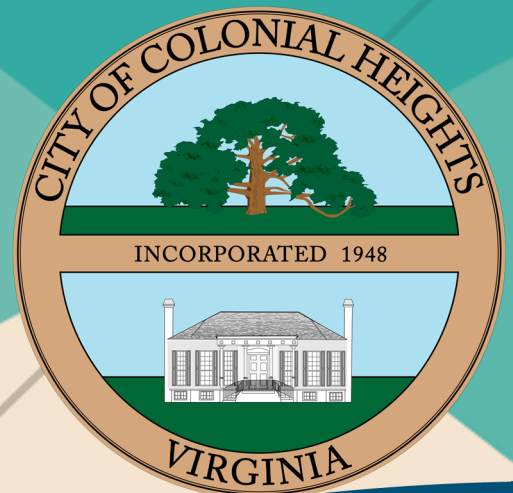


CITY OF COLONIAL HEIGHTS, VIRGINIA

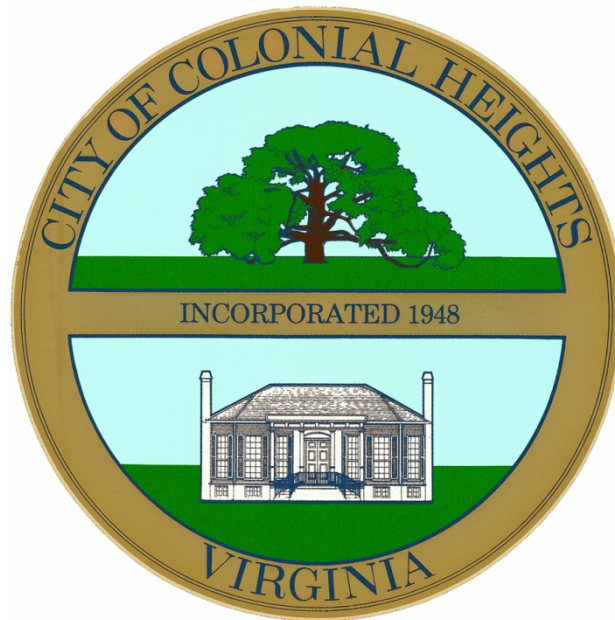
Comprehensive Annual Financial Report

**FOR THE YEAR
ENDED JUNE 30, 2018**

Douglas E. Smith, City Manager
Sheila S. Minor, CPA, Director of Finance
Tomeka C. Smith, Deputy Director of Finance



CITY OF COLONIAL HEIGHTS, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED June 30, 2018



Prepared by the Department of Financial Administration

Sheila Minor
Director of Finance

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INTRODUCTORY SECTION

CITY OF COLONIAL HEIGHTS, VIRGINIA

DIRECTORY OF PRINCIPAL OFFICIALS

June 30, 2018

CITY COUNCIL

T. Gregory Kochuba, Mayor

Betsy G. Luck, Vice Mayor

Michael A. Cherry

Kenneth B. Frenier

W. Joe Green, Jr.

John E. Piotrowski

John T. Wood

OTHER OFFICIALS

Douglas E. Smith.....City Manager
Hugh P. Fisher, IIICity Attorney
Pamela B. WallaceCity Clerk
Dr. Joseph O. Cox Superintendent of Schools
Sheila S. Minor..... Director of Finance
Jeffrey W. Faries Chief of Police
William E. HenleyDirector of Public Works
Craig Skalak Director of Recreation and Parks
Bruce N. Hansen..... Library Director
Bruce E. Cashion.....City Assessor
William Feasenmyer.....Commissioner of the Revenue
Harriet Frenier Treasurer
Alfred Gray Collins, IIICommonwealth's Attorney
Todd B. Wilson Sheriff
Stacy L. Stafford..... Clerk of Circuit Court
Karen T. EppsDirector of Economic Development
A.G. Moore Fire Chief
Jennifer CarpenterHuman Resources Director
Andrew Blais Director of Information Technology
Kelly Hall.....Director of Planning
Eileen M. BrownDirector of Youth & Human Services
Maria Yench Director of Finance, Schools



Government Finance Officers Association

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

Presented to

**City of Colonial Heights
Virginia**

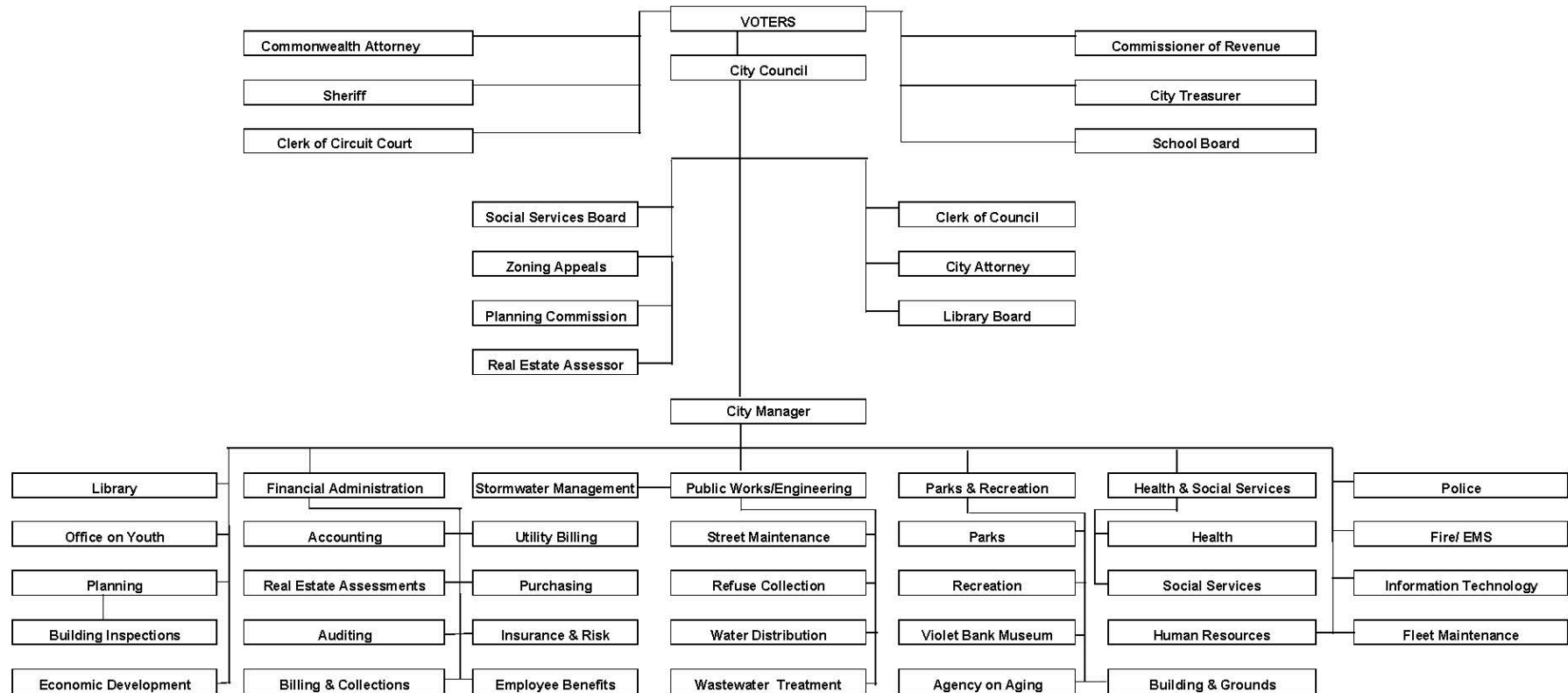
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO

CITY OF COLONIAL HEIGHTS, VIRGINIA ORGANIZATIONAL CHART





CITY OF COLONIAL HEIGHTS

Douglas E. Smith
City Manager

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

Sheila S. Minor, CPA, CPFO
Director of Finance

November 29, 2018

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

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the City of Colonial Heights, Virginia (the "City") for the fiscal year ending June 30, 2018. The City's management assumes full responsibility for the accuracy of data, completeness, and the fairness of presentation. We believe the data, as presented, is accurate in all material respects, and that it is presented in compliance with Generally Accepted Accounting Principles (GAAP) to fairly report the financial position and results of the City's various governmental activities, business-type activities, and funds. All disclosures necessary for a reader to fully understand the City's financial affairs have been included.

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

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

Brown, Edwards & Company, LLP, Certified Public Accountants, have audited the City's basic financial statements. The goal of this independent audit is to provide reasonable assurance that the basic financial statements are free of material misstatement. The independent auditors concluded, based upon their audit, that there was reasonable basis for rendering an unmodified opinion that the City's basic financial statements for the fiscal year ending June 30, 2018 are fairly presented in conformity with generally accepted accounting principles (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.

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www.colonialheightsva.gov

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

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

Economic Condition and Outlook

The City has a land area of 8.14 square miles, and is located in southeastern Virginia. Colonial Heights is strategically located on Interstate 95 near its intersection with I-85, 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. Richmond's deep water terminal is approximately 15 miles north, and the Port of Hampton Roads is 80 miles to the southeast.

The population of the City is estimated at 17,830 as reported by the U.S. Census Bureau. The City is part of the Richmond Tri-Cities Metropolitan Statistical Area and has immediate access to the area's dynamic business complex. Richmond is the center for a diverse group of business sectors such as the Commonwealth of Virginia's State offices, Federal offices, seven Fortune 500 companies, manufacturing, distribution, and international trade. Other economic drivers include several major universities, research hospitals, and the Federal Reserve Bank.

In the immediate Tri-Cities area (Petersburg, Colonial Heights, and Hopewell), government continues to be a major employer. Government facilities include Central State Hospital, Richard Bland College, Virginia State University, Fort Lee, and the Defense Logistics Agency Installation Support at Richmond.

The City has a civilian labor force of 9,021 and an unemployment rate of 3.6% as of the end of FY2018. The City prioritizes the attraction of new businesses and expansion of existing businesses, both of which increase the tax base and create jobs which enhance the quality of life for its citizens.

The City has over 2.0 million square feet of retail, office, and service industry development in the City's regionally based commercial center area known as Southpark. Beginning with the opening of the area's only regional mall in 1989, the area is populated with large retailers, specialty retailers, medical offices, and office space. A 12,000 square foot free-standing emergency medical center opened in the Roslyn Court area adjacent to Southpark during FY2018. Two new hotels are planned for construction in FY2019. Diverse and easily accessible transportation networks have been key elements in the sustained success of the area. Fort Lee is vital to the City's economy as well as the regional economy.

The closure of the former landfill behind Southpark's Charles H. Dimmock Parkway 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 has rezoned for industrial development.

The City has withstood past economic challenges by maintaining a strong local tax base that softened the effects of the Commonwealth's budget and economic cutbacks. Fiscal year 2018 financial operations continued to effectively maintain existing service levels. In Fiscal 2018, retail sales tax revenue rebounded in the second half of the year from a month over month decline during the first half, ending with a 3.7% increase over FY2017. Food tax revenue experienced slight growth (2.9%) and lodging taxes were stable in comparison to FY2017. The City realigned revenue estimates in the FY2019 budget to more closely resemble recent trends and adhere to conservative budget principles while keeping existing programs funded.

The City has a policy to maintain unassigned Fund Balance at a minimum of 10% of general fund expenditures, and the City has exceeded that policy for many years to maintain cash flow and provide resources in the event of economic downturns or other unexpected challenges. Fund balance has not been utilized as a source for operating expenditures in the preparation of the past eight fiscal operating budgets.

Accounting System and Budgetary Controls

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

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

Budgetary control is maintained at the line-item level by the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. Appropriations or transfers are processed should a purchase order be required which would result in an overrun of line item balances. Open encumbrances are recorded as committed fund balances at June 30, 2018.

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

Capital Financing and Debt Service

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

The Constitution of Virginia establishes a debt limit for Virginia cities of 10% of the assessed value of real estate. The City of Colonial Heights could incur debt of up to \$167,742,580, but current debt only represents 2.2% of the assessed value of real estate.

