577
Total net assets	\$ 3,421,499	\$ 8,160,719	\$ 532,105	\$ 12,114,323



## CITY OF COLONIAL HEIGHTS, VIRGINIA

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**Year Ended June 30, 2012**

	<b>Business-Type Activities – Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Nonmajor Proprietary Funds</b>	<b>Totals</b>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 1,443,538	\$ 2,639,087	\$ 1,501,111	\$ 5,583,736
Connection fees	66,535	22,400	-	88,935
Penalties	17,815	35,379	20,165	73,359
Miscellaneous	3,191	-	-	3,191
Total operating revenues	<u>1,531,079</u>	<u>2,696,866</u>	<u>1,521,276</u>	<u>5,749,221</u>
<b>OPERATING EXPENSES</b>				
Personnel	423,015	243,071	120,812	786,898
Fringe benefits	206,312	127,553	2,146	336,011
Utilities	6,922	74,235	-	81,157
Repairs and maintenance	15,019	14,105	1,343	30,467
Materials and supplies	58,527	67,514	10,639	136,680
Contracted collection services	-	-	1,083,192	1,083,192
Sewage treatment costs	-	1,146,766	-	1,146,766
Water purchased for resale	471,100	-	-	471,100
Depreciation and amortization	130,311	620,110	22,646	773,067
Other charges	274,785	303,456	239,398	817,639
Total operating expenses	<u>1,585,991</u>	<u>2,596,810</u>	<u>1,480,176</u>	<u>5,662,977</u>
Operating income (loss)	<u>(54,912)</u>	<u>100,056</u>	<u>41,100</u>	<u>86,244</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest expense	(13,252)	(90,626)	(3,972)	(107,850)
Net nonoperating expenses	<u>(13,252)</u>	<u>(90,626)</u>	<u>(3,972)</u>	<u>(107,850)</u>
Income (loss) before transfers	(68,164)	9,430	37,128	(21,606)
<b>TRANSFERS IN</b>	-	-	80,000	80,000
Change in net assets	(68,164)	9,430	117,128	58,394
<b>NET ASSETS AT JULY 1</b>	<u>3,489,663</u>	<u>8,151,289</u>	<u>414,977</u>	<u>12,055,929</u>
<b>NET ASSETS AT JUNE 30</b>	<u>\$ 3,421,499</u>	<u>\$ 8,160,719</u>	<u>\$ 532,105</u>	<u>\$ 12,114,323</u>

## CITY OF COLONIAL HEIGHTS, VIRGINIA

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2012

	Business-type Activities – Enterprise Funds			
	Water	Sewer	Nonmajor Proprietary Funds	Totals
<b>OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 1,541,521	\$ 2,679,356	\$ 1,515,788	\$ 5,736,665
Receipts from other sources	3,191	(803)	-	2,388
Payments to suppliers	(833,566)	(1,590,654)	(1,339,698)	(3,763,918)
Payments to employees	(639,437)	(367,536)	(119,815)	(1,126,788)
Net cash provided by operating activities	<u>71,709</u>	<u>720,363</u>	<u>56,275</u>	<u>848,347</u>
<b>NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers in	-	-	80,000	80,000
Interfund borrowing	38,465	(57,164)	-	(18,699)
Net cash provided by (used in) noncapital financing activities	<u>38,465</u>	<u>(57,164)</u>	<u>80,000</u>	<u>61,301</u>
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchases of capital assets	(29,725)	(45,843)	-	(75,568)
Principal paid	(101,497)	(699,052)	(40,305)	(840,854)
Interest paid	(14,129)	(96,991)	(3,972)	(115,092)
Net cash used in capital and related financing activities	<u>(145,351)</u>	<u>(841,886)</u>	<u>(44,277)</u>	<u>(1,031,514)</u>
Net increase (decrease) in cash and cash equivalents	(35,177)	(178,687)	91,998	(121,866)
<b>CASH AND CASH EQUIVALENTS</b>				
Beginning at July 1	35,177	543,108	93,938	672,223
Ending at June 30	<u>\$ -</u>	<u>\$ 364,421</u>	<u>\$ 185,936</u>	<u>\$ 550,357</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR IS COMPRISED OF THE FOLLOWING:</b>				
Cash and investments	\$ -	-	\$ 185,936	\$ 185,936
Restricted cash	-	364,421	-	364,421
Total	<u>\$ -</u>	<u>\$ 364,421</u>	<u>\$ 185,936</u>	<u>\$ 550,357</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ (54,912)	\$ 100,056	\$ 41,100	\$ 86,244
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	130,311	620,110	22,646	773,067
Change in assets and liabilities:				
(Increase) decrease in:				
Receivables, net	(1,762)	(18,313)	(5,488)	(25,563)
Increase (decrease) in:				
Accounts payable, accrued liabilities, and OPEB	(9,925)	19,235	(2,854)	6,456
Customer deposits	15,395	-	-	15,395
Compensated absences	(7,398)	(725)	871	(7,252)
Net cash provided by operating activities	<u>\$ 71,709</u>	<u>\$ 720,363</u>	<u>\$ 56,275</u>	<u>\$ 848,347</u>

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2012**

**Note 1. Summary of Significant Accounting Policies**

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

**A. The Financial Reporting Entity**

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

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

*Discretely Presented Component Unit – School Board*

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

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

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

**B. Government-Wide and Fund Financial Statements**

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

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

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

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

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

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2012**

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

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

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

All governmental and business-type activities and enterprise funds of the City follow Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. The City has elected not to apply these standards issued after this date.

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).

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2012**

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

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

The City reports the following major enterprise funds:

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

**D. Budgets and Budgetary Accounting**

The City adheres to the following procedures in establishing the budgetary data reflected in the Comparative Schedule of Revenues and Expenditures - Budget and Actual:

1. At least 60 days prior to June 30, the City Manager submits to City Council a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them.
2. The capital projects budget is prepared on a project length basis under which the total outlay for each project is estimated for the length of the project.
3. Public hearings are conducted to obtain citizen comments on the proposed budget. Prior to July 1, the budget is legally adopted at the function level through passage of an appropriation ordinance by City Council.
4. The City Manager is authorized to transfer amounts within functions, with any other transfers being approved by City Council. During the year, \$6,173,544 in supplemental appropriations were approved by City Council. These amendments consisted primarily of appropriations of prior year encumbrances, the appropriation of fund balance, and the appropriation of additional intergovernmental grants received during the year.
5. Actual expenditures and operating transfers out may not legally exceed budget appropriations for each function. City Council legally adopts an annual budget for the General Fund.

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2012**

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

**E. Assets, Liabilities, and Equity**

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

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

*Property Taxes.*

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

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 2011 and 2012 was \$1.14 per \$100 of assessed value.

Personal Property – The City levies personal property taxes on motor vehicles and personal and business property. These levies are assessed on a calendar year basis as of January 1. Personal property taxes are payable in two installments, which are due on June 5 and December 5. Taxes become delinquent if not received by the due date. On January 1, personal property taxes become an enforceable lien on related property. The personal property taxes reported as revenue are the second installment (December 5) of the levy on assessed value at January 1 of the prior year, and the first installment (June 5) of the levy at January 1 of the current year. The tax rate for calendar year 2012 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 the State's share of the local personal property tax payment with the remainder collected for the City.

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, and Equity (Continued)

*Restricted Cash.* The General Capital Projects, Sewer, and School Board Capital Projects funds have restricted certain cash balances in accordance with debt agreements.

*Capital Assets.* Capital assets with a value of \$5,000 or greater are recorded in the applicable government or business-type activities columns in the government-wide financial statements. Capital assets belonging to proprietary funds are also reported in the applicable fund financial statements. All purchased capital assets are valued at historical or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair market value on the date donated. Depreciation and amortization has been provided over the estimated useful lives using the straight-line method. No depreciation or amortization expense is recorded for land, easements, or construction-in-progress. Capital assets placed in service during the year will begin depreciation on 7/1 of the following year. The estimated useful lives are:

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

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

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

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

Liabilities for compensated absences are not liquidated until leave is actually taken by employees or leave balances are paid upon termination. Accordingly, in the fund financial statements for governmental funds, no expenditure is reported for compensated absences until they are paid. Compensated absences earned by employees and charged to proprietary funds are expensed and accrued as a liability of the appropriate fund when incurred.



**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2012**

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

**E. Assets, Liabilities, 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 assets. Bond premiums and discounts, gains and losses from refundings, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable deferred amounts. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

The classifications are as follows:

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

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.

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, and Equity (Continued)

*Fund Equity. (Continued)*

**Minimum Fund Balance Policy**

The City has a 10% minimum unassigned fund balance of total fund balance policy or target for the General Fund.

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

**Encumbrances:**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Significant encumbrances as of June 30 total \$434,611 in the general fund and \$15,245,918 in the capital projects fund. These encumbrances are listed as committed on Exhibit 14, and are broken out among the various departments.

*Net Assets.* Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, 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 assets invested in capital assets, net of related debt, excludes unspent debt proceeds. Net assets are 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.

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 Assets, 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 assets of the primary government. The corresponding capital assets are reported as assets of the School Board (title holder), thereby increasing the School Board's net assets.

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2012**

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

**E. Assets, Liabilities, and Equity (Continued)**

*Net Assets. (Continued)*

The Virginia General Assembly legislature 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 assets, the continual computation process that would be required to allocate principal, interest, asset amount, and depreciation between the City and the School Board would be cumbersome and not provide any added benefit to the financial statements. Therefore, the City Council adopted a resolution declining tenancy in common for current and future obligations.

**F. Use of Estimates**

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

**Note 2. Deposits and Investments**

**Deposits**

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

**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).

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

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

**Investments (Continued)**

The LGIP is a professionally managed money market fund which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Section 2.2-4605 *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. The fair value of the LGIP is the same as the value of the pool shares, i.e., the LGIP maintains a stable net asset value of \$1 per share. The LGIP has been assigned an “AAAm” rating by Standard & Poor’s. The maturity of the LGIP is less than one year.

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

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

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

	<b>Fair Value</b>
Deposits:	
Demand deposits	\$ 1,670,432
Cash held by third party	364,421
Cash on hand	13,400
	2,048,253
Investments:	
Money market funds	20,567
Certificate of deposit	10,010
LGIP	6,813,265
SNAP	16,792,519
Total deposits and investments	\$ 25,684,614

Exhibit 1 total deposits and investments is composed as follows:

Cash and investments	\$ 8,527,674
Restricted cash	17,156,940
Total deposits and investments	\$ 25,684,614

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

Deposits:	
Demand deposits	\$ 4,797,823

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

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

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.

**Note 3. Receivables**

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

	<u>General Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Nonmajor</u>		<u>Total</u>
				<u>Solid Waste Fund</u>	<u>Storm Water Management Fund</u>	
Taxes	\$11,460,717	\$ -	\$ -	\$ -	\$ -	\$11,460,717
Accounts	252,980	279,268	499,985	199,374	67,601	1,299,208
Other	27,862	-	-	-	-	27,862
Gross receivables	11,741,559	279,268	499,985	199,374	67,601	12,787,787
Less allowance for uncollectible accounts	(259,047)	(27,000)	(48,000)	-	-	(334,047)
Net receivables	<u>\$11,482,512</u>	<u>\$ 252,268</u>	<u>\$ 451,985</u>	<u>\$ 199,374</u>	<u>\$ 67,601</u>	<u>\$12,453,740</u>

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

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**Note 4. Deferred and Unearned Revenue**

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

	<b>Unavailable</b>	<b>Unearned</b>
Deferred grant revenue, representing VDOT grant revenue not yet earned (Capital Projects Fund)	\$ 1,366,263	\$ 1,366,263
Deferred property tax revenue, representing uncollected tax billings (General Fund)	10,299,205	10,167,417
Property taxes paid in advance, representing property taxes not yet due (General Fund)	554,277	554,277
Total deferred/unearned revenue for governmental funds	\$ 12,219,745	\$ 12,087,957

**Note 5. Due from Other Governmental Units**

A summary of funds due from other governmental units follows:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>School Board</b>
Federal government	\$ 2,365,227	\$ -	\$ 1,642,188
Commonwealth of Virginia:			
Other aid, grants and reimbursements	385,571	-	54,790
Sales tax	1,139,786	-	442,272
PPTRA	960,265	-	-
Chesterfield County	-	14,220	-
Virginia State University	-	23,677	-
Other governments	-	-	63,879
	\$ 4,850,849	\$ 37,897	\$ 2,203,129

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

**Note 6. Interfund Obligations**

Individual fund interfund receivable and payable balances at June 30 are:

	<b>Interfund Receivables</b>	<b>Interfund Payables</b>
General	\$ 431,301	\$ -
Water	-	38,465
Sewer	-	392,836
	\$ 431,301	\$ 431,301

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

**Note 7. Interfund Transfers**

	<b>Transfer From General Fund</b>	<b>Transfer From Storm Water Management Fund</b>
Transfer to fund:		
General	\$ 51,700	\$ 51,700
Capital projects	366,197	-
Solid waste	80,000	-
Storm water management	-	-
	\$ 446,197	\$ 31,700
Total transfers		

The transfer from the General Fund to the Capital Projects Fund was to transfer bond proceeds for the bond issuance costs in the amount of \$311,197 and to transfer grant matching funds in the amount of \$55,000 for the river trail grant.

The transfer from the General Fund to the Solid Waste Fund was to subsidize operations.

The transfer from the Storm Water Management Fund to the General Fund was for an infrastructure asset purchased in the Storm Water Management Fund.