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, 2018, totaled \$36,864,995, of which \$3,814,133 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 develops a 5 Year Capital Improvements Plan annually for major facility, equipment, infrastructure, and technological improvements. This plan is proposed to the City's Planning Commission, and once approved by that body, is forwarded to Council for their consideration and approval.

Certificates of Achievement for Excellence

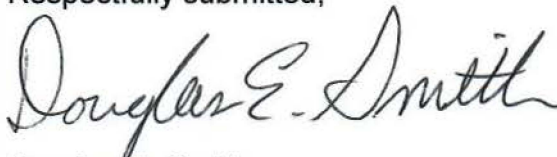
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Colonial Heights, Virginia for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017. The Certificate 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 37 consecutive years (fiscal years ended 1980 through 2017). 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, and specifically the Deputy Director of Finance, for their dedication in assuring the financial integrity of the City and the preparation of this report. Appreciation is also expressed to City Council for your interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Douglas E. Smith
City Manager



Sheila S. Minor, CPA, CPFO
Director of Finance

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the City of Colonial Heights, Virginia (the "City"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the City, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Account Principle

As described in Note 19 to the financial statements, in 2018 the City adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, other supplemental schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2018 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 29, 2018

**CITY OF COLONIAL HEIGHTS, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

The following discussion and analysis of the financial performance of the City of Colonial Heights, Virginia (the City) provides an overview of the City's financial activities for the fiscal year ended June 30, 2018. It should be read in conjunction with the transmittal letter and the City's basic financial statements.

FINANCIAL HIGHLIGHTS

The City's total net position (excluding the component unit) on the government-wide basis, was \$42,139,220 at June 30, 2018. Investment in capital assets totaled \$47,701,284 and \$209,951 was restricted for public safety and judicial administration grants. These restrictions resulted in a negative unrestricted net position of (\$5,772,015). The *Code of Virginia* requires the School Board to hold title to the capital assets (buildings and equipment) due to their responsibility for maintaining the asset; however, in Virginia, the School Board does not have taxing authority and, therefore, it cannot incur debt (or therefore report debt) through general obligation bonds to fund the acquisition, construction or improvement to capital assets. This can result in an inequitable distribution of capital assets and corresponding debt presentation in Virginia. See the footnote presentation for further clarification. Further, net position for both entities has been impacted by the application of GASB 75, which resulted in significant other postemployment liabilities on the statements for both entities.

On a government-wide basis for governmental activities, the City's general revenues of \$43,500,528 were \$565,201 less than the expenses (net of program revenues) of \$44,065,729.

At June 30, 2018, the City's governmental funds balance sheet reported fund balances of \$19,031,104. Of this amount, \$9,227,574 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 are comprised of two types of statements, each presented in accordance with a different method of accounting as required by Generally Accepted Accounting Principles (GAAP). The first set of statements, known as government-wide statements, focus on the City as a whole and include both short and long-term assets and liabilities. These statements are included as Exhibit 1 and Exhibit 2. The second set of statements, known as fund financials, focus on the individual parts of City government, reporting the City's operations in more detail than the government-wide statements. These statements, which include Exhibits 3 and 5 are presented on the modified-accrual basis of accounting. Governmental activities in these statements only include short-term assets and liabilities. Exhibits 4 and 6 provide a reconciliation of and show the differences between the two sets of statements. Presentation of both perspectives provides the user a broader overview, enhances the basis for comparisons, and improves the City's accountability.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

**CITY OF COLONIAL HEIGHTS, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018
(Continued)**

GOVERNMENT-WIDE FINANCIAL STATEMENTS (Continued)

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

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

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

Business-type activities – The City's water, sewage and storm water operations are reported here as the City charges a fee to customers intended to support the cost of these services. As these activities are intended to be self-supporting and are provided in a manner similar to private sector organizations, they are classified as business-type activities.

Component unit – The City includes two discretely presented component units in this report, the School Board of the City of Colonial Heights and the Economic Development Authority of the City of Colonial Heights ("EDA"). Although legally separate, the component units are important because the City provides a significant amount of the School Board's funding, and City Council appoints the membership of the EDA. Fiscal Year 2018 is the first year that the EDA has been presented in the City's financial statements, as the EDA became financially active during FY2018.

FUND FINANCIAL STATEMENTS

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

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

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

**CITY OF COLONIAL HEIGHTS, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018
(Continued)**

FUND FINANCIAL STATEMENTS (Continued)

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

FINANCIAL ANALYSIS OF THE CITY (GOVERNMENT-WIDE)

The following table presents a condensed comparison of net assets:

**Summary Statement of Net Position
June 30, 2018 and 2017 (as restated)
(In Millions)**

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2018	2017	2018	2017	2018	2017	2018	2017
Current and Other Assets	\$33.8	\$36.0	\$3.2	\$2.4	\$37.0	\$38.4	\$8.8	\$8.1
Capital Assets, net	64.5	65.8	14.0	15.0	78.5	80.8	22.2	19.0
Total Assets	98.3	101.8	17.2	17.4	115.5	119.2	31.0	27.1
Deferred Outflows	2.2	3.8	0.1	0.2	2.3	4.0	3.9	4.8
Other Liabilities	2.8	2.3	0.4	0.4	3.2	2.7	4.4	3.8
Non-current Liabilities	52.7	60.1	5.1	5.7	57.8	65.8	45.4	49.7
Total Liabilities	55.5	62.4	5.5	6.1	61.0	68.5	49.8	53.5
Deferred Inflows	14.5	11.9	0.2	0.1	14.7	12.0	5.2	2.9
Net Position								
Net Investment in Capital								
Assets	36.5	37.9	11.2	11.8	47.7	49.7	22.2	19.0
Restricted	0.2	0.6	-	-	0.2	0.6	-	-
Unrestricted	(6.2)	(7.2)	0.4	(0.4)	(5.8)	(7.6)	(42.2)	(43.4)
Total Net Position	\$ 30.5	\$ 31.3	\$11.6	\$11.4	\$42.1	\$42.7	(\$20.0)	(\$24.4)

Fiscal Year 2017 data has been restated to reflect the adoption of GASB Statement No. 75 in order to make this data comparable between the two years. (For additional information on this new standard and the prior period restatement, please see Note 19 in the *Notes to Financial Statements*.) The City's combined net position decreased from \$42.7 million (as restated) to \$42.1 million. Net position of the governmental activities decreased from \$31.3 million to \$30.5 million. Governmental activities' unrestricted net positions, the portion of net position that can be used to finance the day-to-day operations of the City, reflect an increase of \$1.0 million. Net investment in capital assets decreased \$1.4 million. This represents the amount of capital assets owned by the City net of any outstanding debt used to fund the asset purchase or construction. Net position is reported as restricted when constraints on asset use are externally imposed by creditors, grantors, contributors, regulators, or are imposed by law through constitutional provisions or enabling legislation. The net position of component units reflects an increase of \$4.4 million.

**CITY OF COLONIAL HEIGHTS, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018
(Continued)**

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

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

**Summary Statement of Changes in Net Position
Years Ended June 30, 2018 and 2017 (as restated)
(In Millions)**

	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit	
	2018	2017	2018	2017	2018	2017	2018	2017
Revenues:								
Program revenues:								
Charges for services	\$6.9	\$6.3	\$5.9	\$5.4	\$12.8	\$11.7	\$0.4	\$0.4
Operating grants and contributions	6.2	5.9	-	-	6.2	5.9	17.4	16.9
Capital grants and contributions	1.6	0.8	-	-	1.6	0.8	-	-
General revenues:								
Property taxes	23.1	22.3	-	-	23.1	22.3	-	-
Other local taxes	18.1	17.6	-	-	18.1	17.6	-	-
Payment from other governments	-	-	-	-	-	-	24.5	20.3
Intergovernmental, non-categorical aid	1.8	1.8	-	-	1.8	1.8	-	-
Use of money and property	0.4	0.4	-	-	0.4	0.4	-	-
Miscellaneous	0.1	0.4	-	-	0.1	0.4	0.1	0.1
Gain (loss) on sale of capital assets	-	-	-	-	-	-	-	-
Total revenues	<u>58.2</u>	<u>55.5</u>	<u>5.9</u>	<u>5.4</u>	<u>64.1</u>	<u>60.9</u>	<u>42.4</u>	<u>37.7</u>
Expenses:								
General government	4.0	4.0	-	-	4.0	4.0	-	-
Judicial administration	5.3	5.3	-	-	5.3	5.3	-	-
Public safety	12.8	11.1	-	-	12.8	11.1	-	-
Public works	6.5	5.7	-	-	6.5	5.7	-	-
Health and welfare	1.1	1.1	-	-	1.1	1.1	-	-
Parks, recreation and cultural	3.0	3.1	-	-	3.0	3.1	-	-
Community development	0.4	0.6	-	-	0.4	0.6	-	-
Education	24.5	20.3	-	-	24.5	20.3	38	36.4
Human services	0.5	0.5	-	-	0.5	0.5	-	-
Interest	0.9	1.1	-	-	0.9	1.1	-	-
Water, sewer, and storm water management	-	-	5.7	5.1	5.7	5.1	-	-
Total expenses	<u>59.0</u>	<u>52.8</u>	<u>5.7</u>	<u>5.1</u>	<u>64.7</u>	<u>57.9</u>	<u>38.0</u>	<u>36.4</u>
Change in Net Position Before Transfers	(0.8)	2.7	0.2	0.3	(0.6)	3.0	4.4	1.3
Transfers	-	(0.3)	-	-	-	(0.3)	-	-
Change in Net Position	(0.8)	2.4	0.2	0.3	(0.6)	2.7	4.4	1.3
Net Position, beginning	31.3	28.9	11.4	11.1	42.7	40.0	(24.4)	(25.7)
Net Position, ending	<u>\$30.5</u>	<u>\$31.3</u>	<u>\$11.6</u>	<u>\$11.4</u>	<u>\$42.1</u>	<u>\$42.7</u>	<u>\$ (20.0)</u>	<u>\$ (24.4)</u>

**CITY OF COLONIAL HEIGHTS, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018
(Continued)**

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

Governmental Activities

Revenue

The property tax classification, which comprised 39.7% of total revenue generated by governmental activities, includes real estate tax, the local portion of personal property tax, and public service corporation taxes. Real estate tax revenue, the largest source of revenue for the City, totaled \$19.3 million, an increase of 3.5% from the previous fiscal year due largely to the general reassessment effective January 1, 2018.

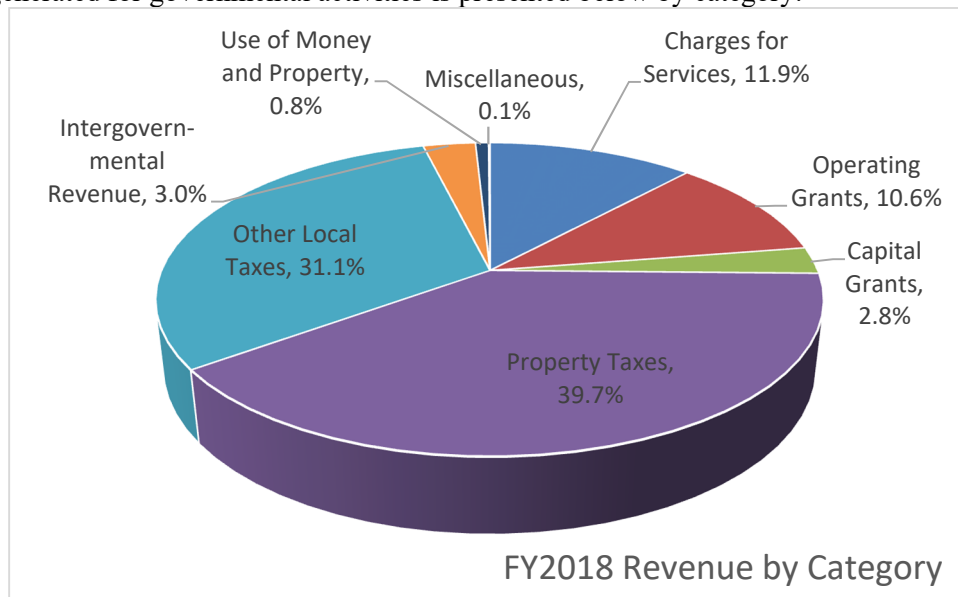
In 1998, the Commonwealth enacted the Personal Property Tax Relief Act (PPTRA). The Commonwealth's share of personal property taxes allocated to the City was 59% of vehicle loan values for the current fiscal year and is included in the intergovernmental category. Personal property tax revenue, including the Commonwealth share, increased from \$4.4 million to \$4.7 million for fiscal year 2018.

Sales tax, utility tax, business and professional occupational tax, prepared food and beverage tax, transient room tax, and utility tax comprise the majority of other local taxes collected by the City which comprised approximately 31.1% of total revenues generated for governmental activities.

Operating grants and contributions comprised approximately 10.6% of governmental activities revenues. Street maintenance funds, funding received under House Bill 599 for law enforcement, and reimbursement for shared expenses of the constitutional officers are some of the major sources of revenue included in this category.

Charges for services, which include items such as EMS transport fees, court fees, inspection fees, and garbage collection fees, continue to show growth at 11.9% of total revenues.

Revenue generated for governmental activities is presented below by category:



**CITY OF COLONIAL HEIGHTS, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018
(Continued)**

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

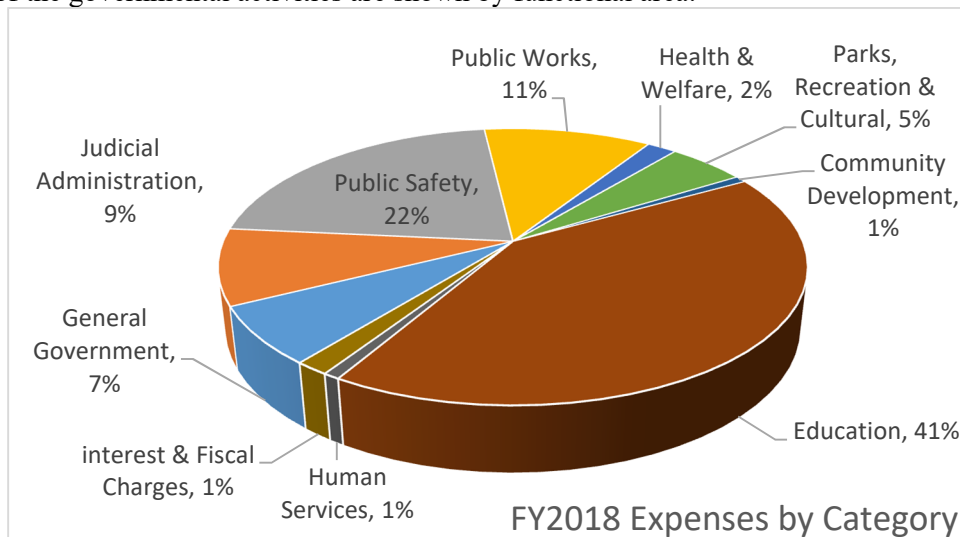
Expenses

Education funding represents the largest category of governmental activities expenses. Funding of \$24.5 million was provided to the City of Colonial Heights School Board to support School operations and capital projects. Operating support of \$21.1 million was materially the same as the original budget. City funding for Colonial Heights School Board is provided in accordance with a revenue sharing agreement between the two entities, last revised in 2011, which stipulates that 50.73% of six major revenue sources will be allocated to the School Division. This amount is estimated at the beginning of the fiscal year and reconciled to actual results as fiscal year end.

Public Safety is the City's second highest expense category, at 22% of governmental activity spending. The Public Safety function consists of the Fire and Emergency Medical Services Department, the Police Department, and Communications.

Public Works expenses comprised approximately 11.0% of governmental activities expenses. Expenses for Building Maintenance, Street Paving, and Street Maintenance are included in the Public Works category. General Government includes City Council, the City Manager, Human Resources, Economic Development, Finance, Purchasing, Risk Management, Tax Administration and Collections, and Voter Registration activities. The Comprehensive Services Act and social services programs incurred the majority of expenses reported in the Health and Welfare category and reflect a 5% increase over last year.

Expenses of the governmental activities are shown by functional area:



**CITY OF COLONIAL HEIGHTS, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018
(Continued)**

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

Business-Type Activities

Total net position of business-type activities increased \$203,355 during 2018. The business-type activities of the City derive their revenues almost exclusively from charges for services. Expenses in the utilities fund were less than anticipated, while revenue slightly exceeded expectations for FY2018.

Rates for water and wastewater services increased slightly in FY2018, as they have over the past five years the recommendation of a rate study conducted in 2014. These fee adjustments have helped the City avoid net losses from water and sewer operations as it experienced in 2006-2010. Management has budgeted a rate study for FY2019 to address the continued need to adequately fund water and sewer operations as well as establish cash reserves for emergencies and infrastructure replacement. Likewise, the FY2019 budget includes an increase in stormwater fees in an effort to cover continued operations of the City's stormwater mitigation activities as well as provide capital for required future infrastructure improvements. There were no major changes in operations in FY2018 for either fund.

FINANCIAL ANALYSIS OF THE CITY (FUND FINANCIALS)

On the modified accrual basis of accounting, for the fiscal year ended June 30, 2018, the governmental funds reflect a total fund balance of \$19,031,104. Nearly 43% of this balance, \$8.1 million, constitutes fund balance of the capital projects fund. The total governmental funds decreased by just over \$3 million due to the planned expenditure of bond proceeds issued in FY2017 for capital projects. The City issued \$10.285 million in general obligation bonds in October 2016 for the purposes of school capital improvements and the construction of a radio communications system for the City. Several of the school projects were near completion, and the communication system was still in progress at the end of FY2018.

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

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the General Fund unassigned fund balance was \$9,227,574 (an increase of \$492,402 or 5.6%) while the total fund balance was \$10,941,231, a slight decrease of 0.5% compared to the prior year. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 16.5% of the total General Fund expenditures, while total fund balance represents 19.6% of that same amount.

The fund balance of the General Fund decreased \$55,954 (0.5%), which represents the amounts that expenditures and transfers out of \$56,634,168 exceeded actual revenue and transfers in of \$56,578,214. The General Fund began Fiscal Year 2018 with budgeted revenue and expenditure amounts that were equal, resulting in no planned use of fund balance to balance operating expenses. During the fiscal year, Council appropriated approximately \$1.3 million of assigned and reserved fund balances for use for their intended purposes. These appropriations included \$754,666 in assigned proceeds from the sale of a City-owned property that were transferred to the capital projects fund. The appropriations also included \$196,092 in committed fund balance from the previous fiscal year for encumbrances (\$146,092) and support for the Petersburg Area Transit System (\$50,000). Restricted and assigned fund balances in the amount of \$154,967 were appropriated from asset forfeiture and public safety funds for law enforcement and fire equipment purchases, respectively. Finally, \$82,000 of unassigned fund balance was appropriated to meet an unexpected mandate to replace voting equipment before the 2017 election.

**CITY OF COLONIAL HEIGHTS, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018
(Continued)**

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

Local taxes generated the majority of General Fund revenue, totaling approximately \$41.3 million in fiscal year 2018, as compared with \$40.0 million in fiscal year 2017. Sales and meals taxes rebounded in mid-FY2018; growth in these two of the City's top six revenue sources went from 0% in FY2016 to FY2017 to 2.9% and 3.7% growth, respectively, between FY2017 and FY2018. Personal property collections also experienced a significant increase of 11.5%. Lodging taxes, which had been experiencing significant growth on a year over year basis, declined slightly by 2.2%. Real estate tax collections increased approximately \$650,000, due to a general reassessment which took effect on January 1, 2018.

Intergovernmental revenue is the second largest source of General Fund revenues, generating approximately \$7.0 million in fiscal year 2018 as compared to \$7.1 million in fiscal year 2017. 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. The City is currently receiving grant funds from the Commonwealth for two School Resource Officers (SROs) at two of the elementary schools. All five Colonial Heights schools now have an assigned SRO. Personal property tax relief is also a significant revenue source from the Commonwealth, providing \$1.75 million in revenue.

CAPITAL PROJECTS FUND HIGHLIGHTS

Multiple capital projects were under construction or completed during FY2018. The Capital Projects Fund reflects the receipt of \$134,521 from the Office of Emergency Medical Services with the Virginia Department of Health for the purchase of an ambulance, which was partially completed during the fiscal year. The City also received state and federal funding of \$1.5 million in reimbursement for various transportation improvements. Projects under construction at fiscal year-end included the radio communications system, an ambulance, and several transportation improvement projects. Projects completed during FY2018 included the expansion of the animal shelter, the Temple Avenue turning lane, improvements at Southpark Boulevard and Dimmock Parkway, and various transportation improvements.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund revenues were under original budgeted revenues by \$456,131 and under final budgeted revenues by approximately \$657,825 or (1.1%). Despite year over year growth due to the reassessment, total general property taxes fell short of the adopted budget by \$129,617. Delinquent taxes were significantly short of budgeted amounts; however, this is likely due to enhanced collection practices in the most recent fiscal years which have reduced the value of delinquent receivables.

General Fund expenditures and transfers were under the original budget by \$712,692 and were under the final, amended budget by \$2,064,596, or (3.5%). During fiscal year 2018, City Council amended the budget to appropriate donations; operational grants; restricted, committed, assigned, and unassigned fund balances; and prior year encumbrances.

**CITY OF COLONIAL HEIGHTS, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018
(Continued)**

CAPITAL ASSETS

As of June 30, 2018, the City's capital assets for its governmental and business-type activities amounted to \$78.5 million (net of accumulated depreciation and amortization). These investments include land, easements, construction in progress, land improvements, buildings and structures, equipment, software, and infrastructure. The City has a capitalization threshold of \$5,000. The City's total net capital asset value (additions less retirements and depreciation and amortization) decreased \$2.2 million during the current fiscal year. This decrease was the result of depreciation and amortization exceeding the rate of new capital investment.

**Summary Statement of
Capital Assets, Net of Accumulated Depreciation and Amortization
June 30, 2018 and 2017
(In Millions)**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land and Easements	\$4.9	\$4.8	\$0.1	\$0.1	\$5.0	\$4.9
Construction in Process	4.9	4.5	-	1.6	4.9	6.1
Building and Structures	23.8	26.0	2.8	1.4	26.6	27.4
Infrastructure	27.4	26.7	9.1	9.3	36.5	36.0
Equipment and Software	3.5	3.8	1.2	1.3	4.7	5.1
Purchased Capacity	-	-	0.8	1.2	-	1.2
Total	<u>\$64.5</u>	<u>\$65.8</u>	<u>\$14.0</u>	<u>\$14.9</u>	<u>\$78.5</u>	<u>\$80.7</u>

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

LONG-TERM DEBT

At June 30, 2018, the Primary Government's long-term liabilities totaled \$41,502,801 consisting of \$37,410,103 related to governmental activities, and \$4,092,698 related to business-type activities. No new debt was issued during the fiscal year; however the City issued a \$5.825 million bank loan in October 2018, which is reported as a subsequent event in Note 20 of the *Notes to Financial Statements*.

Fitch Investor's Service reaffirmed the City's AA+ bond rating in August 2018. In addition to Fitch, the City's outstanding bonds hold ratings of AA and Aa2 from Standard & Poor's and Moody's Investor Service, respectively.

The Charter of the City and the *Code of Virginia* limit the City's net debt to 10% of the assessed valuation of real estate. The City's entity-wide general obligation debt of \$36,864,995 is well below the legal debt limit of \$167,742,580.

The School Board Component Unit relies upon the City to provide full faith and credit for any debt obligations incurred. Therefore, the City reports School Board Component Unit long-term liabilities, other than compensated absences, as its own. In addition to bonded debt, the City's long-term obligations include compensated absences. Additional information concerning the City's long-term liabilities is presented in Notes 8, 9, 12, and 14 to the Basic Financial Statements.