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2012**

**Note 8. Capital Assets**

Capital asset activity was as follows:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Ending Balance</b>
Capital assets, not depreciated or amortized:					
Land	\$ 2,455,154	\$ -	\$ -	\$ -	\$ 2,455,154
Easements	2,245,247	-	-	-	2,245,247
Construction in progress	3,660,181	6,230,286	(3,445,951)	-	6,444,516
	<u>8,360,582</u>	<u>6,230,286</u>	<u>(3,445,951)</u>	<u>-</u>	<u>11,144,917</u>
Capital assets, depreciated and amortized:					
Buildings and structures	20,197,769	-	-	-	20,197,769
Infrastructure	54,585,147	1,958,296	-	-	56,543,443
Equipment	12,148,281	2,077,513	(36,033)	72,644	14,262,405
Intangibles	82,886	23,729	-	-	106,615
	<u>87,014,083</u>	<u>4,059,538</u>	<u>(36,033)</u>	<u>72,644</u>	<u>91,110,232</u>
Less accumulated depreciation and amortization for:					
Buildings and structures	(7,002,086)	(654,645)	-	-	(7,656,731)
Infrastructure	(37,614,971)	(1,035,532)	-	-	(38,650,503)
Equipment	(9,092,372)	(879,130)	36,033	(72,644)	(10,008,113)
Intangibles	(61,640)	(5,879)	-	-	(67,519)
	<u>(53,771,069)</u>	<u>(2,575,186)</u>	<u>36,033</u>	<u>(72,644)</u>	<u>(56,382,866)</u>
Capital assets, depreciated and amortized, net	<u>33,243,014</u>	<u>1,484,352</u>	<u>-</u>	<u>-</u>	<u>34,727,366</u>
Governmental activities capital assets, net	<u>\$ 41,603,596</u>	<u>\$ 7,714,638</u>	<u>\$ (3,445,951)</u>	<u>\$ -</u>	<u>\$ 45,872,283</u>

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

Governmental activities:	
General government	\$ 26,200
Judicial administration	20,250
Public safety	704,470
Public works	1,420,949
Health and welfare	3,798
Parks, recreation, and cultural	399,519
	<u>\$ 2,575,186</u>

(Continued)



**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**Note 8. Capital Assets (Continued)**

Equipment and other capital assets include capitalized leases of \$199,847 with a net book value \$149,885.

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

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Capital assets, not depreciated or amortized:					
Land	\$ 136,300	\$ -	\$ -	\$ -	\$ 136,300
Construction in progress	-	11,000	-	-	11,000
	<u>136,300</u>	<u>11,000</u>	<u>-</u>	<u>-</u>	<u>147,300</u>
Capital assets, depreciated and amortized:					
Land improvements	48,927	-	-	-	48,927
Buildings and structures	3,790,420	-	-	-	3,790,420
Infrastructure	14,229,102	-	-	-	14,229,102
Equipment	2,841,765	64,568	(32,813)	(72,644)	2,800,876
Intangibles	303,982	-	-	-	303,982
Purchased capacity	9,874,437	-	-	-	9,874,437
	<u>31,088,633</u>	<u>64,568</u>	<u>(32,813)</u>	<u>(72,644)</u>	<u>31,047,744</u>
Less accumulated depreciation and amortization for:					
Land improvements	(38,968)	(249)	-	-	(39,217)
Buildings and structures	(1,994,702)	(81,264)	-	-	(2,075,966)
Infrastructure	(6,027,059)	(190,603)	-	-	(6,217,662)
Equipment	(1,953,709)	(75,576)	32,813	72,644	(1,923,828)
Intangibles	(153,063)	(30,398)	-	-	(183,461)
Purchased capacity	(6,319,640)	(394,977)	-	-	(6,714,617)
	<u>(16,487,141)</u>	<u>(773,067)</u>	<u>32,813</u>	<u>72,644</u>	<u>(17,154,751)</u>
Capital assets, depreciated and amortized, net	<u>14,601,492</u>	<u>(708,499)</u>	<u>-</u>	<u>-</u>	<u>13,892,993</u>
Business-type activities capital assets, net	<u>\$ 14,737,792</u>	<u>\$ (697,499)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,040,293</u>

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**Note 8. Capital Assets (Continued)**

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

Business-type activities:	
Water	\$ (130,311)
Sewer	(620,110)
Solid Waste	(534)
Storm Water	<u>(22,112)</u>
	<u>\$ (773,067)</u>

<u>Component Unit – School Board</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not depreciated or amortized:				
Land	\$ 1,090,102	\$ -	\$ -	\$ 1,090,102
Construction in progress	<u>2,151,093</u>	<u>35,222</u>	<u>(2,151,093)</u>	<u>35,222</u>
	<u>3,241,195</u>	<u>35,222</u>	<u>(2,151,093)</u>	<u>1,125,324</u>
Capital assets, depreciated and amortized:				
Buildings and structures	27,308,686	3,394,616	-	30,703,302
Equipment	3,794,721	272,170	-	4,066,891
Intangibles	<u>12,155</u>	<u>-</u>	<u>-</u>	<u>12,155</u>
	<u>31,115,562</u>	<u>3,666,786</u>	<u>-</u>	<u>34,782,348</u>
Less accumulated depreciation and amortization for:				
Buildings and structures	(12,096,768)	(675,080)	-	(12,771,848)
Equipment	(3,086,434)	(170,664)	-	(3,257,098)
Intangibles	<u>(2,634)</u>	<u>(2,431)</u>	<u>-</u>	<u>(5,065)</u>
	<u>(15,185,836)</u>	<u>(848,175)</u>	<u>-</u>	<u>(16,034,011)</u>
Capital assets, depreciated and amortized, net	<u>15,929,726</u>	<u>2,818,611</u>	<u>-</u>	<u>18,748,337</u>
School Board capital assets, net	<u>\$ 19,170,921</u>	<u>\$ 2,853,833</u>	<u>\$ (2,151,093)</u>	<u>\$ 19,873,661</u>

South Central Wastewater Authority (SCWA) treatment plant rights:

The City and other participating localities have an agreement with SCWA to benefit from a certain wastewater treatment plant of the SCWA. The City and other participating localities are not authorized to hold legal title to the plant; thus SCWA holds title to these assets. Through long-term contracts, the risks and benefits of operating and maintaining the assets has 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.

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

**Note 9. Long-Term Obligations**

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

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General obligation bonds	\$22,961,083	\$21,830,000	\$(5,998,330)	\$38,792,753	\$ 2,544,544
Less deferred amounts:					
Issuance premium	545,419	1,460,910	(147,951)	1,858,378	-
Loss on refunding	(187,468)	-	26,781	(160,687)	-
Landfill post-closure liability	356,000	-	-	356,000	-
	<u>23,675,034</u>	<u>23,290,910</u>	<u>(6,119,500)</u>	<u>40,846,444</u>	<u>2,544,544</u>
Compensated absences	1,418,722	943,617	(917,127)	1,445,212	671,109
Other post-employment benefits	593,608	374,387	(85,366)	882,629	-
	<u>\$25,687,364</u>	<u>\$24,608,914</u>	<u>\$(7,121,993)</u>	<u>\$43,174,285</u>	<u>\$ 3,215,653</u>

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One year</u>
General obligation bonds	\$ 1,163,917	\$ -	\$ (206,670)	\$ 957,247	\$ 160,456
Capital lease payable	114,795	-	(40,305)	74,490	41,933
Obligations payable - SCWA	2,176,629	-	(593,878)	1,582,751	616,055
Less deferred amounts:					
Issuance premium	34,121	-	(4,875)	29,246	-
Loss on refunding	(17,536)	-	2,505	(15,031)	-
	<u>3,471,926</u>	<u>-</u>	<u>(843,223)</u>	<u>2,628,703</u>	<u>818,444</u>
Compensated absences	78,987	149,634	(156,886)	71,735	36,774
Other post-employment benefits	48,740	28,656	(6,825)	70,571	-
	<u>\$ 3,599,653</u>	<u>\$ 178,290</u>	<u>\$(1,006,934)</u>	<u>\$ 2,771,009</u>	<u>\$ 855,218</u>

<u>Component Unit – School Board</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences	\$ 792,640	\$ 233,735	\$ (269,887)	\$ 756,488	\$ 37,824
Other post-employment benefits	982,911	668,173	(330,455)	1,320,629	-
	<u>\$ 1,775,551</u>	<u>\$ 901,908</u>	<u>\$ (600,342)</u>	<u>\$ 2,077,117</u>	<u>\$ 37,824</u>

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

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2012**

**Note 9. Long-Term Liabilities (Continued)**

Outstanding long-term liabilities at June 30 are comprised of the following:

	<b>Date Issued</b>	<b>Interest Rate</b>	<b>Amount Outstanding</b>
General obligation bonds:			
General improvement			
Series 2004	2004	3.00-3.75	\$ 3,855,000
Series 2007	2007	4.00	8,410,000
Series 2010	2010	2.00-4.00	5,655,000
Series 2012	2012	2.50-4.00	21,830,000
Total general obligation bonds			\$ 39,750,000
Capital lease payable:			
Storm water truck	2002	3.98%	\$ 74,490
Obligations payable:			
SCWA (for purchased capacity)	2003	3.70%	\$ 1,582,751

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

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

**Note 9. Long-Term Liabilities (Continued)**

The annual requirements to amortize all long-term liabilities outstanding, excluding accrued annual leave, retirement incentive program and environmental liabilities are as follows:

<b>Fiscal Year Ending</b>	<b>General Obligation Bonds</b>			
	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2013	\$ 2,544,544	\$ 1,508,278	\$ 160,456	\$ 30,764
2014	2,841,312	1,217,798	163,688	24,965
2015	2,600,487	1,127,548	139,513	19,881
2016	2,695,670	1,040,211	144,330	15,159
2017	2,320,146	953,986	104,854	10,664
2018-2022	9,600,594	3,662,355	244,406	11,709
2023-2027	9,310,000	2,003,350	-	-
2028-2032	6,880,000	631,500	-	-
	<u>\$ 38,792,753</u>	<u>\$ 12,145,026</u>	<u>\$ 957,247</u>	<u>\$ 113,142</u>

<b>Fiscal Year Ending</b>	<b>Obligation Payable –</b>			
	<b>Capital Lease Payable</b>		<b>SCWA</b>	
	<b>Business-Type Activities</b>		<b>Business-type Activities</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2013	\$ 41,933	\$ 2,344	\$ 616,055	\$ 52,916
2014	32,557	650	639,059	29,911
2015	-	-	327,637	6,061
	<u>\$ 74,490</u>	<u>\$ 2,994</u>	<u>\$ 1,582,751</u>	<u>\$ 88,888</u>

**Current Year Refunding of Debt**

In February 2012, the City issued \$21,830,000 in general obligation bonds with an average interest rate of 3.16%. These bonds were issued to refund approximately \$3,970,000 in outstanding bonds for an issuance in 2008, and to finance a fire & rescue vehicle and courthouse project. The net proceeds of the refunding were \$23,339,294 (including \$1,460,910 in bond premium and payment of \$360,491 in underwriting fees and other issuance costs). The liability for the refunded bonds has been replaced with the liability from the new debt with the difference between the reacquisition price and the net carrying amount of the old debt being deferred and amortized over the life of the new debt in proportion to the stated interest due on the new debt.

The City refunded these bonds to pay off the lump sum principal amount that was scheduled to mature on October 1, 2013. Of the \$23,339,294 net proceeds, only 17% of the issuance was for refunding. Since the 2008 bonds were due in a little over a year, the total debt service savings and net present value of savings was minimal, and therefore was not calculated.

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2012**

**Note 9. Long-Term Liabilities (Continued)**

**Current Year Defeasance of Debt**

In 2012, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service on the refunded bonds through their maturity date. The deferred costs are being amortized over the life of the new bonds as a component of interest expense. No amounts remain outstanding related to the defeased bonds.

**Note 10. Environmental Liabilities**

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

The City has completed the process of closing the former City landfill. The postclosure costs for the landfill are currently projected to be approximately \$356,000 based on a minimum ten years of testing. 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 postclosure care.

**Note 11. Commitments and Contingent Liabilities**

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

The City participates in a number of federally assisted grant programs. Although the City has been audited in accordance with the provisions of OMB Circular A-133, these programs are still subject to financial and compliance audits by the grantors or their representatives. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of grants. Based on prior experience, City management believes such disallowances, if any, will be immaterial.

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

Construction Commitments: The City has entered into various construction contracts with approximately \$15,245,917 still outstanding to be completed at year-end. These construction commitments are listed on Exhibit 15, and are broken down into four main categories: general government, recreational facilities, educational facilities, and streets and bridges. The contract commitment in general government is for part of the construction of a new courthouse. The construction commitment in recreational facilities is for a multi-phase walking trail along the Appomattox River. The construction commitments in streets and bridges are for various street projects.

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2012**

**Note 12. Defined Benefit Pension Plan**

**Plan Description**

Name of Plan: Virginia Retirement System (VRS)

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

Administering Entity: Virginia Retirement System (System)

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

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

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

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

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

**Note 12 Defined Benefit Pension Plan (Continued)**

**Plan Description (Continued)**

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is -0-%. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2011-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**Funding Policy**

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the City and the School Board are required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. For 2012, the contribution rate for the City was 18.24%; for the School Board's professional employees 5.16% and for the School Board's non-professional employees 8.02% of the annual covered payroll.

For 2012, 2011, and 2010, total employer and employee contributions made to the VRS statewide teacher cost-sharing pool for professional employees by the School Board were \$2,003,838, \$1,583,810, and \$2,092,658, respectively, and were equal to 100% of the required contribution for professional employees for each year.

**Annual Pension Cost**

For the fiscal year ended June 30, 2012, the City and the School Board's annual pension costs were equal to the required and actual contributions.

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

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage Of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2012	\$ 2,119,379	100%	\$ -
June 30, 2011	2,090,751	100%	-
June 30, 2010	1,832,416	100%	-



**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

**Note 12 Defined Benefit Pension Plan (Continued)**

**Annual Pension Cost (Continued)**

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

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage Of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2012	\$ 147,795	100%	\$ -
June 30, 2011	144,588	100%	-
June 30, 2010	142,048	100%	-

The FY 2012 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% per year for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases also include an inflation component of 2.50%. The actuarial value of the City and School Board’s assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The City and School Board’s unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

**Funded Status and Funding Progress**

As of June 30, 2011, the most recent actuarial valuation date, the City’s plan was 71.14% funded. The actuarial accrued liability for benefits was \$58,323,930, and the actuarial value of assets was \$41,493,164, resulting in an unfunded actuarial accrued liability (UAAL) of \$16,830,766. The covered payroll (annual payroll of active employees covered by the plan) was \$11,528,726, and the ratio of the UAAL to the covered payroll was 145.99%.

At June 30, 2011, the most recent actuarial valuation date, the plan for the School Board’s non-professional employees was 84.00% funded. The actuarial accrued liability for benefits was \$4,350,069, and the actuarial value of assets was \$3,654,218, resulting in an unfunded actuarial accrued liability (UAAL) of \$695,851. The covered payroll (annual payroll of active employees covered by the plan) was \$1,136,440, and the ratio of the UAAL to the covered payroll was 61.23%.