**CITY OF COLONIAL HEIGHTS, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018
(Continued)**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The unemployment rate for the City at June 30, 2018 was 3.6% compared to a June 30, 2017 rate of 4.0%. This is above the state average of 3.3% for the same period, but compares favorably with the national average unemployment rate of 4.2%. The City had a population of 17,820 in 2017, according to the U.S. Census Bureau, an increase of 2.4% since the 2010 census.

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

The adopted fiscal year 2019 General Fund budget of \$56,514,843 decreased \$623,503 in comparison to the 2018 adopted budget. The operating budget for fiscal year 2019 maintained basic current services to the community and current operating support for capital investments. Revenue estimates were revised downward to reflect slower than expected growth in prior fiscal years which compounded the shortfall in the FY2018 budget. Since adoption of the FY2019 budget, several of those top revenue sources, particularly sales and meals taxes, have experienced growth and are projected to exceed the conservative estimates included in the FY2019 budget. Due to the reductions in anticipated revenue, the FY2019 budget did not include salary adjustments for employees, a long-standing budget priority.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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BASIC FINANCIAL STATEMENTS

CITY OF COLONIAL HEIGHTS, VIRGINIA

STATEMENT OF NET POSITION

June 30, 2018

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Totals	School Board	Economic Development Authority
ASSETS					
Cash and investments (Note 2)	\$ 9,367,530	\$ 1,441,060	\$ 10,808,590	\$ 6,714,262	\$ 64,000
Receivables, net (Note 3)	12,632,584	1,087,722	13,720,306	-	-
Due from other governments (Note 4)	4,023,385	23,414	4,046,799	1,460,020	-
Due from primary government	-	-	-	485,071	-
Due from component unit	77,405	-	77,405	-	-
Internal balances (Note 5)	(626,936)	626,936	-	-	-
Inventories	29,100	-	29,100	31,987	-
Prepays	10,776	-	10,776	-	-
Restricted cash (Note 2)	8,248,007	-	8,248,007	-	-
Net pension asset (Note 12)	-	-	-	126,726	-
Capital assets: (Note 7)					
Nondepreciable	9,753,483	149,067	9,902,550	4,322,409	-
Depreciable, net	54,741,802	13,889,583	68,631,385	17,889,005	-
Total assets	98,257,136	17,217,782	115,474,918	31,029,480	64,000
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	242,884	9,683	252,567	-	-
Deferred outflows related to pensions (Note 12)	1,890,395	117,032	2,007,427	3,553,534	-
Deferred outflows related to other postemployment benefits (Note 14)	64,371	4,193	68,564	341,128	-
Total deferred outflows of resources	2,197,650	130,908	2,328,558	3,894,662	-
LIABILITIES					
Accounts payable and other current liabilities	2,113,523	218,449	2,331,972	4,273,555	-
Due to component unit	485,071	-	485,071	-	-
Due to primary government	-	-	-	77,405	-
Unearned revenue	-	-	-	13,174	-
Accrued interest	84,252	9,798	94,050	-	-
Customer security deposits	135,134	153,810	288,944	-	-
Noncurrent liabilities:					
Net pension liability (Note 12)	10,970,797	679,195	11,649,992	29,138,000	-
Net other postemployment benefits/liabilities (Note 14)	4,315,906	364,603	4,680,509	14,188,990	-
Due within one year (Note 8)	3,273,613	272,570	3,546,183	103,431	-
Due in more than one year (Note 8)	34,136,490	3,820,128	37,956,618	1,965,197	-
Total liabilities	55,514,786	5,518,553	61,033,339	49,759,752	-
DEFERRED INFLOWS OF RESOURCES					
Property taxes and grants	11,758,816	-	11,758,816	-	-
Deferred inflows related to pensions (Note 12)	2,544,929	157,555	2,702,484	4,830,842	-
Deferred inflows related to other postemployment benefits (Note 14)	158,798	10,819	169,617	327,656	-
Total deferred inflows of resources	14,462,543	168,374	14,630,917	5,158,498	-
NET POSITION					
Net investment in capital assets	36,467,607	11,233,677	47,701,284	22,211,414	-
Restricted for public safety and judicial administration grants	209,951	-	209,951	-	-
Unrestricted	(6,200,101)	428,086	(5,772,015)	(42,205,522)	64,000
Total net position	\$ 30,477,457	\$ 11,661,763	\$ 42,139,220	\$ (19,994,108)	\$ 64,000

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

EXHIBIT 2

CITY OF COLONIAL HEIGHTS, VIRGINIA

STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government				
					Governmental Activities	Business-Type Activities	Totals	School Board	Economic Development Authority
Primary Government:									
Governmental activities:									
General government	\$ 3,998,220	\$ 3,665,914	\$ 831,799	\$ -	\$ 499,493		\$ 499,493		
Judicial administration	5,256,841	415,893	800,942	-	(4,040,006)		(4,040,006)		
Public safety	12,751,210	1,276,326	1,005,856	134,512	(10,334,516)		(10,334,516)		
Public works	6,472,875	1,379,397	2,651,566	1,471,926	(969,986)		(969,986)		
Health and welfare	1,141,789	-	-	-	(1,141,789)		(1,141,789)		
Parks, recreation, and cultural	3,006,186	192,540	-	-	(2,813,646)		(2,813,646)		
Community development	441,174	-	-	-	(441,174)		(441,174)		
Education	24,530,154	-	907,818	-	(23,622,336)		(23,622,336)		
Human services	462,086	-	-	-	(462,086)		(462,086)		
Interest	943,038	-	-	-	(943,038)		(943,038)		
Total governmental activities	59,003,573	6,930,070	6,197,981	1,606,438	(44,269,084)		(44,269,084)		
Business-type activities:									
Water and sewer	5,273,714	5,418,622	-	-		\$ 144,908	144,908		
Storm water management	376,511	434,958	-	-		58,447	58,447		
Total business-type activities	5,650,225	5,853,580	-	-		203,355	203,355		
Total primary government	\$ 64,653,798	\$ 12,783,650	\$ 6,197,981	\$ 1,606,438	(44,269,084)	203,355	(44,065,729)		
Discretely Presented Component Units:									
School Board	\$ 38,037,916	\$ 346,270	\$ 17,449,390	\$ -				\$ (20,242,256)	
Economic Development Authority	-	64,000	-	-					\$ 64,000
Total component units	\$ 38,037,916	\$ 410,270	\$ 17,449,390	\$ -				\$ (20,242,256)	\$ 64,000
General revenues:									
Taxes:									
General property taxes					23,139,195	-	23,139,195	-	-
Other local taxes:									
Local sales and use					7,847,364	-	7,847,364	-	-
Food and lodging					7,978,399	-	7,978,399	-	-
Consumer utility and communications sales and use					1,614,161	-	1,614,161	-	-
Other					670,960	-	670,960	-	-
Payments from City					-	-	-	24,530,154	-
Intergovernmental, non-categorical aid					1,758,246	-	1,758,246	-	-
Use of money and property					440,533	-	440,533	-	-
Miscellaneous					51,670	-	51,670	106,668	-
Total general revenues					43,500,528	-	43,500,528	24,636,822	-
Change in net position					(768,556)	203,355	(565,201)	4,394,566	64,000
NET POSITION AT JULY 1, AS RESTATED (Note 19)					31,246,013	11,458,408	42,704,421	(24,388,674)	-
NET POSITION AT JUNE 30					\$ 30,477,457	\$ 11,661,763	\$ 42,139,220	\$ (19,994,108)	\$ 64,000

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash and investments	\$ 8,406,950	\$ 960,580	\$ 9,367,530
Receivables, net	12,632,584	-	12,632,584
Due from other governments	2,639,678	1,383,707	4,023,385
Due from other funds	968,337	-	968,337
Due from component unit	77,405	-	77,405
Inventories	29,100	-	29,100
Prepays	10,776	-	10,776
Restricted cash	-	8,248,007	8,248,007
Total assets	<u>\$ 24,764,830</u>	<u>\$ 10,592,294</u>	<u>\$ 35,357,124</u>
LIABILITIES			
Accounts payable and other current liabilities	\$ 1,691,446	\$ 422,077	\$ 2,113,523
Due to other funds	-	1,595,273	1,595,273
Due to component unit	-	485,071	485,071
Customer security deposits	135,134	-	135,134
Total liabilities	<u>1,826,580</u>	<u>2,502,421</u>	<u>4,329,001</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable/deferred revenue	11,997,019	-	11,997,019
Total deferred inflows of resources	<u>11,997,019</u>	<u>-</u>	<u>11,997,019</u>
FUND BALANCES (Note 15)			
Nonspendable	39,876	-	39,876
Restricted	209,951	8,089,873	8,299,824
Committed	129,903	-	129,903
Assigned	1,333,927	-	1,333,927
Unassigned	9,227,574	-	9,227,574
Total fund balances	<u>10,941,231</u>	<u>8,089,873</u>	<u>19,031,104</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 24,764,830</u>	<u>\$ 10,592,294</u>	<u>\$ 35,357,124</u>

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2018**

Total Fund Balance - Governmental Funds \$ 19,031,104

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds.

Nondepreciable	\$ 9,753,483	
Depreciable, net	54,741,802	
		64,495,285

Certain receivables are not available to pay for current-period expenditures and therefore are deferred in the funds.		238,203
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Deferred outflows and inflows of resources related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources - pensions	1,890,395	
Deferred outflows of resources - other postemployment benefits	64,371	
Deferred inflows of resources - pensions	(2,544,929)	
Deferred inflows of resources - other postemployment benefits	(158,798)	
Net pension liability	(10,970,797)	
Net other postemployment benefits liabilities	(4,315,906)	
		(16,035,664)

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

Bonds payable, including unamortized premiums	(35,297,088)	
Deferred charge on refunding	242,884	
Landfill post-closure liability	(103,938)	
Compensated absences	(1,964,720)	
Capital lease payable	(44,357)	
Accrued interest payable	(84,252)	
		(37,251,471)

Total Net Position - Governmental Activities \$ 30,477,457

CITY OF COLONIAL HEIGHTS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2018

	General	Capital Projects	Total Governmental Funds
REVENUES			
General property taxes	\$ 23,231,130	\$ -	\$ 23,231,130
Other local taxes	18,110,884	-	18,110,884
Permits, privilege fees, and regulatory licenses	3,873,336	-	3,873,336
Fines and forfeitures	415,893	-	415,893
Charges for services	2,640,841	-	2,640,841
Use of money and property	298,233	142,300	440,533
Miscellaneous	51,670	-	51,670
Reimbursement from School Board	907,818	-	907,818
Intergovernmental	7,048,409	1,606,438	8,654,847
Total revenues	<u>56,578,214</u>	<u>1,748,738</u>	<u>58,326,952</u>
EXPENDITURES			
Current:			
General government	3,907,317	-	3,907,317
Judicial administration	5,306,612	-	5,306,612
Public safety	11,511,864	-	11,511,864
Public works	4,754,712	-	4,754,712
Health and welfare	1,102,579	-	1,102,579
Parks, recreation, and cultural	2,803,734	-	2,803,734
Community development	504,284	-	504,284
Education	21,093,249	3,436,905	24,530,154
Human services	477,214	-	477,214
Nondepartmental	333,790	-	333,790
Debt service:			
Principal retirement	2,997,480	-	2,997,480
Interest and fiscal charges	1,086,667	-	1,086,667
Capital outlays	-	2,090,813	2,090,813
Total expenditures	<u>55,879,502</u>	<u>5,527,718</u>	<u>61,407,220</u>
Excess (deficiency) of revenues over expenditures	<u>698,712</u>	<u>(3,778,980)</u>	<u>(3,080,268)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in (Note 6)	-	754,666	754,666
Transfers out (Note 6)	(754,666)	-	(754,666)
Total other financing sources (uses)	<u>(754,666)</u>	<u>754,666</u>	<u>-</u>
Net change in fund balances	<u>(55,954)</u>	<u>(3,024,314)</u>	<u>(3,080,268)</u>
FUND BALANCES AT JULY 1	<u>10,997,185</u>	<u>11,114,187</u>	<u>22,111,372</u>
FUND BALANCES AT JUNE 30	<u><u>\$ 10,941,231</u></u>	<u><u>\$ 8,089,873</u></u>	<u><u>\$ 19,031,104</u></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, 2018**