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

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2012**

**Note 13. Other Post-employment Benefits**

**Plan Description**

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

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

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

The plans do not issue stand-alone financial reports.

**Funding Policy**

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

**Annual OPEB Cost and Net OPEB Obligation**

The City had an actuarial valuation of post-employment benefits performed as of July 1, 2011. The School Board had an actuarial valuation of post-employment benefits performed as of July 1, 2011. The annual cost of OPEB under GASB Statement No. 45 is called the annual required contribution or ARC. The estimated pay as you go cost for OPEB benefits for the City's plan is \$92,191 and the annual benefit cost is \$403,043. The percentage of annual OPEB cost contributed is 22.87%. The estimated pay as you go cost for OPEB benefits for the School Board's plan is \$330,455 and the annual benefit cost is \$668,173. The percentage of OPEB cost contributed is 49.46%.

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2012**

**Note 13. Other Post-employment Benefits**

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

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

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

	<b>City</b>	<b>School Board</b>
Annual required contribution (ARC)	\$ 404,093	\$ 669,780
Interest on net OPEB obligation	25,694	39,316
Adjustment to annual required contribution	(26,744)	(40,923)
Annual OPEB cost	403,043	668,173
Estimated contributions made	(92,191)	(330,455)
Increase in net OPEB obligation	310,852	337,718
Net OPEB obligation, beginning of year	642,348	982,911
Net OPEB obligation at year end	\$ 953,200	\$ 1,320,629

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

**Note 13. Other Post-employment Benefits (Continued)**

**City:**

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2012	\$ 403,043	22.87%	\$ 953,200
June 30, 2011	311,670	28.85%	642,348
June 30, 2010	295,851	26.75%	420,610

**School Board:**

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2012	\$ 668,173	49.46%	\$ 1,320,629
June 30, 2011	730,800	58.70%	982,911
June 30, 2010	705,231	55.46%	681,111

**Funding Status and Funding Progress**

As of July 1, 2011, the most recent actuarial valuation date for the City and School Board, the plans were not funded. The actuarial value of assets was \$0 resulting in an unfunded actuarial liability (UAAL) of \$3,476,123 for the City's plan and a UAAL of \$7,746,438 for the School Board's plan.

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

**Actuarial Methods and Assumptions**

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

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

**Note 13. Other Post-employment Benefits (Continued)**

**Actuarial Methods and Assumptions (Continued)**

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

**Note 14. Fund Balances**

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

	<b>General Fund</b>	<b>Capital Projects Fund</b>
<b>Nonspendable:</b>		
Inventories	\$ 57,460	\$ -
Prepays	9,913	-
	67,373	-
<b>Restricted:</b>		
Judicial administration	248,613	-
Public safety	120,539	-
<b>Total restricted</b>	369,152	-
<b>Committed:</b>		
General government	46,892	-
Judicial administration	59,914	14,965,436
Public safety	192,682	-
Public works	113,929	251,457
Parks, recreation and cultural	42,202	29,025
Community development	3,567	-
Nondepartmental	2,236	-
Debt service	23,000	-
Other capital projects	-	1,793,284
<b>Total committed</b>	484,422	17,039,202
<b>Assigned:</b>		
General government administration	231,435	-
Judicial administration	2,349	-
Public safety	78,025	197,390
Public works	323,938	-
Parks, recreation and cultural	224,979	-
Community development	12,500	-
<b>Total assigned</b>	873,226	197,390
<b>Unassigned</b>	8,509,184	-
<b>Total fund balance</b>	\$ 10,303,357	\$ 17,236,592

(Continued)

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2012**

**Note 15. Risk Management**

The City and School Board are exposed to various losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and others; and natural disasters. The City is covered by property/casualty insurance policies or participation in public entity risk pools on real and personal property, workers' compensation, public entity and officers' excess liability, and volunteer liability. There were no material reductions in insurance coverage from coverage in the prior year nor did settlements exceed coverage for any of the past three fiscal years.

Risk pools:

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

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

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

The School Board carries commercial insurance through Utica National Insurance Group for property, casualty, general liability, and automobile coverage. Workers' compensation insurance is provided through United Heartland.

**Note 16. Jointly Governed Organizations**

Riverside Regional Jail Authority:

The Authority was created by Chapter 726 of the 1990 Acts of the General Assembly and was formed on June 21, 1990. The Authority is comprised of the Cities of Colonial Heights, Hopewell and Petersburg and the Counties of Charles City, Chesterfield, Prince George and Surry. The Authority is governed by a seven member board comprised of one member from each participating jurisdiction. Each member must reside in and be appointed by the governing body of their political subdivision.

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2012**

**Note 16. Jointly Governed Organizations (Continued)**

Riverside Regional Jail Authority: (Continued)

The general purpose of the Authority is to acquire, construct, equip, maintain and operate a regional jail facility to meet the needs of the participating jurisdictions for additional jail facilities. The Authority completed the feasibility study and conceptual design of the jail and proceeded with the preparation of the Service Agreement. The Service Agreement is a long-term contract regulating usage of the jail and establishing payment terms applicable to participating jurisdictions. It guarantees that the facility will be used and provides for the issuance of revenue bonds to fund the final design and construction of the regional jail facility. The City's cost for adult incarceration services for 2012 was \$2,224,280.

Complete financial statements for the Jail Authority can be obtained from the Jail Authority at 1000 River Road, P.O. Box 1041, Hopewell, VA 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 2012 was \$451,600. Complete financial statements for the Authority can be obtained from the Authority's office at 21300 Chesdin Road, Petersburg, VA 23803.

South Central Wastewater Authority (SCWWA):

The Authority was created on July 2, 1996, and currently provides wastewater treatment to the Cities of Colonial Heights and Petersburg, the Counties of Chesterfield and Prince George and the Dinwiddie County Water Authority. The City has 4.0 million gallons per day of wastewater treatment capacity reserved at SCWWA's plant pursuant to a long-term service contract which is further described in Note 8. The City's cost of wastewater treatment for 2012 excluding debt service was \$1,146,766. Complete financial statements for the Authority can be obtained from the Authority's office at 900 Magazine Road, Petersburg, VA 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 2012 contribution requirement and direct payments for special projects totaled \$1,072,438.

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2012**

**Note 16. Jointly Governed Organizations (Continued)**

Virginia Gateway Region Board:

The Virginia Gateway Region Board (VGRB) serves the Cities of Colonial Heights, Hopewell and Petersburg, as well as the Counties of Chesterfield, Dinwiddie and Prince George in their efforts to provide balanced industrialization to corporation members. The City appoints two members of the Appomattox Basin Industrial Development Corporation (ABIDCO) board and contributed \$28,213 to ABIDCO during 2012.

**Note 17. Related Organization**

The City Council is responsible for appointing the members of the Colonial Heights Industrial Development Authority (Development Authority), but the City Council's accountability for this organization does not extend beyond making the appointments. The Development Authority was established under the *Industrial Development and Revenue Act*, Code of the Commonwealth of Virginia. The Development Authority has the responsibility to promote industry and development of trade by inducing manufacturing, industrial and commercial enterprise to locate or to remain in the City.

**Note 18. Pending GASB Statements**

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

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, was issued to address service concession arrangements, which are a type of public-private or public-public partnership. The statement defines a service concession arrangement in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The requirements of this statement establish recognition, measurement, and disclosure requirements for these types of arrangements. This statement will be effective for the year ending June 30, 2013.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, modifies certain requirements for the inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present to be included as a component unit. The statement also amends the criteria for reporting of blended component units. For component units that are blended based on the "substantively the same governing body" criterion, it additionally requires that a financial benefit or financial burden relationship exist or that management of the primary government have operational responsibility for the activities of the component unit. The statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. This statement will be effective for the year ending June 30, 2013.



**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2012**

**Note 18. Pending GASB Statements (Continued)**

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources, and Net Position*, is intended to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed. This statement will be effective for the year ending June 30, 2013.

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

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

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

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

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

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# **REQUIRED SUPPLEMENTARY INFORMATION**

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## CITY OF COLONIAL HEIGHTS, VIRGINIA

**SCHEDULES OF FUNDING PROGRESS**  
**Year Ended June 30, 2012**

**VIRGINIA RETIREMENT SYSTEM**

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
			Unfunded Actuarial Accrued Liability (UAAL)			UAAL as a Percentage of Covered Payroll
<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>		<u>Funded Ratio</u>	<u>Covered Payroll</u>	
A. City:						
June 30, 2009	\$ 40,527,343	\$ 50,213,558	\$ 9,686,215	80.71%	\$ 11,793,558	82.13%
June 30, 2010	\$ 40,385,200	\$ 55,723,444	\$ 15,338,244	72.47%	\$ 11,591,345	132.32%
June 30, 2011	\$ 41,493,164	\$ 58,323,930	\$ 16,830,766	71.14%	\$ 11,528,726	145.99%
B. School Board:						
June 30, 2009	\$ 3,716,687	\$ 4,069,252	\$ 352,565	91.34%	\$ 1,163,174	30.31%
June 30, 2010	\$ 3,643,476	\$ 4,308,209	\$ 664,733	84.57%	\$ 1,110,847	59.84%
June 30, 2011	\$ 3,654,218	\$ 4,350,069	\$ 695,851	84.00%	\$ 1,136,440	61.23%

**OTHER POST-EMPLOYMENT BENEFITS**

A. City:						
July 1, 2007	\$ -	\$ 2,366,771	\$ 2,366,771	0.00%	\$ 9,432,548	25.09%
July 1, 2009	\$ -	\$ 2,765,044	\$ 2,765,044	0.00%	\$ 11,145,672	24.81%
July 1, 2011	\$ -	\$ 3,476,123	\$ 3,476,123	0.00%	\$ 11,528,726	30.15%
B. School Board:						
July 1, 2007	\$ -	\$ 8,580,446	\$ 8,580,446	0.00%	\$ 18,790,639	45.66%
July 1, 2009	\$ -	\$ 8,699,403	\$ 8,699,403	0.00%	\$ 21,181,247	41.07%
July 1, 2011	\$ -	\$ 7,746,438	\$ 7,746,438	0.00%	\$ 18,437,990	42.01%

## CITY OF COLONIAL HEIGHTS, VIRGINIA

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

**Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Revenue from local sources:				
General property taxes:				
Real property	\$ 17,650,339	\$ 17,961,536	\$ 17,637,516	\$ (324,020)
Real and personal public service corporation property	374,990	374,990	411,569	36,579
Personal property	2,266,562	2,266,562	2,350,866	84,304
Delinquent	791,258	791,258	792,379	1,121
Penalties and interest	200,000	200,000	212,887	12,887
Total general property taxes	<u>21,283,149</u>	<u>21,594,346</u>	<u>21,405,217</u>	<u>(189,129)</u>
Other local taxes:				
Communication sales and use	725,000	725,000	710,234	(14,766)
Food and lodging	5,920,550	5,920,550	6,338,213	417,663
Consumer utility	950,000	950,000	937,901	(12,099)
Bank stock	225,000	225,000	306,387	81,387
Local option sales and use	6,991,311	6,991,311	7,066,137	74,826
Recordation	185,000	185,000	228,812	43,812
Total other local taxes	<u>14,996,861</u>	<u>14,996,861</u>	<u>15,587,684</u>	<u>590,823</u>
Permits, fees, and licenses:				
Business and occupational licenses	2,816,980	2,816,980	2,782,455	(34,525)
Motor vehicle licenses	365,000	365,000	386,041	21,041
Zoning and construction permits	93,500	93,500	103,396	9,896
Other fees	93,225	93,225	113,002	19,777
Total permits, fees, and licenses	<u>3,368,705</u>	<u>3,368,705</u>	<u>3,384,894</u>	<u>16,189</u>
Fines and forfeitures	<u>693,000</u>	<u>693,000</u>	<u>718,053</u>	<u>25,053</u>
Charges for services:				
Recreation use charges and fees	257,000	257,000	150,502	(106,498)
Administrative	1,189,454	1,189,454	1,198,186	8,732
Other	13,500	13,500	11,934	(1,566)
Total charges for services	<u>1,459,954</u>	<u>1,459,954</u>	<u>1,360,622</u>	<u>(99,332)</u>
Use of money and property:				
Interest	15,000	15,000	1,603	(13,397)
Rental of property	138,000	138,000	157,651	19,651
Sale of commodities and property	13,000	13,000	19,606	6,606
Total use of money and property	<u>166,000</u>	<u>166,000</u>	<u>178,860</u>	<u>12,860</u>
Miscellaneous	<u>11,600</u>	<u>77,140</u>	<u>123,392</u>	<u>46,252</u>
Reimbursement from School Board	<u>304,063</u>	<u>304,063</u>	<u>315,449</u>	<u>11,386</u>
Total revenue from local sources	<u>42,283,332</u>	<u>42,660,069</u>	<u>43,074,171</u>	<u>414,102</u>

(Continued)