Net Change in Fund Balances - Governmental Funds \$ (3,080,268)

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	\$ 3,314,765	
Depreciation expense	<u>(3,021,081)</u>	
		293,684

Revenues in the Statement of Activities that do not provide current financial
resources are not reported as revenues in the funds. (91,935)

The issuance of long-term debt provides current financial resources to
governmental funds, while the repayment of the principal of long-term debt
consumes current financial resources of governmental funds. Neither transaction
has any effect on net position. This amount is the net effect of those differences. 2,997,480

Governmental funds report proceeds from the sale of capital assets as an
increase in financial resources while governmental activities report the gain
or loss on the sale of capital assets. (1,607,805)

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

Change in compensated absences	(160,644)	
Change in landfill post-closure liability	<u>(35,648)</u>	
		(196,292)

Governmental funds report employer pension contributions as expenditures.
However, in the Statement of Activities the cost of pension benefits earned net of
employee contributions is reported as pension expense. This is the amount by which
employer pension contributions of \$1,788,254 is greater than pension expense of
\$962,521 in the current period. 825,733

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

Employer other postemployment benefit contributions	\$64,371	
Other post employment benefits expense	(117,153)	
		(52,782)

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

Amortization of premiums	224,521	
Amortization of gain/loss from refundings	(87,502)	
Change in accrued interest payable	<u>6,610</u>	
		<u>143,629</u>

Change in Net Position - Governmental Activities \$ (768,556)

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2018**

	Business-Type Activities – Enterprise Funds		
	Water and Sewer	Storm Water Management	Totals
ASSETS			
Current assets:			
Cash and investments	\$ 1,267,537	\$ 173,523	\$ 1,441,060
Receivables, net	966,313	121,409	1,087,722
Due from other governments	23,414	-	23,414
Due from other funds	865,112	312,011	1,177,123
Total current assets	3,122,376	606,943	3,729,319
Noncurrent assets:			
Capital assets, net	12,248,627	1,790,023	14,038,650
Total noncurrent assets	12,248,627	1,790,023	14,038,650
Total assets	15,371,003	2,396,966	17,767,969
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	9,683	-	9,683
Deferred outflows related to pensions	100,371	16,661	117,032
Deferred outflows related to other postemployment benefits	3,550	643	4,193
Total deferred outflows of resources	113,604	17,304	130,908
LIABILITIES			
Current liabilities:			
Accounts payable and other current liabilities	207,922	10,527	218,449
Accrued interest	4,950	4,848	9,798
Due to other funds	550,187	-	550,187
Customer security deposits	153,810	-	153,810
Compensated absences	32,666	1,541	34,207
Debt obligations, current	143,422	94,941	238,363
Total current liabilities	1,092,957	111,857	1,204,814
Noncurrent liabilities:			
Compensated absences	62,877	3,834	66,711
Net pension liability	582,500	96,695	679,195
Net other postemployment benefit liabilities	315,850	48,753	364,603
Debt obligations	2,238,982	1,514,435	3,753,417
Total noncurrent liabilities	3,200,209	1,663,717	4,863,926
Total liabilities	4,293,166	1,775,574	6,068,740
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	135,124	22,431	157,555
Deferred inflows related to other post employment benefits	9,201	1,618	10,819
Total deferred inflows of resources	144,325	24,049	168,374
NET POSITION			
Net investment in capital assets	10,741,019	492,658	11,233,677
Unrestricted	306,097	121,989	428,086
Total net position	\$ 11,047,116	\$ 614,647	\$ 11,661,763

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2018

	Business-Type Activities – Enterprise Funds		
	Water and Sewer	Storm Water Management	Totals
OPERATING REVENUES			
Charges for services	\$ 4,897,692	\$ 431,328	\$ 5,329,020
Connection fees	116,896	-	116,896
Penalties	64,830	3,630	68,460
Miscellaneous	339,204	-	339,204
Total operating revenues	<u>5,418,622</u>	<u>434,958</u>	<u>5,853,580</u>
OPERATING EXPENSES			
Personnel	789,235	120,205	909,440
Fringe benefits	326,892	44,493	371,385
Utilities	87,977	-	87,977
Repairs and maintenance	46,293	13,083	59,376
Materials and supplies	155,694	1,826	157,520
Sewage treatment costs	1,707,986	-	1,707,986
Water purchased for resale	549,670	-	549,670
Depreciation and amortization	833,015	65,141	898,156
Other charges	675,103	77,077	752,180
Total operating expenses	<u>5,171,865</u>	<u>321,825</u>	<u>5,493,690</u>
Operating income	<u>246,757</u>	<u>113,133</u>	<u>359,890</u>
NONOPERATING REVENUES (EXPENSES)			
Loss on disposal of capital assets	(52,828)	-	(52,828)
Interest expense	(49,021)	(54,686)	(103,707)
Total nonoperating revenues (expenses)	<u>(101,849)</u>	<u>(54,686)</u>	<u>(156,535)</u>
Change in net position	144,908	58,447	203,355
NET POSITION AT JULY 1, AS RESTATED (Note 19)	<u>10,902,208</u>	<u>556,200</u>	<u>11,458,408</u>
NET POSITION AT JUNE 30	<u><u>\$ 11,047,116</u></u>	<u><u>\$ 614,647</u></u>	<u><u>\$ 11,661,763</u></u>

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2018

	Business-Type Activities – Enterprise Funds		
	Water and Sewer	Storm Water Management	Totals
OPERATING ACTIVITIES			
Receipts from customers and properties	\$ 4,995,830	\$ 391,993	\$ 5,387,823
Receipts from other sources	339,254	-	339,254
Payments to suppliers	(3,282,821)	(93,253)	(3,376,074)
Payments to employees	(1,131,025)	(169,081)	(1,300,106)
Net cash provided by operating activities	921,238	129,659	1,050,897
CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(29,493)	-	(29,493)
Principal paid	(218,082)	(88,500)	(306,582)
Interest paid	(55,050)	(60,247)	(115,297)
Net cash used in capital and related financing activities	(302,625)	(148,747)	(451,372)
Net increase (decrease) in cash and cash equivalents	618,613	(19,088)	599,525
CASH AND CASH EQUIVALENTS			
Beginning at July 1	648,924	192,611	841,535
Ending at June 30	<u>\$ 1,267,537</u>	<u>\$ 173,523</u>	<u>\$ 1,441,060</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 246,757	\$ 113,133	\$ 359,890
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	833,015	65,141	898,156
Pension expense net of employer contributions	(43,841)	(7,277)	(51,118)
Other post-employment benefit expense net of employer contributions	5,483	714	6,197
Change in assets and liabilities:			
(Increase) decrease in:			
Receivables, net	(85,468)	(42,965)	(128,433)
Due from other governments	50	-	50
Increase (decrease) in:			
Accounts payable and other current liabilities	(51,888)	(984)	(52,872)
Customer deposits	1,880	-	1,880
Compensated absences	15,250	1,897	17,147
Net cash provided by operating activities	<u>\$ 921,238</u>	<u>\$ 129,659</u>	<u>\$ 1,050,897</u>
SUPPLEMENTAL CASH FLOW INFORMATION			
INTEREST CAPITALIZED	<u>\$ 426</u>	<u>\$ -</u>	<u>\$ 426</u>

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 1. Summary of Significant Accounting Policies

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

A. The Financial Reporting Entity

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

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

Discretely Presented Component Unit – School Board

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

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

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

Discretely Presented Component Unit – Economic Development Authority

The Colonial Heights Economic Development Authority (the “EDA”) was created during 2018 to encourage and provide financing for economic development in the City. The EDA is governed by seven directors appointed by the City Council.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

The City reports the following major governmental funds:

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

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

The City reports the following major enterprise funds:

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

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

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgets and Budgetary Accounting

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

1. At least 60 days prior to June 30, the City Manager submits to City Council a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them.
2. The capital projects budget is prepared on a project length basis under which the total outlay for each project is estimated for the length of the project.
3. Public hearings are conducted to obtain citizen comments on the proposed budget. Prior to July 1, the budget is legally adopted at the function level through passage of an appropriation ordinance by City Council.
4. The City Manager is authorized to transfer amounts within functions, with any other transfers being approved by City Council. During the year, \$1,351,904 in supplemental appropriations were approved by City Council. These amendments consisted primarily of appropriations of prior year encumbrances, the appropriation of fund balance, and the appropriation of additional intergovernmental grants received during the year.
5. Actual expenditures and operating transfers out may not legally exceed budget appropriations for each function. City Council legally adopts an annual budget for the General Fund.

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

Investments.

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

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

Prepaid Items.

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

Property Taxes.

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

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

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

Property Taxes. (Continued)

Real Property (Continued) – For real estate assessed on January 1, payment is due in two installments on May 15 and November 15 and is considered delinquent if not received by the due date. On January 1, real estate taxes become an enforceable lien on related property. The real estate taxes reported as current year revenue are the second installment (November 15) of the levy on assessed value at January 1 of the prior year and the first installment (May 15) of the levy at January 1 of the current year. The tax rate for calendar year 2017 and 2018 was \$1.20 per \$100 of assessed value.

Personal Property – The City levies personal property taxes on motor vehicles and personal and business property. These levies are assessed on a calendar year basis as of January 1. Personal property taxes are payable in two installments, which are due on June 5 and December 5. Taxes become delinquent if not received by the due date. On January 1, personal property taxes become an enforceable lien on related property. The personal property taxes reported as revenue are the second installment (December 5) of the levy on assessed value at January 1 of the prior year, and the first installment (June 5) of the levy at January 1 of the current year. The tax rate for calendar year 2018 was \$3.50 per \$100 of assessed value. Under the provisions of the Personal Property Tax Relief Act of 1998 (PPTRA), the City received \$1,753,369 for the State's share of the local personal property tax payment with the remainder collected from City residents.

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

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

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.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

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

Capital Assets. (Continued)

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

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, \$426 in interest expense was included as part of the cost of capital assets under construction, in the Water and Sewer fund.

Deferred Outflows/Inflows of Resources

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

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

Pensions and Other Postemployment Benefits (OPEB):

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

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

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

Fund Equity. (Continued)

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

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

Minimum Fund Balance Policy

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

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

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Significant encumbrances as of June 30 total \$129,903 in the general fund and \$4,428,040 in the capital projects fund. The capital projects fund encumbrances are listed as committed on Table 5, and are broken out among the various departments.

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

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 1. Summary of Significant Accounting Policies (Continued)

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

Encumbrances (Continued)

Net Position. (Continued)

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

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

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

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

F. Use of Estimates

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

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 2. Deposits and Investments

Deposits

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

Investments

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

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

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

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

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 2. Deposits and Investments (Continued)

Investments (Continued)

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

Deposits:	
Demand deposits	\$ 4,286,873
Cash on hand	11,600
	<hr/> 4,298,473
Investments (Fair Value):	
LGIP	7,637,704
SNAP	7,120,420
	<hr/> \$ 19,056,597
	<hr/> <hr/>

Exhibit 1 total deposits and investments is composed as follows:

Cash and investments	\$ 10,808,590
Restricted cash	8,248,007
	<hr/>
Total deposits and investments	\$ 19,056,597
	<hr/> <hr/>

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

Deposits:	
Demand deposits	\$ 6,714,262
	<hr/> <hr/>

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

Deposits:	
Demand deposits	\$ 64,000
	<hr/> <hr/>

Credit Risk

As required by state statute, the Policy requires that commercial paper have a short-term debt rating of no less than "A-1" (or its equivalent) from at least two of the following: Moody's Investors Service, Standard & Poor's, and Fitch Investors Service, provided that the issuing corporation has a net worth of at least \$50 million and its long term debt is rated "A" or better by Moody's and Standard & Poor's. Banker's acceptances and Certificates of Deposit maturing in less than one year must have a short-term debt rating of at least "A-1" by Standard & Poor's and "P-1" by Moody's Investors Service.