## CITY OF COLONIAL HEIGHTS, VIRGINIA

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

**Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues (Continued)</b>				
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Personal property tax relief	\$ 1,753,369	\$ 1,753,369	\$ 1,753,369	\$ -
Rolling stock tax	4,300	3,647	4,160	513
Total non-categorical aid	<u>1,757,669</u>	<u>1,757,016</u>	<u>1,757,529</u>	<u>513</u>
Categorical aid:				
Commissioner of Revenue	81,102	81,612	79,736	(1,876)
Treasurer	75,141	77,525	74,352	(3,173)
Circuit Court	247,777	243,799	264,278	20,479
Sheriff	285,887	275,000	275,248	248
Commonwealth's attorney	459,349	418,083	428,754	10,671
Law enforcement	561,806	530,512	530,510	(2)
Street construction and maintenance	2,166,918	2,247,323	2,247,324	1
Other	408,213	552,837	397,780	(155,057)
Total categorical aid	<u>4,286,193</u>	<u>4,426,691</u>	<u>4,297,982</u>	<u>(128,709)</u>
Total revenue from the Commonwealth	<u>6,043,862</u>	<u>6,183,707</u>	<u>6,055,511</u>	<u>(128,196)</u>
Revenue from federal government:				
Categorical aid	59,474	668,676	805,172	136,496
Total intergovernmental	<u>6,103,336</u>	<u>6,852,383</u>	<u>6,860,683</u>	<u>8,300</u>
Total revenue	<u>\$ 48,386,668</u>	<u>\$ 49,512,452</u>	<u>\$ 49,934,854</u>	<u>\$ 422,402</u>
<b>Expenditures</b>				
General government:				
City council	\$ 72,324	\$ 75,264	\$ 73,037	\$ 2,227
Clerk of council	64,539	66,946	60,786	6,160
City manager	194,814	211,282	207,704	3,578
Human resources	93,231	97,861	95,790	2,071
City attorney	202,565	219,869	198,056	21,813
Real estate assessor	128,031	134,683	130,458	4,225
Commissioner of the revenue	192,625	195,392	191,501	3,891
Treasurer	236,226	239,711	238,525	1,186
Finance	476,787	491,628	484,417	7,211
Information technologies	120,734	225,492	184,279	41,213
Auditing	132,899	134,054	148,061	(14,007)
Purchasing	144,293	150,540	96,807	53,733
Insurance and risk management	558,150	553,422	482,032	71,390
Employee benefits	4,878,242	4,629,916	4,841,493	(211,577)
Board of elections	25,287	25,335	25,026	309
Registrar	102,062	103,775	102,788	987
Total general government	<u>7,622,809</u>	<u>7,555,170</u>	<u>7,560,760</u>	<u>(5,590)</u>

(Continued)

## CITY OF COLONIAL HEIGHTS, VIRGINIA

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

Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures (Continued)</b>				
Judicial administration:				
Circuit courts	\$ 382,023	\$ 391,103	\$ 383,943	\$ 7,160
General district court	66,155	67,036	102,285	(35,249)
Probation	6,100	6,100	5,653	447
Commonwealth's attorney	496,521	520,907	523,412	(2,505)
Sheriff	562,072	576,283	565,539	10,744
Incarceration	2,628,500	2,628,500	2,417,696	210,804
Community correction services	98,800	98,800	98,800	-
Community diversion services	58,800	58,800	54,708	4,092
Total judicial administration	<u>4,298,971</u>	<u>4,347,529</u>	<u>4,152,036</u>	<u>195,493</u>
Public safety:				
Bureau of police	3,491,256	3,776,537	3,669,579	106,958
Bureau of fire	2,837,364	2,963,143	2,928,702	34,441
Emergency preparedness	30,475	564,488	556,761	7,727
Communications	1,078,629	1,142,023	1,106,438	35,585
Total public safety	<u>7,437,724</u>	<u>8,446,191</u>	<u>8,261,480</u>	<u>184,711</u>
Public works:				
Adminstration	219,159	224,316	212,720	11,596
Horticultre	76,736	79,090	71,667	7,423
Engineering division	653,457	671,984	632,887	39,097
Street maintenance	1,166,000	1,382,150	1,228,992	153,158
Building maintenance	481,286	533,022	486,744	46,278
Fleet maintenance	262,896	268,427	261,218	7,209
Toal public works	<u>2,859,534</u>	<u>3,158,989</u>	<u>2,894,228</u>	<u>264,761</u>
Health and welfare:				
Health	172,509	172,509	172,864	(355)
Welfare	325,050	325,050	234,016	91,034
Comprehensive services	150,000	210,000	239,365	(29,365)
Total heath and welfare	<u>647,559</u>	<u>707,559</u>	<u>646,245</u>	<u>61,314</u>
Parks, recreation, and cultural:				
Parks and recreation	470,518	482,642	447,267	35,375
Parks and grounds	515,943	530,886	503,069	27,817
Agency on aging	256,624	361,960	269,044	92,916
Violet bank museum	83,734	97,265	84,038	13,227
Library	580,111	613,463	604,254	9,209
Recreation trips and classes	240,000	240,000	104,801	135,199
Total parks, recreation, and cultural	<u>2,146,930</u>	<u>2,326,216</u>	<u>2,012,473</u>	<u>313,743</u>

(Continued)

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures: (Continued)</b>				
Community development:				
Planning	\$ 169,140	\$ 188,504	\$ 164,526	\$ 23,978
Building inspections	206,664	210,377	203,817	6,560
Industrial development	87,000	87,000	97,536	(10,536)
Total community development	<u>462,804</u>	<u>485,881</u>	<u>465,879</u>	<u>20,002</u>
Education:				
Payments to School Board	18,908,934	18,908,934	18,996,933	(87,999)
Grants:				
Office of youth	131,788	146,523	140,330	6,193
Better beginnings	2,600	2,600	2,614	(14)
Juvenile crime	107,745	109,661	117,504	(7,843)
Victim witness	71,214	73,244	65,567	7,677
CDBG	-	78,399	78,399	-
Kids after school program	28,075	28,783	29,542	(759)
Total grants	<u>341,422</u>	<u>439,210</u>	<u>433,956</u>	<u>5,254</u>
Nondepartmental:				
Contributions and subsidies	204,771	204,771	193,349	11,422
Contingencies and miscellaneous	364,900	296,148	167,841	128,307
Total nondepartmental	<u>569,671</u>	<u>500,919</u>	<u>361,190</u>	<u>139,729</u>
Debt service:				
Principal retirement	2,028,330	2,028,330	2,028,330	-
Interest and fiscal charges	804,862	1,116,969	788,734	328,235
Bond issuance costs	10,000	10,000	311,693	(301,693)
Total debt service	<u>2,843,192</u>	<u>3,155,299</u>	<u>3,128,757</u>	<u>26,542</u>
Total expenditures	<u>48,139,550</u>	<u>50,031,897</u>	<u>48,913,937</u>	<u>1,117,960</u>
Excess of revenues over (under) expenditures	<u>247,118</u>	<u>(519,445)</u>	<u>1,020,917</u>	<u>1,540,362</u>
Other financing source (uses):				
Proceeds from long-term debt	-	4,282,107	4,281,693	(414)
Payment to refunded bond escrow agent	-	(3,970,000)	(3,970,000)	-
Transfers out	(135,000)	(446,197)	(446,197)	-
Total other financing sources (uses)	<u>(135,000)</u>	<u>(134,090)</u>	<u>(134,504)</u>	<u>(414)</u>
Net change in fund balance	<u>\$ 112,118</u>	<u>\$ (653,535)</u>	<u>\$ 886,413</u>	<u>\$ 1,539,948</u>



## **OTHER SUPPLEMENTARY INFORMATION**

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**CITY OF COLONIAL HEIGHTS, VIRGINIA**  
**COMBINING STATEMENT OF NET ASSETS**  
**NONMAJOR PROPRIETARY FUNDS**  
**June 30, 2012**

	<u>Solid Waste</u>	<u>Storm Water Management</u>	<u>Totals</u>
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 62,897	\$ 123,039	\$ 185,936
Receivables, net	199,374	67,601	266,975
Total current assets	<u>262,271</u>	<u>190,640</u>	<u>452,911</u>
Noncurrent assets:			
Capital assets, net	7,482	166,259	173,741
Total assets	<u>269,753</u>	<u>356,899</u>	<u>626,652</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	5,514	39	5,553
Accrued liabilities	260	3,787	4,047
Compensated absences	-	1,178	1,178
Debt obligations, current	-	41,933	41,933
Total current liabilities	<u>5,774</u>	<u>46,937</u>	<u>52,711</u>
Noncurrent liabilities:			
Compensated absences	-	4,024	4,024
Other post-employment benefits	-	5,255	5,255
Debt obligations	-	32,557	32,557
Total noncurrent liabilities	<u>-</u>	<u>41,836</u>	<u>41,836</u>
Total liabilities	<u>5,774</u>	<u>88,773</u>	<u>94,547</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	7,482	91,769	99,251
Unrestricted	256,497	176,357	432,854
Total net assets	<u>\$ 263,979</u>	<u>\$ 268,126</u>	<u>\$ 532,105</u>

**CITY OF COLONIAL HEIGHTS, VIRGINIA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN FUND NET ASSETS**  
**NONMAJOR PROPRIETARY FUNDS**  
**Year Ended June 30, 2012**

	<u>Solid Waste</u>	<u>Storm Water Management</u>	<u>Totals</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 1,126,754	\$ 374,357	\$ 1,501,111
Penalties	16,546	3,619	20,165
Total operating revenues	<u>1,143,300</u>	<u>377,976</u>	<u>1,521,276</u>
<b>OPERATING EXPENSES</b>			
Personnel	7,200	113,612	120,812
Fringe benefits	561	1,585	2,146
Repairs and maintenance	-	1,343	1,343
Materials and supplies	4,612	6,027	10,639
Contracted collection services	1,083,192	-	1,083,192
Depreciation and amortization	534	22,112	22,646
Other charges	129,935	109,463	239,398
Total operating expenses	<u>1,226,034</u>	<u>254,142</u>	<u>1,480,176</u>
Operating income (loss)	<u>(82,734)</u>	<u>123,834</u>	<u>41,100</u>
<b>NONOPERATING EXPENSE</b>			
Interest expense	-	(3,972)	(3,972)
Total nonoperating expense	<u>-</u>	<u>(3,972)</u>	<u>(3,972)</u>
Nonoperating income (loss) before transfers	(82,734)	119,862	37,128
<b>TRANSFERS IN</b>	<u>80,000</u>	<u>-</u>	<u>80,000</u>
Change in net assets	(2,734)	119,862	117,128
<b>NET ASSETS AT JULY 1</b>	<u>266,713</u>	<u>148,264</u>	<u>414,977</u>
<b>NET ASSETS AT JUNE 30</b>	<u>\$ 263,979</u>	<u>\$ 268,126</u>	<u>\$ 532,105</u>

**CITY OF COLONIAL HEIGHTS, VIRGINIA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR PROPRIETARY FUNDS**  
**Year Ended June 30, 2012**

	<u>Solid Waste</u>	<u>Storm Water Management</u>	<u>Totals</u>
<b>OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 1,139,840	\$ 375,948	\$ 1,515,788
Payments to suppliers	(1,221,237)	(118,461)	(1,339,698)
Payments to employees	(7,718)	(112,097)	(119,815)
Net cash provided by (used in) operating activities	<u>(89,115)</u>	<u>145,390</u>	<u>56,275</u>
<b>NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers in (out)	<u>80,000</u>	<u>-</u>	<u>80,000</u>
Net cash provided by (used in) noncapital financing activities	<u>80,000</u>	<u>-</u>	<u>80,000</u>
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Principal paid	-	(40,305)	(40,305)
Interest paid	-	(3,972)	(3,972)
Net cash used in capital and related financing activities	<u>-</u>	<u>(44,277)</u>	<u>(44,277)</u>
Net increase (decrease) in cash and cash equivalents	(9,115)	101,113	91,998
<b>CASH AND CASH EQUIVALENTS</b>			
Beginning	<u>72,012</u>	<u>21,926</u>	<u>93,938</u>
Ending	<u>\$ 62,897</u>	<u>\$ 123,039</u>	<u>\$ 185,936</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ (82,734)	\$ 123,834	\$ 41,100
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	534	22,112	22,646
Change in assets and liabilities:			
(Increase) decrease in:			
Receivables, net	(3,460)	(2,028)	(5,488)
Increase (decrease) in:			
Accounts payable, accrued liabilities, and OPEB	(3,455)	601	(2,854)
Compensated absences	-	871	871
Net cash provided by (used in) operating activities	<u>\$ (89,115)</u>	<u>\$ 145,390</u>	<u>\$ 56,275</u>

**CITY OF COLONIAL HEIGHTS, VIRGINIA**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**BALANCE SHEET - GOVERNMENTAL FUND**  
**June 30, 2012**

	<u>School Operating Fund</u>
<b>ASSETS</b>	
Cash and investments	\$ 4,797,823
Due from other governments	2,203,129
Due from primary government	87,999
Inventories	33,245
Prepays	279
Total assets	<u>\$ 7,122,475</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 98,032
Accrued liabilities	2,945,196
Deferred revenue	16,880
Total liabilities	<u>3,060,108</u>
<b>FUND BALANCE</b>	
Nonspendable	33,524
Committed	1,131,634
Assigned	2,897,209
Total fund balance	<u>4,062,367</u>
Total liabilities and fund balance	<u>\$ 7,122,475</u>
 <b>Adjustments for the Statement of Net Assets (Exhibit 1):</b>	
<b>Total fund balance</b>	<b>\$ 4,062,367</b>
Amounts reported for the School Board's governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	
Governmental capital assets	\$ 35,907,672
Less: accumulated depreciation and amortization	<u>(16,034,011)</u>
Net capital assets	19,873,661
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	
Compensated absences	(756,488)
Other post-employment benefits	<u>(1,320,629)</u>
Net assets of the School Board's governmental activities	<u>(2,077,117)</u>
	<u>\$ 21,858,911</u>

**CITY OF COLONIAL HEIGHTS, VIRGINIA**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGE IN FUND BALANCE - GOVERNMENTAL FUND**  
**Year Ended June 30, 2012**

	<u>School Operating Fund</u>
<b>REVENUES</b>	
Charges for services	\$ 409,019
Use of money and property	434
Miscellaneous	341,305
Payments from City	18,996,933
Intergovernmental	<u>14,838,115</u>
Total revenue	<u>34,585,806</u>
<b>EXPENDITURES</b>	
Education:	
Administrative	1,638,670
Instruction	25,364,153
School plant	3,216,518
Transportation	778,502
Food service	996,317
Purchase of textbooks	168,174
Property, plant, and equipment	1,808,133
Reimbursement to City	315,449
Capital outlay	<u>419,746</u>
Total expenditures	<u>34,705,662</u>
Net change in fund balance	(119,856)
<b>FUND BALANCE AT JULY 1</b>	<u>4,182,223</u>
<b>FUND BALANCE AT JUNE 30</b>	<u><u>\$ 4,062,367</u></u>
<b>Reconciliation to the Statement of Activities (Exhibit 2):</b>	
<b>Net change in fund balance</b>	\$ (119,856)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which depreciation and amortization were more than capital outlays in the current period.</p>	
Expenditures for capital assets	\$ 1,550,915
Less: depreciation and amortization	<u>(848,175)</u>
Excess of capital outlays over depreciation and amortization	702,740
<p>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.</p>	
Compensated absences	36,152
Other post-employment benefits	<u>(337,718)</u>
	<u>(301,566)</u>
<b>Change in net assets of governmental activities</b>	<u><u>\$ 281,318</u></u>