Restricted Cash

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

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 3. Receivables

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

	General	Water and Sewer	Storm Water Management	Total	School Board
Taxes	\$ 12,472,979	\$ -	\$ -	\$ 12,472,979	\$ -
Accounts	344,173	1,041,313	121,409	1,506,895	485,071
Other	39,702	-	-	39,702	-
Gross receivables	12,856,854	1,041,313	121,409	14,019,576	485,071
Less allowance for uncollectible accounts	(224,270)	(75,000)	-	(299,270)	-
Net receivables	<u>\$ 12,632,584</u>	<u>\$ 966,313</u>	<u>\$ 121,409</u>	<u>\$ 13,720,306</u>	<u>\$ 485,071</u>

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

Note 4. Due from Other Governmental Units

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

	Governmental Activities	Business-Type Activities	School Board
Federal:			
Highway planning and construction	\$ 1,383,707	\$ -	\$ -
Other grants	-	-	127,289
Title I	-	-	652,712
Title II and III	-	-	78,330
Perkins	-	-	29,508
Child nutrition	-	-	35,465
Commonwealth of Virginia:			
Other aid, grants, and reimbursements	306,987	-	180,000
Sales tax	1,372,426	-	356,716
PPTRA	960,265	-	-
Chesterfield County	-	15,656	-
Virginia State University	-	7,493	-
Other governments	-	265	-
	<u>\$ 4,023,385</u>	<u>\$ 23,414</u>	<u>\$ 1,460,020</u>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 5. Interfund Obligations

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

	<u>Receivables</u>	<u>Payables</u>
General	\$ 968,337	\$ -
Capital Projects	-	1,595,273
Water and Sewer	865,112	550,187
Storm Water Management	<u>312,011</u>	<u>-</u>
	<u>\$ 2,145,460</u>	<u>\$ 2,145,460</u>

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

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

Note 6. Interfund Transfers

	<u>Transfer From Fund General</u>
Transfer to fund:	
Capital Projects	<u>\$ 754,666</u>
	<u>\$ 754,666</u>

The transfer from the General Fund to the Capital Projects Fund was to offset local matches for projects.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 7. Capital Assets

Capital asset activity was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated or amortized:				
Land	\$ 2,559,885	\$ -	\$ -	\$ 2,559,885
Easements	2,269,257	45,970	-	2,315,227
Construction in progress	4,510,185	1,763,475	(1,395,289)	4,878,371
	<u>9,339,327</u>	<u>1,809,445</u>	<u>(1,395,289)</u>	<u>9,753,483</u>
Capital assets, depreciated and amortized:				
Buildings and structures	36,399,141	164,522	(3,572,900)	32,990,763
Infrastructure	70,524,076	2,267,007	-	72,791,083
Equipment	17,267,032	469,080	(29,541)	17,706,571
Intangibles	207,433	-	-	207,433
	<u>124,397,682</u>	<u>2,900,609</u>	<u>(3,602,441)</u>	<u>123,695,850</u>
Less accumulated depreciation and amortization for:				
Buildings and structures	(10,397,016)	(773,915)	1,965,095	(9,205,836)
Infrastructure	(43,895,612)	(1,451,772)	-	(45,347,384)
Equipment	(13,541,389)	(776,388)	29,541	(14,288,236)
Intangibles	(93,586)	(19,006)	-	(112,592)
	<u>(67,927,603)</u>	<u>(3,021,081)</u>	<u>1,994,636</u>	<u>(68,954,048)</u>
Capital assets, depreciated and amortized, net	<u>56,470,079</u>	<u>(120,472)</u>	<u>(1,607,805)</u>	<u>54,741,802</u>
Governmental activities capital assets, net	<u>\$ 65,809,406</u>	<u>\$ 1,688,973</u>	<u>\$ (3,003,094)</u>	<u>\$ 64,495,285</u>

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

Governmental activities:	
General government	\$ 17,545
Judicial administration	12,501
Public safety	493,552
Public works	2,060,793
Health and welfare	3,799
Parks, recreation, and cultural	432,891
	<u>\$ 3,021,081</u>

Equipment includes capitalized leases of \$121,475 with a net book value of \$30,369.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 7. Capital Assets (Continued)

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated or amortized:				
Construction in progress	\$ 1,635,622	\$ 426	\$ (1,623,281)	\$ 12,767
Land	136,300	-	-	136,300
	<u>1,771,922</u>	<u>426</u>	<u>(1,623,281)</u>	<u>149,067</u>
Capital assets, depreciated and amortized:				
Land improvements	48,927	-	-	48,927
Buildings and structures	3,844,224	1,558,012	-	5,402,236
Infrastructure	16,495,046	12,441	-	16,507,487
Equipment	3,745,964	29,067	-	3,775,031
Intangibles	303,982	-	-	303,982
Purchased capacity	9,874,437	-	-	9,874,437
	<u>34,312,580</u>	<u>1,599,520</u>	<u>-</u>	<u>35,912,100</u>
Less accumulated depreciation and amortization for:				
Land improvements	(40,462)	(249)	-	(40,711)
Buildings and structures	(2,482,283)	(104,533)	-	(2,586,816)
Infrastructure	(7,184,709)	(227,958)	-	(7,412,667)
Equipment	(2,423,421)	(170,439)	-	(2,593,860)
Intangibles	(303,982)	-	-	(303,982)
Purchased capacity	(8,689,504)	(394,977)	-	(9,084,481)
	<u>(21,124,361)</u>	<u>(898,156)</u>	<u>-</u>	<u>(22,022,517)</u>
Capital assets, depreciated and amortized, net	<u>13,188,219</u>	<u>701,364</u>	<u>-</u>	<u>13,889,583</u>
Business-type activities capital assets, net	<u>\$ 14,960,141</u>	<u>\$ 701,790</u>	<u>\$ (1,623,281)</u>	<u>\$ 14,038,650</u>

Equipment includes capitalized leases of \$126,739 with a net book value of \$84,493.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 7. Capital Assets (Continued)

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

Business-type activities:	
Water and Sewer	\$ 833,015
Storm Water	<u>65,141</u>
	<u>\$ 898,156</u>

South Central Wastewater Authority (SCWA) treatment plant rights

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

<u>Component Unit – School Board</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not depreciated or amortized:				
Land	\$ 1,090,102	\$ -	\$ -	\$ 1,090,102
CIP	<u>1,590,669</u>	<u>3,079,384</u>	<u>(1,437,746)</u>	<u>3,232,307</u>
	<u>2,680,771</u>	<u>3,079,384</u>	<u>(1,437,746)</u>	<u>4,322,409</u>
Capital assets, depreciated and amortized:				
Buildings and structures	31,131,849	1,856,556	-	32,988,405
Equipment	<u>3,363,015</u>	<u>635,598</u>	<u>(83,803)</u>	<u>3,914,810</u>
	<u>34,494,864</u>	<u>2,492,154</u>	<u>(83,803)</u>	<u>36,903,215</u>
Less accumulated depreciation and amortization for:				
Buildings and structures	(15,863,694)	(655,894)	-	(16,519,588)
Equipment	<u>(2,337,000)</u>	<u>(222,239)</u>	<u>64,617</u>	<u>(2,494,622)</u>
	<u>(18,200,694)</u>	<u>(878,133)</u>	<u>64,617</u>	<u>(19,014,210)</u>
Capital assets, depreciated and amortized, net	<u>16,294,170</u>	<u>1,614,021</u>	<u>(19,186)</u>	<u>17,889,005</u>
School Board capital assets, net	<u>\$ 18,974,941</u>	<u>\$ 4,693,405</u>	<u>\$ (1,456,932)</u>	<u>\$ 22,211,414</u>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 8. Long-Term Liabilities

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

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
General obligation bonds	\$ 36,024,071	\$ -	\$ (2,973,209)	\$ 33,050,862	\$ 2,526,637
Issuance premiums	2,470,747	-	(224,521)	2,246,226	-
Capital lease payable	68,628	-	(24,271)	44,357	25,047
Landfill post-closure liability	68,290	35,648	-	103,938	-
Compensated absences	1,804,076	1,210,593	(1,049,949)	1,964,720	721,929
	<u>\$ 40,435,812</u>	<u>\$ 1,246,241</u>	<u>\$ (4,271,950)</u>	<u>\$ 37,410,103</u>	<u>\$ 3,273,613</u>
Business-Type Activities					
General obligation bonds	\$ 4,100,929	\$ -	\$ (286,796)	\$ 3,814,133	\$ 238,363
Capital lease payable	19,791	-	(19,791)	-	-
Issuance premiums	193,625	-	(15,978)	177,647	-
Compensated absences	83,771	73,357	(56,210)	100,918	34,207
	<u>\$ 4,398,116</u>	<u>\$ 73,357</u>	<u>\$ (378,775)</u>	<u>\$ 4,092,698</u>	<u>\$ 272,570</u>
Component Unit – School Board					
Compensated absences	\$ 1,780,686	\$ 606,245	\$ (318,303)	\$ 2,068,628	\$ 103,431
	<u>\$ 1,780,686</u>	<u>\$ 606,245</u>	<u>\$ (318,303)</u>	<u>\$ 2,068,628</u>	<u>\$ 103,431</u>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 8. Long-Term Liabilities (Continued)

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

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

	<u>Year Issued</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>
General obligation bonds:			
General improvement			
Series 2012	2012	2.50-4.00%	\$ 16,845,000
Series 2015	2015	2.00-5.00%	10,280,000
Series 2016	2016	2.00-5.00%	<u>9,740,000</u>
Total general obligation bonds			<u>\$ 36,865,000</u>
Capital leases payable:			
Bucket Truck	2015	3.16%	<u>\$ 44,357</u>

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

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

<u>Fiscal Year Ending</u>	<u>General Obligation Bonds</u>			
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 2,526,637	\$ 1,002,491	\$ 238,363	\$ 117,547
2020	2,599,225	933,550	240,775	112,912
2021	2,200,000	857,762	180,000	100,200
2022	2,280,000	781,312	185,000	94,800
2023	2,360,000	705,138	190,000	89,250
2024-2028	12,260,000	2,332,112	1,040,000	362,599
2029-2033	8,825,000	566,268	1,205,000	190,950
2034-2035	-	-	535,000	24,150
	<u>\$ 33,050,862</u>	<u>\$ 7,178,633</u>	<u>\$ 3,814,138</u>	<u>\$ 1,092,408</u>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 8. Long-Term Liabilities (Continued)

Fiscal Year Ending	Capital Leases Payable			
	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2019	25,047	1,107	-	-
2020	19,310	306	-	-
	<u>\$ 44,357</u>	<u>\$ 3,296</u>	<u>\$ -</u>	<u>\$ -</u>

Note 9. Environmental Liabilities

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

The City has completed the process of closing the former City landfill. Effective September 2015, DEQ dismissed the groundwater monitoring portion of the landfill post-closure costs. The new post-closure and corrective action costs for the landfill are currently projected to be approximately \$103,938 based on a minimum eight years of remaining monitoring and remediation. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

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

Note 10. Commitments and Contingent Liabilities

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

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

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 10. Commitments and Contingent Liabilities (Continued)

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

Construction Commitments: The City has entered into various construction contracts with \$4,428,040 still outstanding to be completed at year-end. These construction commitments are listed on Table 5, and are broken down into four main categories: general government, recreational facilities, streets and bridges, and utility improvements.

The School Board has outstanding construction commitments at year-end in the amount of \$2,409,867 for the following projects: North Media Center/Drive/Parking Lot, CHHS Locker & Team Room Renovation, and CHMS Cafeteria & Auditorium.

Health Department Commitments: The City entered into a contract with the Virginia Department of Health to help support the cooperative budget of the Colonial Heights Health Department. The City's annual payments from this agreement total approximately \$236,144.