## CITY OF COLONIAL HEIGHTS, VIRGINIA

**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE**  
**IN FUND BALANCE - BUDGET AND ACTUAL - SCHOOL OPERATING FUND**  
**Year Ended June 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Revenue from local sources:				
Charges for services:				
Cafeteria	\$ 445,092	\$ 409,019	\$ 409,019	\$ -
Use of money and property:				
Interest on investments	5,125	434	434	-
Miscellaneous	196,471	341,305	341,305	-
Payments from City	18,908,934	18,996,934	18,996,933	(1)
Total revenue from local sources	<u>19,555,622</u>	<u>19,747,692</u>	<u>19,747,691</u>	<u>(1)</u>
Intergovernmental:				
Revenue from the Commonwealth of Virginia:				
Categorical aid:				
Basic school aid	6,530,455	6,504,918	6,504,918	-
State sales tax	2,633,789	2,644,122	2,644,122	-
Other	3,327,700	3,278,662	3,278,662	-
	<u>12,491,944</u>	<u>12,427,702</u>	<u>12,427,702</u>	<u>-</u>
Revenue from the federal government:				
Categorical aid:				
Title I Grant	271,554	367,042	367,042	-
Title VI B Grant	568,116	734,398	734,398	-
State Fiscal Stabilization Fund Grant	551,909	560,384	560,384	-
Other	595,385	696,057	748,589	52,532
	<u>1,986,964</u>	<u>2,357,881</u>	<u>2,410,413</u>	<u>52,532</u>
Total intergovernmental	<u>14,478,908</u>	<u>14,785,583</u>	<u>14,838,115</u>	<u>52,532</u>
Total revenues	<u>34,034,530</u>	<u>34,533,275</u>	<u>34,585,806</u>	<u>52,531</u>
<b>EXPENDITURES</b>				
Education:				
Administration	1,550,163	1,641,936	1,638,670	3,266
Instruction	25,720,339	25,396,556	25,364,153	32,403
School plant	3,351,023	3,225,547	3,216,518	9,029
Transportation	737,519	778,502	778,502	-
Food service	894,337	949,898	996,317	(46,419)
Purchase of textbooks	203,666	168,647	168,174	473
Property, plant, and equipment	1,397,063	1,988,999	1,808,133	180,866
Contingencies	657,534	936,855	-	936,855
Reimbursement to City	302,000	315,449	315,449	-
Capital outlay	174,706	84,706	419,746	(335,040)
Total expenditures	<u>34,988,350</u>	<u>35,487,095</u>	<u>34,705,662</u>	<u>781,433</u>
Net change in fund balance	<u>\$ (953,820)</u>	<u>\$ (953,820)</u>	<u>\$ (119,856)</u>	<u>\$ 833,964</u>

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## **SUPPORTING SCHEDULE**

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## CITY OF COLONIAL HEIGHTS, VIRGINIA

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2012

Federal Granting Agency/Recipient State Agency/Grant Program	Federal CFDA Number	Federal Expenditures
<b>U.S. Department of Agriculture</b>		
Pass-through payments:		
Commonwealth of Virginia Department of Agriculture and Consumer Services		
National School Lunch Program	10.555	\$ 408,887
National School Lunch Program - Commodities	10.555	52,532
School Breakfast Program	10.553	109,293
Total U.S. Department of Agriculture		<u>570,712</u>
<b>U.S. Department of Housing and Urban Development</b>		
Direct payments:		
Community Development Block Grants/Entitlement Grants	14.218	78,399
Total U.S. Department of Housing and Urban Development		<u>78,399</u>
<b>U.S. Department of Justice</b>		
Pass-through payments:		
Department of Criminal Justice Services		
Crime Victim Assistance	16.575	54,645
Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories	16.738	7,845
Total U.S. Department of Justice		<u>62,490</u>
<b>U.S. Department of Transportation</b>		
Pass-through payments:		
National Highway Traffic Safety Administration		
State and Community Highway Safety	20.600	5,000
Alcohol Open Container Requirements	20.607	20,631
Federal Highway Administration		
Highway Planning and Construction	20.205	2,182,643
Total U.S. Department of Transportation		<u>2,208,274</u>
<b>U.S. Department of Education</b>		
Direct payments:		
Impact Aid	84.041	22,101
Pass-through payments:		
Commonwealth of Virginia Department of Education:		
Title I, Part A Cluster		
Title I - Grants to Local Educational Agencies	84.010	345,673
ARRA - Title I - Grants to States	84.389	21,369
Special Education Cluster (IDEA)		
Special Education - Grants to States	84.027	612,616
Special Education - Preschool Grants	84.173	14,309
ARRA - Special Education Grants to States	84.391	107,473
English Language Acquisition Grants	84.365	14,534
Improving Teacher Quality State Grants	84.367	96,165
Education Technology State Grants	84.318	1,883
Vocational Education - Basic Grants to States	84.048	43,193
ARRA - Education Jobs Fund	84.410	560,384
Total U.S. Department of Education		<u>1,839,700</u>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2012

Federal Granting Agency/Recipient State Agency/ Program	Grant	Federal CFDA Number	Federal Expenditures
<b>U.S. Department of Homeland Security:</b>			
Pass-through Payments:			
Department of Emergency Management:			
Non-Profit Security Program		97.008	\$ 42,798
Emergency Management Performance Grant		97.042	5,000
Disaster Grants - Public Assistance (Presidentially Declared Disasters)		97.036	<u>478,359</u>
Total U.S. Department of Homeland Security			<u>526,157</u>
Total Expenditures of Federal Awards			<u><u>\$ 5,285,732</u></u>

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2012**

**Note. 1. Basis of Presentation**

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

The information presented in this Schedule is presented in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the City's CAFR.

**Note. 2. Non-Cash Assistance**

The City of Colonial Heights participated in the National School Lunch Program, CFDA Number 10.555, which provides non-cash benefits. The accompanying Schedule of Expenditure of Federal Awards includes commodity distributions of \$52,532 from the National School Lunch Program.

# STATISTICAL SECTION

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

<b><u>Contents</u></b>	<b><u>Table</u></b>
<b>Financial Trends</b> These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	<b>1-4</b>
<b>Revenue Capacity</b> These tables contain information to help the reader assess the factors affecting the City's ability to generate its property taxes and utility revenues.	<b>5-10</b>
<b>Debt Capacity</b> These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	<b>11-12</b>
<b>Demographic and Economic Information</b> These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparison over time and with other governments.	<b>13-14</b>
<b>Operating Information</b> These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	<b>15-16</b>

**Sources:** Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB Statement No. 34 in 2003; schedules presenting government-wide information include information beginning in that year.

TABLE 1

## CITY OF COLONIAL HEIGHTS, VIRGINIA

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

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Governmental activities</b>										
Invested in capital assets, net of related debt	\$ 22,707,728	\$ 18,555,807	\$ 21,261,760	\$ 29,035,677	\$ 29,309,034	\$ 22,517,214	\$ 21,868,903	\$ 16,361,860	\$ 22,362,069	\$ 20,640,833
Restricted	-	-	-	-	-	-	-	3,750,571	2,307,079	4,127,313
Unrestricted	7,850,461	8,899,613	6,429,655	(1,362,767)	(678,937)	9,554,692	7,078,261	8,096,607	13,198,259	12,065,070
Total governmental activities net assets	<u>\$ 30,558,189</u>	<u>\$ 27,455,420</u>	<u>\$ 27,691,415</u>	<u>\$ 27,672,910</u>	<u>\$ 28,630,097</u>	<u>\$ 32,071,906</u>	<u>\$ 28,947,164</u>	<u>\$ 28,209,038</u>	<u>\$ 37,867,407</u>	<u>\$ 36,833,216</u>
<b>Business-type activities</b>										
Invested in capital assets, net of related debt	\$ 11,418,325	\$ 11,273,727	\$ 9,712,661	\$ 9,348,617	\$ 9,162,549	\$ 9,177,810	\$ 8,966,789	\$ 9,422,984	\$ 9,320,759	\$ 6,079,996
Restricted	364,421	364,421	-	-	-	-	-	-	-	-
Unrestricted	331,577	417,781	164,831	674,952	641,715	810,543	992,359	261,242	164,326	3,126,722
Total business-type activities net assets	<u>\$ 12,114,323</u>	<u>\$ 12,055,929</u>	<u>\$ 9,877,492</u>	<u>\$ 10,023,569</u>	<u>\$ 9,804,264</u>	<u>\$ 9,988,353</u>	<u>\$ 9,959,148</u>	<u>\$ 9,684,226</u>	<u>\$ 9,485,085</u>	<u>\$ 9,206,718</u>
<b>Primary government</b>										
Invested in capital assets, net of related debt	\$ 34,126,053	\$ 29,829,534	\$ 30,974,421	\$ 38,384,294	\$ 38,471,583	\$ 31,695,024	\$ 30,835,692	\$ 25,784,844	\$ 31,682,828	\$ 26,720,829
Restricted	364,421	364,421	-	-	-	-	-	3,750,571	2,307,079	4,127,313
Unrestricted	8,182,038	9,317,394	6,594,486	(687,815)	(37,222)	10,365,235	8,070,620	8,357,849	13,362,585	15,191,792
Total primary government net assets	<u>\$ 42,672,512</u>	<u>\$ 39,511,349</u>	<u>\$ 37,568,907</u>	<u>\$ 37,696,479</u>	<u>\$ 38,434,361</u>	<u>\$ 42,060,259</u>	<u>\$ 38,906,312</u>	<u>\$ 37,893,264</u>	<u>\$ 47,352,492</u>	<u>\$ 46,039,934</u>
<b>School Board</b>										
Invested in capital assets, net of related debt	\$ 19,873,661	\$ 19,170,921	\$ 17,508,207	\$ 18,513,205	\$ 14,734,444	\$ 11,110,058	\$ 10,762,746	\$ 10,907,129	\$ 8,219,461	\$ 8,080,974
Restricted	-	-	-	-	-	-	-	1,389,137	1,285,539	1,035,051
Unrestricted	1,985,250	2,406,683	2,104,270	1,877,210	3,275,955	1,390,118	(399,777)	(1,997,775)	(1,809,782)	(1,835,312)
Total component unit net assets	<u>\$ 21,858,911</u>	<u>\$ 21,577,604</u>	<u>\$ 19,612,477</u>	<u>\$ 20,390,415</u>	<u>\$ 18,010,399</u>	<u>\$ 12,500,176</u>	<u>\$ 10,362,969</u>	<u>\$ 10,298,491</u>	<u>\$ 7,695,218</u>	<u>\$ 7,280,713</u>
<b>Total reporting entity</b>										
Invested in capital assets, net of related debt	\$ 46,754,260	\$ 41,320,933	\$ 40,380,353	\$ 48,108,917	\$ 43,763,749	\$ 40,503,216	\$ 38,942,429	\$ 36,691,973	\$ 39,902,289	\$ 34,801,803
Restricted	364,421	364,421	-	-	-	-	-	5,139,708	3,592,618	5,162,364
Unrestricted	17,412,742	19,403,599	16,801,031	9,977,977	12,681,011	14,057,219	10,326,852	6,360,074	11,552,803	13,356,480
Total reporting entity	<u>\$ 64,531,423</u>	<u>\$ 61,088,953</u>	<u>\$ 57,181,384</u>	<u>\$ 58,086,894</u>	<u>\$ 56,444,760</u>	<u>\$ 54,560,435</u>	<u>\$ 49,269,281</u>	<u>\$ 48,191,755</u>	<u>\$ 55,047,710</u>	<u>\$ 53,320,647</u>

**Notes:**

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

TABLE 2

CITY OF COLONIAL HEIGHTS, VIRGINIA

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

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Expenses</b>										
<b>Governmental activities</b>										
General government	\$ 8,430,859	\$ 8,252,642	\$ 8,420,688	\$ 8,075,559	\$ 7,617,133	\$ 6,631,282	\$ 6,389,754	\$ 7,321,447	\$ 4,852,767	\$ 4,574,346
Judicial administration	4,185,393	4,784,397	4,622,336	4,453,918	4,401,401	3,758,743	3,618,242	3,755,313	3,514,009	3,381,683
Public safety	8,862,843	8,132,209	8,157,263	8,007,156	7,446,556	6,603,707	6,611,272	5,972,139	7,140,873	5,349,513
Public works	4,204,531	4,093,809	4,644,140	3,675,598	3,650,407	3,488,051	3,705,174	4,791,051	4,162,560	6,351,670
Health and welfare	650,043	564,251	511,097	593,946	716,096	905,641	727,289	571,565	491,837	518,825
Parks, recreation, and cultural	2,262,706	2,332,036	2,420,733	2,450,217	2,350,085	1,755,411	2,049,025	600,181	1,778,567	1,830,344
Community development	468,981	465,764	613,699	571,243	580,574	575,426	367,863	301,989	349,923	255,761
Education	18,996,933	19,405,770	18,598,070	20,202,607	23,330,795	16,738,368	15,886,549	15,451,926	14,372,467	13,966,901
Interest	940,076	846,625	996,773	1,181,785	1,136,041	911,350	972,251	790,506	773,455	843,306
Grants	-	-	-	-	-	-	-	296,790	281,149	276,981
Nondepartmental	-	-	-	-	-	-	-	355,625	469,497	277,755
Total governmental activities	49,002,365	48,877,503	48,984,799	49,212,029	51,229,088	41,367,979	40,327,419	40,208,532	38,187,104	37,627,085
<b>Business-type activities</b>										
Water and Sewer	-	-	-	-	-	3,962,952	3,999,152	3,708,566	3,757,669	3,627,421
Water	1,599,243	1,599,110	1,692,407	1,625,950	1,610,037	-	-	-	-	-
Sewer	2,687,436	2,142,288	2,863,099	2,903,274	2,772,254	-	-	-	-	-
Solid Waste	1,226,034	1,192,142	1,174,794	1,145,197	1,263,794	1,292,339	1,196,750	-	-	-
Storm water management	258,114	231,702	229,545	243,483	-	-	-	-	-	-
Total business-type activities expense	5,770,827	5,165,242	5,959,845	5,917,904	5,646,085	5,255,291	5,195,902	3,708,566	3,757,669	3,627,421
Total primary government expenses	54,773,192	54,042,745	54,944,644	55,129,933	56,875,173	46,623,270	45,523,321	43,917,098	41,944,773	41,254,506
<b>Program revenues</b>										
<b>Governmental activities</b>										
Charges for services								585,869	560,130	555,321
Refuse collection	-	-	-	-	-	-	-	-	-	-
Parks and recreation	150,502	247,439	336,773	254,040	285,497	234,477	290,542	208,188	132,109	162,554
Other activities	5,313,067	5,235,500	5,125,656	5,234,826	5,001,743	5,068,830	1,074,769	1,035,840	1,110,040	653,784
Operating grants and contributions	5,418,602	4,836,631	5,102,144	5,487,211	5,472,945	4,732,453	4,587,798	5,801,543	4,643,676	4,753,488
Capital grants and contributions	2,809,970	941,115	1,320,778	151,333	-	-	190,254	720,042	-	200,000
Total governmental activities program revenues	13,692,141	11,260,685	11,885,351	11,127,410	10,760,185	10,035,760	6,143,363	8,351,482	6,445,955	6,325,147
<b>Business-type activities</b>										
Charges for services										
Water and sewer	-	-	-	-	-	3,842,186	3,751,822	3,877,189	4,021,033	3,681,958
Water	1,531,079	1,553,670	1,640,431	1,769,893	1,663,191	-	-	-	-	-
Sewer	2,696,866	2,675,820	2,740,934	2,892,816	2,523,737	-	-	-	-	-
Solid waste	1,143,300	1,118,569	1,096,627	1,070,028	1,061,581	1,042,343	816,533	-	-	-
Storm water management	377,976	257,563	-	-	-	-	-	-	-	-
Total business-type activities program revenues	5,749,221	5,605,622	5,477,992	5,732,737	5,248,509	4,884,529	4,568,355	3,877,189	4,021,033	3,681,958
Total primary government program revenues	19,441,362	16,866,307	17,363,343	16,860,147	16,008,694	14,920,289	10,711,718	12,228,671	10,466,988	10,007,105