Note 11. Defined Benefit Pension Plan

Primary Government – City

Plan Description

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

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

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

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 11. Defined Benefit Pension Plan (Continued)

Primary Government – City (Continued)

Plan Description (Continued)

Plan 1 (Continued)

- **Hybrid Opt-In Election** – VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.
- **Retirement Contributions** – Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.
- **Creditable Service** – Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.
- **Vesting** – Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.
- **Calculating the Benefit** – The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier, and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.
- **Average Final Compensation** – A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 11. Defined Benefit Pension Plan (Continued)

Primary Government – City (Continued)

Plan Description (Continued)

Plan 1 (Continued)

- **Service Retirement Multiplier** – The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.
- **Normal Retirement Age** – Age 65 or age 60 for hazardous duty employees.
- **Earliest Unreduced Retirement Eligibility** – Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service for hazardous duty employees.
- **Earliest Reduced Retirement Eligibility** – Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. Age 50 with at least five years of creditable service for hazardous duty employees.
- **Cost-of-Living Adjustment (COLA) in Retirement** – The Cost-of-Living Adjustment (COLA) matches the first 3.00% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4.00%) up to a maximum COLA of 5.00%.
 - **Eligibility** – For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 11. Defined Benefit Pension Plan (Continued)

Primary Government – City (Continued)

Plan Description (Continued)

Plan 1 (Continued)

- **Cost-of-Living Adjustment (COLA) in Retirement (Continued)**
 - **Exceptions to COLA Effective Dates** – The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:
 - The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
 - The member retires on disability.
 - The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
 - The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
 - The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.
- **Disability Coverage** – Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted.
- **Purchase of Prior Service** – Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 11. Defined Benefit Pension Plan (Continued)

Primary Government – City (Continued)

Plan Description (Continued)

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

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

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 11. Defined Benefit Pension Plan (Continued)

Primary Government – City (Continued)

Plan Description (Continued)

Plan 2 (Continued)

- **Cost-of-Living Adjustment (COLA) in Retirement (Continued)**
 - **Exceptions to COLA Effective Dates** – Same as Plan 1.
- **Disability Coverage** – Same as Plan 1 except that the retirement multiplier is 1.65%.
- **Purchase of Prior Service** – Same as Plan 1.

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

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

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 11. Defined Benefit Pension Plan (Continued)

Primary Government – City (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

- **Creditable Service:**
 - **Defined Benefit Component** – Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.
 - **Defined Contributions Component** – Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.
- **Vesting:**
 - **Defined Benefit Component** – Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.
 - **Defined Contributions Component** – Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. After two years, a member is 50% vested and may withdraw 50% of employer contributions. After three years, a member is 75% vested and may withdraw 75% of employer contributions. After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
- **Calculating the Benefit:**
 - **Defined Benefit Component** – See definition under Plan 1.
 - **Defined Contribution Component** – The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
- **Average Final Compensation** – Same as Plan 2 for the defined benefit component of the plan.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 11. Defined Benefit Pension Plan (Continued)

Primary Government – City (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

- **Service Retirement Multiplier** – The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. This is not applicable to sheriffs, regional jail superintendents, or hazardous duty employees.
- **Normal Retirement Age:**
 - **Defined Benefit Component** – Same as Plan 2, however, not applicable for hazardous duty employees.
 - **Defined Contribution Component** – Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Earliest Unreduced Retirement Eligibility:**
 - **Defined Benefit Component** – Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. This is not applicable to hazardous duty employees.
 - **Defined Contribution Component** – Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Earliest Reduced Retirement Eligibility:**
 - **Defined Benefit Component** – Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. This is not applicable to hazardous duty employees.
 - **Defined Contribution Component** – Members are eligible to receive distributions upon leaving employment, subject to restrictions.
- **Cost-of-Living Adjustment (COLA) in Retirement:**
 - **Defined Benefit Component** – Same as Plan 2.
 - **Defined Contribution Component** – Not Applicable.
 - **Eligibility** – Same as Plan 1 and 2.
 - **Exceptions to COLA Effective Dates** – Same as Plan 1 and 2.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 11. Defined Benefit Pension Plan (Continued)

Primary Government – City (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

- **Disability Coverage** – Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
- **Purchase of Prior Service:**
 - **Defined Benefit Component** – Same as Plan 1, with the following exceptions:
 - Hybrid Retirement Plan members are ineligible for ported service.
 - **Defined Contribution Component** – Not Applicable.

Employees Covered by Benefit Terms

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>165</u>
Inactive members:	
Vested inactive members	33
Non-vested inactive members	27
Inactive members active elsewhere in VRS	<u>132</u>
Total inactive members	192
Active members	<u>253</u>
Total covered employees	<u><u>610</u></u>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 11. Defined Benefit Pension Plan (Continued)

Primary Government – City (Continued)

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The political subdivision's contractually required contribution rate for the year ended June 30, 2018 was 14.41% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were \$1,898,963 and \$1,866,696 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability

The political subdivision's net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 11. Defined Benefit Pension Plan (Continued)

Primary Government – City (Continued)

Actuarial Assumptions

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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

- * Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates: General employees – 15 to 20% of deaths are assumed to be service related. Public Safety Employees – 70% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2014 Mortality Table Projected to 2020 with various set backs or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees – Largest 10 – Non-Hazardous Duty and All Others (Non 10 Largest): Update mortality table; lowered retirement rates at older ages, changed final retirement from 70 to 75; lowered disability rates, no change to salary scale, increased rate of line of duty disability from 14% to 20%.

Public Safety Employees – Largest 10 – Hazardous Duty and All Others (Non 10 Largest): Update mortality table; adjustment to rates of retirement by increasing rate at 50 and lowering rate at older ages; adjusted rates of withdrawal and disability to better fit experience; changes to line of duty rates, and no changes to salary scale.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 11. Defined Benefit Pension Plan (Continued)

Primary Government – City (Continued)

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	40.00 %	4.54 %	1.82 %
Fixed Income	15.00	0.69	0.10
Credit Strategies	15.00	3.96	0.59
Real Assets	15.00	5.76	0.86
Private Equity	15.00	9.53	1.43
Total	100.00 %		<u>4.80 %</u>
	Inflation		<u>2.50 %</u>
	*Expected arithmetic nominal return		<u>7.30 %</u>

- * The above allocation provides for a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.5%.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 11. Defined Benefit Pension Plan (Continued)

Primary Government – City (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2016, the rate contributed by the employer for the Political Subdivision Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2016	\$ 73,240,582	\$ 56,972,903	\$ 16,267,679
Changes for the year:			
Service cost	1,767,349	-	1,767,349
Interest	5,005,168	-	5,005,168
Benefit changes	-	-	-
Differences between expected and actual experience	(1,914,015)	-	(1,914,015)
Assumption changes	(104,084)	-	(104,084)
Contributions – employer	-	1,866,696	(1,866,696)
Contributions – employee	-	650,821	(650,821)
Net investment income	-	6,900,716	(6,900,716)
Benefit payments, including refunds of employee contributions	(3,476,363)	(3,476,363)	-
Refunds of employee contributions	-	-	-
Administrative expenses	-	(39,983)	39,983
Other changes	-	(6,145)	6,145
Net changes	1,278,055	5,895,742	(4,617,687)
Balances at June 30, 2017	\$ 74,518,637	\$ 62,868,645	\$ 11,649,992

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 11. Defined Benefit Pension Plan (Continued)

Primary Government – City (Continued)

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

The following presents the net pension liability of the political subdivision using the discount rate of 7.00%, as well as what the political subdivision's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	<u>1.00% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1.00% Increase (8.00%)</u>
Political subdivision's net pension liability	<u>\$ 21,269,047</u>	<u>\$ 11,649,992</u>	<u>\$ 3,641,184</u>

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

For the year ended June 30, 2018, the political subdivision recognized pension expense of \$1,000,873. At June 30, 2018, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 108,464	\$ 1,727,018
Change in assumptions	-	73,739
Net difference between projected and actual earnings on pension plan investments	-	901,727
Employer contributions subsequent to the measurement date	<u>1,898,963</u>	<u>-</u>
Total	<u>\$ 2,007,427</u>	<u>\$ 2,702,484</u>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 11. Defined Benefit Pension Plan (Continued)

Primary Government – City (Continued)

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

The \$1,898,963 reported as deferred outflows of resources related to pensions resulting from the Political Subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Reduction to Pension Expense</u>
2019	\$ (1,258,325)
2020	(487,630)
2021	(258,505)
2022	(589,560)
2023	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

At June 30, 2018, approximately \$230,756 was payable to the Virginia Retirement System for the legally required contributions related to June 2018 payroll.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 11. Defined Benefit Pension Plan (Continued)

School Nonprofessionals

Plan Description

All full-time, salaried permanent non-professional employees (non-teachers) of the City of Colonial Heights Virginia, (the "School division") are automatically covered by the VRS Retirement Plan upon employment. This multi-employer agent plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service. The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. The plan provisions and features of the plans, as well as all actuarial assumptions, are substantially the same as those described for the Primary Government.

Employees Covered by Benefit Terms

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>58</u>
Inactive members:	
Vested inactive members	5
Non-vested inactive members	6
Inactive members active elsewhere in VRS	<u>4</u>
Total inactive members	15
Active members	<u>37</u>
Total covered employees	<u><u>110</u></u>

Contributions

The school division's contractually required contribution rate for the year ended June 30, 2018 was 5.86% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

Contributions to the pension plan from the school division were \$74,809 and \$72,037 for the years ended June 30, 2018 and June 30, 2017, respectively.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 11. Defined Benefit Pension Plan (Continued)

School Nonprofessionals (Continued)

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balances at June 30, 2016	\$ 4,565,903	\$ 4,452,445	\$ 113,458
Changes for the year:			
Service cost	133,817	-	133,817
Interest	310,335	-	310,335
Benefit changes	-	-	-
Differences between expected and actual experience	11,549	-	11,549
Assumption changes	(31,143)	-	(31,143)
Contributions – employer	-	72,037	(72,037)
Contributions – employee	-	60,431	(60,431)
Net investment income	-	535,907	(535,907)
Benefit payments, including refunds of employee contributions	(265,098)	(265,098)	-
Refunds of employee contributions	-	-	-
Administrative expenses	-	(3,159)	3,159
Other changes	-	(474)	474
Net changes	159,460	399,644	(240,184)
Balances at June 30, 2017	\$ 4,725,363	\$ 4,852,089	\$ (126,726)

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

The following presents the net pension liability (asset) of the school division using the discount rate of 7.00%, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
School division's net pension liability (asset)	\$ 393,788	\$ (126,726)	\$ (569,218)

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 11. Defined Benefit Pension Plan (Continued)

School Nonprofessionals (Continued)

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

For the year ended June 30, 2018, the school division recognized pension expense (income) of \$(22,474). At June 30, 2018, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,676	\$ 19,311
Change in assumptions	-	18,002
Net difference between projected and actual earnings on pension plan investments	-	67,529
Employer contributions subsequent to the measurement date	<u>74,809</u>	<u>-</u>
Total	<u>\$ 81,485</u>	<u>\$ 104,842</u>

The \$74,809 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Reduction to Pension Expense
2019	\$ (72,899)
2020	19,341
2021	1,193
2022	(45,801)
2023	-
Thereafter	-

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 11. Defined Benefit Pension Plan (Continued)

School Nonprofessionals (Continued)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

At June 30, 2018, approximately \$755 was payable to the Virginia Retirement System for the legally required contributions related to June 2018 payroll.