(Continued)

**TABLE 2**  
**(Continued)**

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

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

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Net (expense) revenue</b>										
Governmental activities	\$ (35,310,224)	\$ (37,616,818)	\$ (37,099,448)	\$ (38,084,619)	\$ (40,468,903)	\$ (31,332,219)	\$ (34,184,056)	\$ (31,857,050)	\$ (31,741,149)	\$ (31,301,938)
Business-type activities	(21,606)	440,380	(481,853)	(185,167)	(397,576)	(370,762)	(627,547)	168,623	263,364	54,537
Total primary government net expense	<u>(35,331,830)</u>	<u>(37,176,438)</u>	<u>(37,581,301)</u>	<u>(38,269,786)</u>	<u>(40,866,479)</u>	<u>(31,702,981)</u>	<u>(34,811,603)</u>	<u>(31,688,427)</u>	<u>(31,477,785)</u>	<u>(31,247,401)</u>
<b>General Revenues and Other Changes in Net Assets</b>										
<b>Assets</b>										
<b>Governmental activities:</b>										
Taxes										
General property taxes	20,829,561	20,545,422	21,409,820	21,101,105	20,292,300	18,259,813	16,437,184	12,933,385	12,559,770	13,517,774
Local sales and use	7,066,137	6,662,265	6,687,050	6,998,818	7,247,183	7,350,271	7,027,037	6,664,763	6,567,401	5,890,153
Food and lodging	6,338,213	5,509,401	5,105,057	4,813,420	4,622,383	4,335,522	4,241,906	3,682,747	3,416,835	3,099,756
Other taxes	2,183,334	2,288,483	2,151,134	2,097,530	2,211,189	1,983,102	2,017,427	4,980,434	4,594,719	3,315,429
Intergovernmental, non-categorical aid	1,757,530	1,757,878	1,856,496	1,871,849	1,777,424	1,868,699	4,884,469	4,728,775	5,479,791	4,048,833
Use of money and property	194,826	158,013	47,549	175,942	713,779	692,864	461,199	124,939	125,024	114,649
Miscellaneous	123,392	669,645	195,415	465,376	364,836	334,807	355,460	3,785	31,800	3,078
Transfers	(80,000)	(108,566)	(334,568)	(396,608)	(202,000)	(368,118)	(502,500)	-	-	-
Total governmental activities	<u>38,412,993</u>	<u>37,482,541</u>	<u>37,117,953</u>	<u>37,127,432</u>	<u>37,027,094</u>	<u>34,456,960</u>	<u>34,922,182</u>	<u>33,118,828</u>	<u>32,775,340</u>	<u>29,989,672</u>
<b>Business-type activities:</b>										
Use of money and property	-	238	1,208	7,864	11,217	31,849	48,233	26,155	9,655	12,089
Miscellaneous	-	5,190	-	-	-	-	351,736	4,363	5,348	5,023
Transfers	80,000	108,566	334,568	396,608	202,000	368,118	502,500	-	-	-
Total business-type activities	<u>80,000</u>	<u>113,994</u>	<u>335,776</u>	<u>404,472</u>	<u>213,217</u>	<u>399,967</u>	<u>902,469</u>	<u>30,518</u>	<u>15,003</u>	<u>17,112</u>
Total primary government	<u>38,492,993</u>	<u>37,596,535</u>	<u>37,453,729</u>	<u>37,531,904</u>	<u>37,240,311</u>	<u>34,856,927</u>	<u>35,824,651</u>	<u>33,149,346</u>	<u>32,790,343</u>	<u>30,006,784</u>
<b>Changes in Net Assets</b>										
Governmental activities	3,102,769	(134,277)	18,505	(957,187)	(3,441,809)	3,124,741	738,126	1,261,778	1,034,191	(1,312,266)
Business-type activities	58,394	554,374	(146,077)	219,305	(184,359)	29,205	274,922	199,141	278,367	71,649
Total primary government	<u>3,161,163</u>	<u>420,097</u>	<u>(127,572)</u>	<u>(737,882)</u>	<u>(3,626,168)</u>	<u>3,153,946</u>	<u>1,013,048</u>	<u>1,460,919</u>	<u>1,312,558</u>	<u>(1,240,617)</u>
<b>Component Unit:</b>										
Expenses:										
Education	34,304,488	33,698,131	34,245,957	34,453,393	33,178,764	29,636,769	28,907,895	27,386,942	24,756,429	23,741,514
Program revenues										
Charges for services	409,019	407,204	432,265	546,183	557,939	563,298	551,513	559,653	541,121	546,926
Operating grants and contributions	14,838,115	15,001,600	14,186,550	15,817,225	14,434,911	14,065,197	12,258,200	11,880,916	10,115,226	9,546,452
Total program revenues	<u>15,247,134</u>	<u>15,408,804</u>	<u>14,618,815</u>	<u>16,363,408</u>	<u>14,992,850</u>	<u>14,628,495</u>	<u>12,809,713</u>	<u>12,440,569</u>	<u>10,656,347</u>	<u>10,093,378</u>
Net expense	<u>(19,057,354)</u>	<u>(18,289,327)</u>	<u>(19,627,142)</u>	<u>(18,089,985)</u>	<u>(18,185,914)</u>	<u>(15,008,274)</u>	<u>(16,098,182)</u>	<u>(14,946,373)</u>	<u>(14,100,082)</u>	<u>(13,648,136)</u>
<b>General Revenues and Other Changes in Net Assets</b>										
Contribution from primary government	18,996,933	19,405,770	18,598,070	20,202,607	23,330,795	16,738,367	15,886,549	14,484,413	14,292,025	13,865,339
Use of money and property	434	2,477	2,885	12,036	97,462	283,982	70,338	22,084	7,948	16,543
Miscellaneous	341,305	278,643	248,429	255,358	267,880	123,132	205,773	218,320	214,614	178,593
Total general revenue	<u>19,338,672</u>	<u>19,686,890</u>	<u>18,849,384</u>	<u>20,470,001</u>	<u>23,696,137</u>	<u>17,145,481</u>	<u>16,162,660</u>	<u>14,724,817</u>	<u>14,514,587</u>	<u>14,060,475</u>
Total component unit change in net assets	<u>\$ 281,318</u>	<u>\$ 1,397,563</u>	<u>\$ (777,758)</u>	<u>\$ 2,380,016</u>	<u>\$ 5,510,223</u>	<u>\$ 2,137,207</u>	<u>\$ 64,478</u>	<u>\$ (221,556)</u>	<u>\$ 414,505</u>	<u>\$ 412,339</u>

**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.



**TABLE 3**

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

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

	<u>2012</u>	<u>2011</u>						
<b>Post-GASB 54 implementation:</b>								
General Fund								
Nonspendable	\$ 67,373	\$ 109,011						
Restricted	369,152	350,067						
Committed	484,422	592,493						
Assigned	873,226	680,712						
Unassigned	8,477,484	7,652,961						
Total general fund	<u>\$ 10,271,657</u>	<u>\$ 9,385,244</u>						
Capital Projects Fund								
Restricted	\$ 16,792,519	\$ -						
Committed	246,683	957,111						
Assigned	197,390	308,416						
Total capital projects fund	<u>\$ 17,236,592</u>	<u>\$ 1,265,527</u>						
<b>Pre-GASB 54 implementation:</b>								
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
General Fund								
Reserved	\$ 56,571	\$ 45,085	\$ 54,779	\$ 50,977	\$ 42,867	\$ 907,105	\$ 868,769	\$ 934,635
Unreserved:								
Designated	344,001	305,505	720,761	1,251,658	1,386,363	613,229	289,099	678,431
Undesignated	7,987,538	8,333,760	9,050,997	8,506,115	7,098,136	6,979,994	6,508,185	5,083,503
Total general fund	<u>\$ 8,388,110</u>	<u>\$ 8,684,350</u>	<u>\$ 9,826,537</u>	<u>\$ 9,808,750</u>	<u>\$ 8,527,366</u>	<u>\$ 8,500,328</u>	<u>\$ 7,666,053</u>	<u>\$ 6,696,569</u>
All Other Governmental Funds								
Reserved	\$ -	\$ -	\$ -	\$ -	\$ 2,229,837	\$ 1,149,211	\$ 1,623,941	\$ 1,844,780
Unreserved:								
Designated:								
Capital projects fund	1,213,975	2,864,837	612,818	610,283	844,134	544,626	-	890,307
Special revenue fund	-	-	-	-	-	-	-	-
Undesignated:								
Capital projects fund	1,305,091	758,371	5,208,410	(331,293)	477,883	-	(1,202,086)	-
Total all other governmental funds	<u>\$ 2,519,066</u>	<u>\$ 3,623,208</u>	<u>\$ 5,821,228</u>	<u>\$ 278,990</u>	<u>\$ 3,551,854</u>	<u>\$ 1,693,837</u>	<u>\$ 421,855</u>	<u>\$ 2,735,087</u>

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

## CITY OF COLONIAL HEIGHTS, VIRGINIA

## Changes in Fund Balances - Governmental Funds

## Last Ten Fiscal Years

(modified accrual basis of accounting)

(unaudited)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Revenues</b>										
General property taxes	\$ 21,405,217	\$ 21,374,974	\$ 21,159,849	\$ 20,897,171	\$ 19,766,717	\$ 32,274,076	\$ 30,234,997	\$ 28,261,329	\$ 26,919,287	\$ 25,595,706
Other local taxes	15,587,684	14,460,149	13,943,241	13,909,768	14,080,755	-	-	-	-	-
Permits, fees, and licenses	3,384,894	3,371,767	707,554	731,615	566,042	490,709	371,758	376,808	409,557	397,597
Fines and forfeitures	718,053	747,448	1,433,972	1,283,848	1,274,510	1,511,128	1,365,311	1,829,897	1,802,279	1,378,187
Charges for services	1,360,622	1,363,724	3,320,903	3,473,403	3,446,688	3,301,470	3,027,272	3,132,472	2,875,358	2,670,789
Use of money and property	194,826	158,013	47,549	175,942	713,779	692,864	461,199	139,710	137,520	185,782
Miscellaneous	123,392	669,645	7,690,484	6,627,145	6,572,855	6,601,152	6,244,696	6,116,070	6,549,877	5,375,715
Reimbursement from component unit	315,449	314,345	588,934	883,248	677,514	-	-	-	-	-
Intergovernmental	9,670,653	7,221,279	195,415	465,376	364,836	334,807	355,460	1,451,991	391,150	443,094
Total revenues	52,760,790	49,681,344	49,087,901	48,447,516	47,463,696	45,206,206	42,060,693	41,308,277	39,085,028	36,046,870
<b>Expenditures</b>										
General government	7,560,760	7,330,864	7,423,627	7,229,137	6,742,155	6,239,843	5,843,080	5,665,459	4,858,581	4,567,021
Judicial administration	4,152,036	4,745,029	4,541,636	4,346,342	4,250,944	3,721,203	3,436,278	3,747,335	3,485,152	3,375,299
Public safety	8,261,480	7,439,357	7,433,568	7,261,713	7,162,033	6,332,340	6,043,497	5,846,292	6,482,889	5,291,608
Public works	2,894,228	2,591,213	3,111,361	3,031,589	2,596,771	3,011,234	2,790,479	3,859,187	3,466,254	3,461,989
Health and welfare	646,245	560,453	507,299	590,148	712,298	729,275	687,192	567,767	495,984	529,610
Parks, recreation, and cultural	2,012,473	2,073,329	2,135,270	2,188,202	2,130,976	2,066,166	1,957,122	1,823,671	1,740,889	1,758,692
Community development	465,879	476,452	522,187	553,966	538,041	436,395	326,325	298,240	253,888	252,158
Education	18,996,933	19,405,770	18,598,070	20,202,607	23,330,795	16,738,367	15,886,549	14,554,047	13,810,518	13,458,676
Grants	433,956	509,570	397,630	435,331	406,310	482,590	353,295	292,285	281,149	277,377
Nondepartmental	361,190	366,238	258,062	279,042	467,976	283,190	286,130	355,625	361,514	274,717
Debt service:										
Principal retirement	2,028,330	1,968,712	2,185,490	6,082,877	1,672,927	1,678,558	2,325,414	1,823,295	1,665,094	1,324,012
Interest and fiscal charges	788,734	865,566	1,029,750	1,312,510	1,162,817	904,782	786,285	837,357	778,842	829,641
Bond issuance costs	311,693	-	-	-	-	-	-	3,000	3,000	48,614
Capital expenditures	6,230,285	1,496,630	2,430,048	1,847,651	527,628	1,975,789	6,232,656	3,627,702	2,998,913	2,357,980
Total expenditures	55,144,222	49,829,183	50,573,998	55,361,115	51,701,671	44,599,732	46,954,302	43,301,262	40,682,667	37,807,394
Excess of revenues over (under) expenditures	(2,383,432)	(147,839)	(1,486,097)	(6,913,599)	(4,237,975)	606,474	(4,893,609)	(1,992,985)	(1,597,639)	(1,760,524)
<b>Other Financing Sources (Uses)</b>										
Premium on issuance of debt	1,460,910	-	412,680	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	(3,970,000)	-	(7,267,779)	-	-	-	-	-	-	-
Issuance of debt	21,830,000	-	6,943,864	3,970,000	10,000,000	-	3,970,300	5,655,000	-	5,425,000
Transfers in	366,197	115,000	368,018	933,007	1,200,000	908,500	766,150	80,000	431,788	8,000
Transfers out	(446,197)	(223,566)	(371,068)	(1,329,615)	(1,402,000)	(1,276,618)	(1,268,650)	(80,000)	(431,788)	(8,000)
Total other financing sources (uses)	19,240,910	(108,566)	85,715	3,573,392	9,798,000	(368,118)	3,467,800	5,655,000	-	5,425,000
Net change in fund balances	\$ 16,857,478	\$ (256,405)	\$ (1,400,382)	\$ (3,340,207)	\$ 5,560,025	\$ 238,356	\$ (1,425,809)	\$ 3,662,015	\$ (1,597,639)	\$ 3,664,476

(Continued)

**TABLE 4  
(Continued)**

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>Debt service as a percentage of noncapital expenditures:</b>										
<b>Primary Government</b>										
Total debt service	\$ 2,817,064	\$ 2,834,278	\$ 3,215,240	\$ 7,395,387	\$ 2,835,744	\$ 2,583,340	\$ 3,111,699	\$ 2,660,652	\$ 2,443,936	\$ 2,153,653
Total expenditures	55,144,222	49,829,183	50,573,998	55,361,115	51,701,671	44,599,732	46,954,302	43,301,262	40,682,667	37,807,394
Capital expenditures	(6,843,873)	(1,772,395)	(2,289,455)	(3,265,514)	(1,518,495)	(4,353,934)	(6,703,133)	(3,226,624)	(3,099,812)	(1,216,776)
Non-capital expenditures	\$ 48,300,349	\$ 48,056,788	\$ 48,284,543	\$ 52,095,601	\$ 50,183,176	\$ 40,245,798	\$ 40,251,169	\$ 40,074,638	\$ 37,582,855	\$ 36,590,618
Debt service as a percentage of non-capital expenditures - primary government only	<u>5.83%</u>	<u>5.90%</u>	<u>6.66%</u>	<u>14.20%</u>	<u>5.65%</u>	<u>6.42%</u>	<u>7.73%</u>	<u>6.64%</u>	<u>6.50%</u>	<u>5.89%</u>
<b>School Board</b>										
School expenditures, excluding City contribution	\$ 15,708,729	\$ 15,565,764	\$ 15,267,683	\$ 17,417,113	\$ 13,672,606	\$ 14,468,036	\$ 13,021,346	\$ 12,513,816	\$ 10,717,984	\$ 10,290,762
Capital expenditures - Public Schools	(1,550,915)	(2,496,489)	(626,065)	(3,539,692)	(4,295,018)	(1,017,186)	(509,001)	(349,214)	(683,313)	(1,711,402)
Non-capital expenditures	\$ 14,157,814	\$ 13,069,275	\$ 14,641,618	\$ 13,877,421	\$ 9,377,588	\$ 13,450,850	\$ 12,512,345	\$ 12,164,602	\$ 10,034,671	\$ 8,579,360
Debt service as a percentage of non-capital expenditures - total reporting entity	<u>4.51%</u>	<u>4.64%</u>	<u>5.11%</u>	<u>11.21%</u>	<u>4.76%</u>	<u>4.81%</u>	<u>5.90%</u>	<u>5.09%</u>	<u>5.13%</u>	<u>4.77%</u>

**Notes:**

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

TABLE 5

## CITY OF COLONIAL HEIGHTS, VIRGINIA

**SCHEDULE OF REVENUES, RESOURCES, EXPENDITURES, CONTRACT COMMITMENTS  
AND UNOBLIGATED BALANCE  
Year Ended June 30, 2012  
(Unaudited)**

	Revenues and Resources					Expenditures and Contract Commitments			
	Prior Years	Current	Transfers In/(Out)	Uncollected Future	Revised Budget	Prior Years	Current	Contract Commitment	Unobligated Balance
<b>General Government:</b>									
Allocable to Incomplete Projects:									
Beautification committee/tourism	\$ 147,213	\$ -	\$ -	\$ 5,360	\$ 152,573	\$ 133,743	\$ -	\$ -	\$ 18,830
Courts building	590,000	18,455,414	-	-	19,045,414	710,921	1,828,748	14,748,911	1,756,834
Boulevard redevelopment	360,000	-	-	-	360,000	330,763	29,274	-	(37)
Fire apparatus	-	865,000	35,000	-	900,000	-	897,948	-	2,052
Ambulance Replacement	-	-	111,025	107,500	218,525	-	-	216,525	2,000
Total General Government	<u>1,097,213</u>	<u>19,320,414</u>	<u>146,025</u>	<u>112,860</u>	<u>20,676,512</u>	<u>1,175,427</u>	<u>2,755,970</u>	<u>14,965,436</u>	<u>1,779,679</u>
<b>Recreational Facilities</b>									
Allocable to Incomplete Projects:									
Facilities master plan	205,000	-	-	-	205,000	147,762	-	-	57,238
Appomattox river greenway	307,852	147,705	-	447,795	903,352	265,672	299,738	29,025	308,917
Total Recreational Facilities	<u>512,852</u>	<u>147,705</u>	<u>-</u>	<u>447,795</u>	<u>1,108,352</u>	<u>413,434</u>	<u>299,738</u>	<u>29,025</u>	<u>366,155</u>
<b>Educational Facilities:</b>									
Allocable to Complete Projects:									
Transfer to School CIP Program	7,500,000	-	-	-	7,500,000	7,500,000	-	-	-
Total Educational Facilities	<u>7,500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,500,000</u>	<u>7,500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Streets and Bridges:</b>									
Allocable to Incomplete Projects:									
Safe routes to school	17,600	264,000	-	40,948	322,548	17,600	264,000	-	40,948
Redevelopment project	53,292	-	-	-	53,292	33,123	-	-	20,169
Highway construction - local share	12,561	-	-	-	12,561	-	-	-	12,561
Bruce Avenue drainage	2,878,586	-	-	-	2,878,586	2,618,904	(1,821)	8,476	253,027
Boulevard widening	701,333	206,334	-	6,666	914,333	700,894	-	-	213,439
Boulevard matching grant	159,721	-	-	-	159,721	44,475	245,700	1,472	(131,926)
Signal coordination temple/sher	340,972	-	-	122,865	463,837	463,163	309	-	(1,635)
Paving Southpark ARRA	527,413	-	-	158,657	686,070	527,413	-	-	158,657
Blvd modernization Dupuy intersectio	2,032,931	1,801,183	-	1,542,784	5,376,898	1,062,248	2,090,193	97,924	2,126,533
Traffic signal - Dimmock Parkway	133,256	88,369	-	33,375	255,000	25,185	177,071	-	52,744
Temple Avenue turning lane	-	-	-	-	-	-	16,285	-	(16,285)
Southpark & Dimmock	-	158,314	-	18,903	177,217	-	158,314	-	18,903
Dupuy Avenue modernization	-	144,722	-	5,278	150,000	-	144,722	5,278	-
Laveview Ave Modernization	-	54,343	-	95,657	150,000	-	79,805	70,195	-
Total Streets and Bridges	<u>6,857,665</u>	<u>2,717,265</u>	<u>-</u>	<u>2,025,133</u>	<u>11,600,063</u>	<u>5,495,005</u>	<u>3,174,578</u>	<u>183,345</u>	<u>2,747,135</u>
Non-project related	-	15,966	(146,025)	-	-	-	-	-	-
Total Projects	<u>\$ 15,967,730</u>	<u>\$ 22,201,350</u>	<u>\$ -</u>	<u>\$ 2,585,788</u>	<u>\$ 40,884,927</u>	<u>\$ 14,583,866</u>	<u>\$ 6,230,286</u>	<u>\$ 15,177,806</u>	<u>\$ 4,892,969</u>

CITY OF COLONIAL HEIGHTS, VIRGINIA

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

Fiscal Year	Real Property			Public Service**	Public Safety	Total Taxable Assessed Value	Total Direct Tax Rate	Actual Taxable Value	Value as a Percentage of Assessed Value
	Residential Property*	Multi-Family Property	Commercial Property						
2012	\$ 971,122,700	\$ 95,265,700	\$ 551,009,900	\$ 34,468,630	\$ -	\$ 1,651,866,930	\$ 2.44	\$ 1,651,866,930	100.00%
2011	1,033,929,400	96,926,200	552,194,300	32,922,680	-	1,715,972,580	2.44	1,715,972,580	100.00
2010	1,031,967,800	96,461,100	549,782,600	29,896,895	-	1,708,108,395	2.44	1,708,108,395	100.00
2009	1,029,811,100	97,597,000	546,792,700	28,481,719	-	1,702,682,519	2.44	1,702,682,519	100.00
2008	1,025,744,200	97,651,400	530,801,900	26,781,992	-	1,680,979,492	2.44	1,680,979,492	100.00
2007	829,706,600	85,303,900	462,662,600	28,857,670	-	1,406,530,770	2.60	1,406,530,770	100.00
2006	814,763,800	85,367,800	445,687,100	28,182,168	-	1,374,000,868	3.26	1,374,000,868	100.00
2005	693,044,400	42,963,900	399,365,900	30,383,492	3,457,900	1,169,215,592	2.64	1,169,215,592	100.00
2004	681,053,100	42,963,900	384,550,700	31,003,999	3,457,900	1,143,029,599	2.64	1,143,029,599	100.00
2003	683,159,900	38,005,200	346,457,300	32,250,270	3,457,900	1,103,330,570	2.64	1,103,330,570	100.00

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

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

## CITY OF COLONIAL HEIGHTS, VIRGINIA

**DIRECT PROPERTY TAX RATES**  
**Last Ten Calendar Years**  
**(rate per \$100 of assessed value)**  
 (unaudited)

Year	Real Estate	Public Service	Public Safety	Total Direct Rate
2012	1.10	1.10	0.24	2.44
2011	1.10	1.10	0.24	2.44
2010	1.10	1.10	0.24	2.44
2009	1.10	1.10	0.24	2.44
2008	1.10	1.10	0.24	2.44
2007	1.18	1.18	0.24	2.60
2006	1.18	1.18	0.24	2.60
2005	1.20	1.18	0.24	2.62
2004	1.20	1.20	0.24	2.64
2003	1.20	1.20	0.24	2.64

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

TABLE 8

## CITY OF COLONIAL HEIGHTS, VIRGINIA

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

Taxpayer	2012			2003		
	Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Southpark Mall	\$ 69,824,912	1	3.78%	\$ 54,295,465	1	4.41%
Roslyn Farms Corp	44,796,569	2	2.43	24,002,796	2	1.95
Wal-Mart/Sams	25,592,169	3	1.39	20,173,553	3	1.64
Roslyn Farms Associates LP	24,870,100	4	1.35	16,634,000	4	1.35
Dunlop House	14,281,700	5	0.77	-	-	-
Virginia Electric & Power	13,115,562	6	0.71	9,837,730	7	0.80
Colonial Heights Operations	12,669,946	7	0.69	-	-	-
Faison Colonial Heights	12,330,794	8	0.67	13,671,520	6	1.11
Southpark Hotel	11,563,581	9	0.63	-	-	-
Southpark Hi LLC	10,833,810	10	0.59	-	-	-
Verizon Virginia Inc.	-	-	-	14,725,350	5	1.19
Home Depot USA	-	-	-	9,731,061	8	0.79
Colonial Square Associated	-	-	-	8,977,700	9	0.73
Dayton-Hudson Corp. – Target	-	-	-	4,425,441	10	0.36
	<u>\$ 239,879,143</u>		<u>13.01%</u>	<u>\$ 176,474,616</u>		<u>14.33%</u>

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

Calendar Year Ended June 30	Taxes Levied for the Year	Collected within the Year of the Levy		Collections in Subsequent Years*	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2011	\$ 23,066,409	\$ 22,500,624	97.55%	\$ 367,718	\$ 22,868,342	99.14%
2010	22,920,083	22,666,857	98.90	128,226	22,795,083	99.45
2009	22,923,361	22,705,560	99.05	204,157	22,909,717	99.94
2008	22,871,135	22,536,288	98.54	177,101	22,713,389	99.31
2007	21,303,700	21,063,380	98.87	99,695	21,163,075	99.34
2006	20,214,991	20,031,441	99.09	68,096	20,099,537	99.43
2005	17,928,594	17,764,522	99.08	69,703	17,834,225	99.47
2004	17,300,956	17,138,769	99.06	154,502	17,293,271	99.96
2003	16,419,584	16,249,275	98.96	169,763	16,419,038	100.00
2002	15,954,376	15,721,019	98.54	233,353	15,954,372	100.00

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

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

\*Does not include penalties and interest.



## CITY OF COLONIAL HEIGHTS, VIRGINIA

## TAXABLE SALES BY CATEGORY

Last Ten Calendar Years

(in thousands of dollars)

(unaudited)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Apparel	\$ 64,286	\$ 61,381	\$ 59,414	\$ 55,303	\$ 56,839	\$ 85,969	\$ 40,413	\$ 49,014	\$ 43,858	\$ 44,509
Automotive	5,977	12,392	14,554	14,817	13,563	24,227	23,187	24,735	24,829	24,061
Food	127,548	119,677	118,561	116,997	107,331	49,300	85,495	92,098	91,310	87,714
Furniture, Home Furnishings and Equipment	12,205	8,100	9,186	8,313	55,986	57,665	31,649	52,337	51,901	45,764
General Merchandise	302,806	275,618	279,137	293,417	295,155	234,775	227,277	269,381	264,190	254,681
Machinery, Equipment and Supplies	28,439	37,309	39,068	43,189	46,438	42,413	6,228	8,608	6,877	6,696
Miscellaneous	83,710	76,519	69,668	86,177	114,937	176,341	162,351	123,636	108,466	100,299
Total	<u>\$ 624,971</u>	<u>\$ 590,996</u>	<u>\$ 589,588</u>	<u>\$ 618,213</u>	<u>\$ 690,249</u>	<u>\$ 670,690</u>	<u>\$ 576,600</u>	<u>\$ 619,809</u>	<u>\$ 591,431</u>	<u>\$ 563,724</u>
City Direct Local Option Sales Tax	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

Source: Virginia Department of Taxation.

**Notes:**

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

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

There is no overlapping government taxation.

CITY OF COLONIAL HEIGHTS, VIRGINIA

TAXABLE SALES BY CATEGORY

Calendar Years 2011 and 2002

(taxable sales in thousands of dollars)

(unaudited)

	Calendar Year 2011				Calendar Year 2002			
	Number of Filers	Percentage of Total	Taxable Sales	Percentage of Total	Number of Filers	Percentage of Total	Taxable Sales	Percentage of Total
Apparel	67	13.54%	\$ 64,286	10.29%	50	8.56%	\$ 44,509	7.90%
Automotive	11	2.22	5,977	0.96	37	6.34	24,060	4.27
Food	96	19.39	127,548	20.41	90	15.41	87,713	15.56
Furniture, Home Furnishings and Equipment	14	2.83	12,205	1.95	29	4.97	45,763	8.12
General Merchandise	71	14.34	302,806	48.45	53	9.08	254,681	45.18
Machinery, Equipment and Supplies	14	2.83	28,439	4.55	31	5.31	6,696	1.19
Miscellaneous	222	44.85	83,710	13.39	294	50.33	100,302	17.78
<b>Total</b>	<b>495</b>	<b>100.00%</b>	<b>\$ 624,971</b>	<b>100.00%</b>	<b>584</b>	<b>100.00%</b>	<b>\$ 563,724</b>	<b>100.00%</b>

Source: Virginia Department of Taxation.

Notes:

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

TABLE 12

LEGAL DEBT MARGIN INFORMATION  
Last Ten Fiscal Years  
(unaudited)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Debt limit	\$ 165,186,693	\$ 171,597,258	\$ 170,810,840	\$ 170,268,252	\$ 168,097,949	\$ 140,653,077	\$ 137,400,087	\$ 116,921,559	\$ 114,302,960	\$ 110,333,057
Total net debt applicable to limit	39,750,000	24,125,000	26,295,000	28,855,000	27,295,000	19,320,000	21,250,000	23,860,000	19,530,000	21,410,000
Legal debt margin	<u>\$ 125,436,693</u>	<u>\$ 147,472,258</u>	<u>\$ 144,515,840</u>	<u>\$ 141,413,252</u>	<u>\$ 140,802,949</u>	<u>\$ 121,333,077</u>	<u>\$ 116,150,087</u>	<u>\$ 93,061,559</u>	<u>\$ 94,772,960</u>	<u>\$ 88,923,057</u>
Total net debt applicable to the limit as a percentage of debt limit	24.06%	14.06%	15.39%	16.95%	16.24%	13.74%	15.47%	20.41%	17.09%	19.40%

Legal Debt Margin Calculation for Fiscal Year 2012

Assessed value	<u>\$ 1,651,866,930</u>
Debt limit (10% of assessed value)	\$ 165,186,693
Less debt applicable to limit:	
General obligation bonds	<u>39,750,000</u>
Legal debt margin	<u>\$ 125,436,693</u>

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

## CITY OF COLONIAL HEIGHTS, VIRGINIA

## RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

(unaudited)

Fiscal Year	Governmental Activities			Business-type Activities		Total Primary Government	Percentage of Personal Income	Debt Per Capita
	General Obligation Bonds	Lease Revenue Note Payable	Capital Leases	General Obligation Bonds	Capital Leases			
2012	\$ 38,792,753	\$ -	\$ -	\$ 957,247	\$ 74,490	\$ 39,824,490	*	\$ 2,287
2011	22,961,083	-	-	1,163,917	114,795	24,239,795	*	1,392
2010	24,929,795	-	-	1,365,205	181,587	26,476,587	*	1,468
2009	26,855,108	-	-	1,999,892	245,697	29,100,697	1.08%	1,645
2008	24,997,685	3,970,300	-	2,297,315	80,618	31,345,918	1.19%	1,761
2007	16,740,612	3,970,300	-	2,579,388	105,159	23,395,459	0.93%	1,324
2006	18,361,424	4,028,046	-	2,853,576	-	25,243,046	1.08%	1,428
2005	20,594,582	150,000	-	3,265,418	-	24,010,000	1.10%	1,367
2004	16,762,877	-	-	2,767,123	-	19,530,000	0.93%	1,118
2003	18,344,846	-	-	3,065,154	-	21,410,000	1.05%	1,239

\*Unavailable

## CITY OF COLONIAL HEIGHTS, VIRGINIA

## DEMOGRAPHIC STATISTICS

## Last Ten Calendar Years

(unaudited)

<b>Fiscal Year</b>	<b>Population</b>	<b>Personal Income (in thousands)</b>	<b>Per Capita Personal Income</b>	<b>School Enrollment</b>	<b>Unemployment Rate</b>
2012	17,411	\$ *	\$ *	2,972	6.90%
2011	17,411	*	*	2,891	7.60
2010	18,035	*	*	2,836	8.60
2009	17,693	2,704,120	35,052	2,881	8.70
2008	17,796	2,635,768	34,187	2,847	4.80
2007	17,676	2,515,436	32,919	2,856	3.30
2006	17,676	2,328,236	30,652	2,848	3.30
2005	17,567	2,190,000	29,141	2,813	4.00
2004	17,465	2,097,000	28,711	2,754	4.00
2003	17,286	2,037,000	27,155	2,702	4.50

**Sources:**

Weldon Cooper Center for Public Service

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

City of Petersburg and Dinwiddie County

City of Colonial Heights Public Schools

Virginia Employment Commission

US Census

\*Unavailable

## CITY OF COLONIAL HEIGHTS, VIRGINIA

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

Employer	2012		2003	
	Employees	Rank	Employees	Rank
Wal-Mart	500-999	1	500-999	1
Colonial Heights School Board	500-999	2	500-999	2
City of Colonial Heights	250-499	3	250-499	3
Sabra Dipping Co. LLC	250-499	4	100-249	-
VDOT	250-499	5	-	-
Colonial Heights Operations	100-249	6	100-249	5
J.C. Penny Corporation, Inc.	100-249	7	100-249	4
Red Lobster and Olive Garden	100-249	8	-	-
Care Advantage	100-249	9	-	-
Martin's Food Market	100-249	10	-	-
Priority Imports Richmond Inc.	100-249	-	-	-
May Department Stores Company	-	-	100-249	6
Sears and Roebuck & Company, Inc.	-	-	100-249	10
Ukrops	-	-	100-249	8
The Home Depot	-	-	100-249	7
The Antioch Company	-	-	100-249	9

**Source:** Virginia Employment Commission.

**TABLE 16**

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM**  
**Last Ten Fiscal Years**  
(unaudited)

<b>Function/Program</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
General government										
Management services	6	6	6	6	6	6	6	6	6	6
Tax collections	9	11	11	11	11	11	11	11	11	11
Finance	11	9	9	9	9	9	9	9	9	8
Information technology	2	1	2	2	2	2	2	2	2	2
Board of elections	2	2	2	2	2	2	2	2	2	2
Judicial administration	23	21	21	22	22	21	19	19	19	19
Public safety	113	113	114	117	115	115	115	109	108	108
Public works	30	28	29	30	30	31	29	29	29	29
Parks, recreation, and cultural	24	24	25	25	25	25	25	24	24	25
Community development	5	5	5	6	6	5	5	5	5	5
Grants	4	5	5	5	5	5	5	5	5	5
Education	622	627	627	625	576	586	569	578	555	523
<b>Total</b>	<b>851</b>	<b>852</b>	<b>856</b>	<b>860</b>	<b>809</b>	<b>818</b>	<b>797</b>	<b>799</b>	<b>775</b>	<b>743</b>

**Source:** City Adopted Budget.

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

<b>Function/Program</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
<b>General Government</b>										
Registered voters	12,282	11,971	11,936	11,938	12,179	11,433	11,512	11,569	11,001	11,089
Structures										
Detached	6,168	6,172	6,182	6,179	6,153	6,140	6,057	6,057	5,966	5,929
Duplex	170	178	175	179	180	180	183	183	180	180
Multi-family	1,211	1,211	1,211	1,211	1,211	1,211	1,201	1,201	1,141	1,141
Parcel with elderly/disabled: Exemptions	316	314	330	353	316	325	293	284	286	280
<b>Judicial Administration</b>										
Average daily jail population	152	163	185	170	155	124	118	139	147	131
<b>Public safety</b>										
Volunteers	61	60	66	58	66	55	41	38	42	33
<b>Public works</b>										
Road mileage maintained:										
Arterial	31	31	31	31	31	30	30	30	30	30
Local/collector	162	162	162	162	161	162	160	160	159	159
<b>Parks, Recreational and Cultural</b>										
Parks:										
Number	10	10	10	9	9	9	9	9	9	9
Areas	71	71	71	71	71	71	71	71	71	71
Recreation:										
Baseball fields	11	11	11	9	9	9	9	9	9	9
Tennis courts	9	9	9	9	9	9	9	9	9	9
Basketball courts	10	6	6	5	5	5	5	5	5	5
Soccer fields	11	11	6	6	6	6	6	6	6	6
<b>Library:</b>										
Volumes in collection	64,703	63,871	62,474	62,422	63,245	64,736	63,641	61,000	61,000	61,000
<b>Community development:</b>										
Building permits issued - calendar Value	407 4,582,561	547 3,560,086	N/A N/A	N/A N/A	237 12,636,904	242 21,972,520	272 18,932,440	241 17,242,824	273 14,652,954	277 19,047,068
<b>Education:</b>										
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

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**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**

Honorable Members of City Council  
City of Colonial Heights, Virginia

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Colonial Heights, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 26, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

*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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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, including certain provisions of the compliance matters described in the Summary of Compliance Matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. **The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are reported as Items 12-1 and 12-2 in the accompanying schedule of findings and questioned costs.**

We noted certain other matters that we reported to management of the City in a separate letter dated November 26, 2012.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the City's responses and, accordingly, we express no opinion on them.

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia  
November 26, 2012

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133**

Honorable Members of City Council  
City of Colonial Heights, Virginia

**Compliance**

We have audited the compliance of the City of Colonial Heights, Virginia with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2012. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

**In our opinion, the City of Colonial Heights, Virginia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.**

**Internal Control over Compliance**

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City’s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. **Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over compliance.**

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

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

\*\*\*\*\*

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia  
November 26, 2012

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**SUMMARY OF COMPLIANCE MATTERS**

**June 30, 2012**

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

**STATE COMPLIANCE MATTERS**

Code of Virginia:

Budget and Appropriation Laws  
Cash and Investment Laws  
Conflicts of Interest Act  
Debt Provisions  
Local Retirement Systems  
Procurement Laws  
Uniform Disposition of Unclaimed Property Act  
Sheriff Internal Controls

State Agency Requirements:

Education  
Highway Maintenance Funds

**FEDERAL COMPLIANCE MATTERS**

Compliance Supplement for Single Audits of State and Local Governments

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

**CITY OF COLONIAL HEIGHTS, VIRGINIA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**June 30, 2012**

**A. SUMMARY OF AUDITOR’S RESULTS**

1. The auditor’s report expresses an **unqualified opinion** on the financial statements.
2. **No significant deficiencies** related to the audit of the financial statements are reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. **No instances of noncompliance material** to the financial statements were disclosed during the audit.
4. **No significant deficiencies** relating to the audit of the major federal award programs were reported in the Independent Auditor’s Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with *OMB Circular A-133*.
5. The auditor’s report on compliance for the major federal award programs expresses an **unqualified opinion**.
6. The audit disclosed **no audit findings** relating to major programs.
7. The programs tested as major programs include:

<u>Name of Program:</u>	<u>CFDA #</u>
Child Nutrition Cluster	10.553, 10.555
Title I, Part A Cluster	84.010, 84.389
Special Education Cluster (IDEA)	84.027, 84.173, 84.391
Education Jobs Fund	84.410
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036

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

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

**None0**

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

**None0**

**CITY OF COLONIAL HEIGHTS, VIRGINIA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**June 30, 2012**

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

**12-1: Disclosure Statements**

***Condition:***

Two of the thirty-three disclosure statements reviewed were not filed by the January 17, 4234 deadline and one statement was not filed at all.

***Recommendation:***

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

***Management's Response:***

The auditee concurs with the recommendation.

**12-2: General Government Budget Appropriations**

***Condition:***

General government expenditures exceeded budgeted appropriations.

***Recommendation:***

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

***Management's Response:***

The auditee concurs with the recommendation.



**CITY OF COLONIAL HEIGHTS, VIRGINIA**  
**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**  
**Year Ended June 30, 2012**

**A. FINDINGS – FINANCIAL STATEMENT AUDIT**

**11-1: Auditor Adjustments – Non-Recurring and Unusual Transactions (Material Weakness)**

***Condition:***

We noted there were errors related to items that are non-recurring and unusual in nature which required adjustments to current year and prior period financial statements.

***Recommendation:***

We recommend the City implement a system for identifying these types of transactions and complete a more detailed review and analysis of transactions that are unusual and infrequent in nature.

***Current Status:***

We did not detect a similar finding in the current year.

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

**None0**

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

**11-2: Disclosure Statements**

***Condition:***

Five of the thirty-four disclosure statements reviewed were not filed by the January 18, 2011 deadline and two statements were not filed at all.

***Recommendation:***

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

***Current Status:***

We did detect a similar finding in the current year.