Teacher Cost Sharing Plan

General Information about the Teacher Cost Sharing Plan

Plan Description

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

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

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each school division's contractually required contribution rate for the year ended June 30, 2018 was 16.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$3,047,049 and \$2,696,034 for the years ended June 30, 2018 and June 30, 2017, respectively.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 11. Defined Benefit Pension Plan (Continued)

Teacher Cost Sharing Plan (Continued)

General Information about the Teacher Cost Sharing Plan (Continued)

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

At June 30, 2018, the school division reported a liability of \$29,138,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion was 0.23693% as compared to 0.24029% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized pension expense \$1,579,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2018, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,063,000
Change in assumptions	425,000	-
Net difference between projected and actual earnings on pension plan investments	-	1,059,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	-	1,604,000
Employer contributions subsequent to the measurement date	3,047,049	-
Total	<u>\$ 3,472,049</u>	<u>\$ 4,726,000</u>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 11. Defined Benefit Pension Plan (Continued)

Teacher Cost Sharing Plan (Continued)

General Information about the Teacher Cost Sharing Plan (Continued)

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

The \$3,047,049 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Reduction to Pension Expense
2019	\$ (1,716,000)
2020	(597,000)
2021	(708,000)
2022	(1,125,000)
2023	(155,000)
Thereafter	-

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2017, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	Teacher Employee Retirement Plan
Total Pension Liability	\$ 45,417,520
Plan Fiduciary Net Position	<u>33,119,545</u>
Employers' Net Pension Liability (Asset)	<u>\$ 12,297,975</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.92%

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 11. Defined Benefit Pension Plan (Continued)

Teacher Cost Sharing Plan (Continued)

General Information about the Teacher Cost Sharing Plan (Continued)

Net Pension Liability (Continued)

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

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

The following presents the school division's proportionate share of the net pension liability of the school division using the discount rate of 7.00%, as well as what the school division's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement plan net pension liability	\$ 43,512,000	\$ 29,138,000	\$ 17,247,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

At June 30, 2018, approximately \$407,866 was payable to the Virginia Retirement System for the legally required contributions related to the June 2018 payroll.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 12. Summary of Pension Elements

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

	Governmental Activities	Business-Type Activities	Total Primary Government	School Board
Net pension asset				
VRS Basic Pension Plan	\$ -	\$ -	\$ -	\$ 126,726
Net pension liability				
VRS Basic Pension Plan	\$ (10,970,797)	\$ (679,195)	\$ (11,649,992)	\$ (29,138,000)
Deferred outflows of resources				
Change in assumptions	\$ -	\$ -	\$ -	\$ 425,000
Differences between expected and actual experience	102,141	6,323	108,464	6,676
Pension contributions subsequent to measurement date	1,788,254	110,709	1,898,963	3,121,858
Total deferred outflows of resources	\$ 1,890,395	117,032	2,007,427	3,553,534
Deferred inflows of resources				
Differences between expected and actual experience	\$ (1,626,333)	\$ (100,685)	\$ (1,727,018)	\$ (2,082,311)
Changes of assumptions	(69,440)	(4,299)	(73,739)	(18,002)
Net difference between projected and actual earnings on plan investments	(849,156)	(52,571)	(901,727)	(1,126,529)
Change in proportion	-	-	-	(1,604,000)
Total deferred inflows of resources	\$ (2,544,929)	\$ (157,555)	\$ (2,702,484)	\$ (4,830,842)

Note 13. Other Postemployment Benefits Liabilities

Primary Government – City – Local Plan

Plan Description and Benefits Provided

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

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

The plan does not issue a stand-alone financial report.

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

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 13. Other Postemployment Benefits Liabilities (Continued)

Primary Government – City – Local Plan (Continued)

Employees Covered by Benefit Terms

As of the January 1, 2017 actuarial valuation, the following employees were covered by the benefit terms of the plan:

	<u>Number</u>
Inactive employees or beneficiaries:	
Currently receiving benefits	<u>29</u>
Total inactive employees	29
Active plan members	<u>229</u>
	<u><u>258</u></u>

Total OPEB Liability

The City's total OPEB liability of \$3,611,509 was measured as of June 30, 2018 and was determined based on an actuarial valuation performed as of January 1, 2017.

Actuarial Assumptions and other inputs

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

Inflation	2.5%
Salary increases, including inflation	2.5%
Healthcare cost trend rates	6.25% initially, grading down to 4.75% ultimate

Mortality rates: RP2000 for Males and Females base year 2000 projected to 2027 with scale BB.

The actuarial assumptions used in the June 30, 2018 valuation were determined by an actuarial valuation as of January 1, 2017.

Changes in assumptions and other inputs reflect the discount rate increase from 3.56% to 3.62%.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 13. Other Postemployment Benefits Liabilities (Continued)

Primary Government – City – Local Plan (Continued)

Changes in the Total OPEB Liability

Balance at June 30, 2017	\$ 3,512,744
Changes for the year:	
Service cost	99,014
Interest	126,738
Assumption or other input changes	(22,679)
Benefit payments	(104,308)
Net changes	98,765
Balance at June 30, 2018	\$ 3,611,509

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.62%) or one percentage point higher (4.62%) than the current discount rate:

	1.00% Decrease (2.62%)	Current Discount Rate (3.62%)	1.00% Increase (4.62%)
Total OPEB liability	\$ 4,058,118	\$ 3,611,509	\$ 3,265,241

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (3.75%) or one percentage point higher (5.75%) than the current healthcare cost trend rates:

	1.00% Decrease (3.75%)	Current Healthcare Cost Trend Rates (4.75%)	1.00% Increase (5.75%)
Total OPEB liability	\$ 3,256,658	\$ 3,611,509	\$ 4,085,640

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 13. Other Postemployment Benefits Liabilities (Continued)

Primary Government – City – Local Plan (Continued)

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

For the year ended June 30, 2018, the City recognized OPEB expense of \$223,690. At June 30, 2018, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ -	\$ 20,617
Total	<u>\$ -</u>	<u>\$ 20,617</u>

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

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2019	\$ (2,062)
2020	(2,062)
2021	(2,062)
2022	(2,062)
2023	(2,062)
Thereafter	(10,307)

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 13. Other Postemployment Benefits Liabilities (Continued)

Component Unit – School Board – Local Plan

Plan Description and Benefits Provided

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

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

The plan does not issue a stand-alone financial report.

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

Employees Covered by Benefit Terms

As of the January 1, 2017 actuarial valuation, the following employees were covered by the benefit terms of the plan:

	<u>Number</u>
Inactive employees or beneficiaries:	
Currently receiving benefits	<u>134</u>
Total inactive employees	134
Active plan members	<u>365</u>
	<u><u>499</u></u>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 13. Other Postemployment Benefits Liabilities (Continued)

Component Unit – School Board – Local Plan (Continued)

Total OPEB Liability

The School Board's total OPEB liability of \$9,566,990 was measured as of June 30, 2018 and was determined based on an actuarial valuation performed as of June 30, 2017.

Actuarial Assumptions and Other Inputs

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

Inflation	2.5%
Salary increases, including inflation	2.5%
Healthcare cost trend rates	6.25% initially, grading down to 4.75%

Mortality rates: RP2000 for Males and Females base year 2000 projected to 2027 with scale BB.

Changes in assumptions and other inputs reflect the increase of the discount rate from 3.56% to 3.62% due to changes in the 20-year municipal bond index.

Changes in the Total OPEB Liability

Balance at June 30, 2017	<u>\$ 9,525,002</u>
Changes for the year:	
Service cost	283,414
Interest	341,473
Assumption or other input changes	(60,363)
Benefit payments	<u>(522,536)</u>
Net changes	<u>41,988</u>
Balance at June 30, 2018	<u><u>\$ 9,566,990</u></u>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 13. Other Postemployment Benefits Liabilities (Continued)

Component Unit – School Board – Local Plan (Continued)

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

The following presents the total OPEB liability of the School Board, as well as what the School Board's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.62%) or one percentage point higher (4.62%) than the current discount rate:

	1.00% Decrease (2.62%)	Current Discount Rate (3.62%)	1.00% Increase (4.62%)
Total OPEB liability	\$ 10,807,282	\$ 9,566,990	\$ 8,620,712

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

The following presents the total OPEB liability of the School Board, as well as what the School Board's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (3.75%) or one percentage point higher (5.75%) than the current healthcare cost trend rates:

	1.00% Decrease (3.75%)	Current Healthcare Cost Trend Rates (4.75%)	1.00% Increase (5.75%)
Total OPEB liability	\$ 8,997,914	\$ 9,566,990	\$ 10,381,339

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

For the year ended June 30, 2018, the School Board recognized OPEB expense of \$618,180. At June 30, 2018, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ -	\$ 53,656
Total	\$ -	\$ 53,656

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 13. Other Postemployment Benefits Liabilities (Continued)

Component Unit – School Board – Local Plan (Continued)

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

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2019	\$ (6,707)
2020	(6,707)
2021	(6,707)
2022	(6,707)
2023	(6,707)
Thereafter	(20,121)

Primary Government – City – Virginia Retirement System Plans

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

Plan Description

Group Life Insurance Program

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

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

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

The GLI is administered by the VRS along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia. This plan is considered a multiple employer, cost sharing plan.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 13. Other Postemployment Benefits Liabilities (Continued)

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

Contributions

Contributions to the VRS OPEB program were based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

Group Life Insurance Program

Governed by:	<i>Code of Virginia 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.</i>
Total rate:	1.31% of covered employee compensation. Rate allocated 60/40; 0.79% employee and 0.52% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2018 Contribution	\$68,564
June 30, 2017 Contribution	\$68,161

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

The net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the net OPEB liability was based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers.

Group Life Insurance Program

June 30, 2018 proportionate share of liability	\$1,069,000
June 30, 2017 proportion	0.07106%
June 30, 2016 proportion	0.07304%
June 30, 2018 expense	\$7,000

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 13. Other Postemployment Benefits Liabilities (Continued)

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

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

Group Life Insurance Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ -	\$ 24,000
Change in assumptions	-	55,000
Net difference between projected and actual earnings on		
OPEB plan investments	-	40,000
Changes in proportion	-	30,000
Employer contributions subsequent to the		
measurement date	68,564	-
Total	<u>\$ 68,564</u>	<u>\$ 149,000</u>

The deferred outflows of resources related to OPEB resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Group Life Insurance Program

Year Ending June 30,	Increase (Reduction) to OPEB Expense
	<u> </u>
2019	\$ (30,000)
2020	(30,000)
2021	(30,000)
2022	(30,000)
2023	(19,000)
Thereafter	(10,000)

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 13. Other Postemployment Benefits Liabilities (Continued)

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

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2016, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017:

Inflation	2.5%
Salary increases, including inflation:	
• Locality – general employees	3.5 – 5.35%
• Locality – hazardous duty employees	3.5 – 4.75%
• Teachers	3.5 – 5.95%
Healthcare cost trend rates:	
• Under age 65	7.75 – 5.00%
• Ages 65 and older	5.75 – 5.00%
Investment rate of return, net of expenses, including inflation*	7.0%

- * Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment rate for GASB purposes of slightly more than the assumed percent above. However, since the difference was minimal, and a more conservative investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be the percent noted above to simplify preparation of OPEB liabilities.

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

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 13. Other Postemployment Benefits Liabilities (Continued)

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

Net OPEB Liability

The net OPEB liability represents the total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, net OPEB liability amount for the VRS OPEB program is as follows (amounts expressed in thousands):

	Group Life Insurance Program
Total OPEB Liability	\$ 2,942,426
Plan fiduciary net position	\$ 1,437,586
Employers' net OPEB liability (asset)	\$ 1,504,840
Plan fiduciary net position as a percentage of total OPEB liability	48.86%

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

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 13. Other Postemployment Benefits Liabilities (Continued)

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

Long-Term Expected Rate of Return

Group Life Insurance

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	40.00 %	4.54 %	1.82 %
Fixed Income	15.00	0.69	0.10
Credit Strategies	15.00	3.96	0.59
Real Assets	15.00	5.76	0.86
Private Equity	15.00	9.53	1.43
Total	100.00 %		4.80 %
	Inflation		2.50 %
	*Expected arithmetic nominal return		7.30 %

- * The above allocation provides for a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.5%.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 13. Other Postemployment Benefits Liabilities (Continued)

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

Discount Rate

The discount rate used to measure the GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current discount rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
GLI Net OPEB liability	\$ 1,383,000	\$ 1,069,000	\$ 815,000

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the OPEB Plan

At June 30, 2018, the following amounts were payable to the Virginia Retirement System for the legally required contributions related to June 2018 payroll.

- Group Life Insurance \$5,804

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 13. Other Postemployment Benefits Liabilities

Component Unit – School Board – Virginia Retirement System Plans

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

Plan Descriptions

Group Life Insurance Program

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

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

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

Teacher Employee Health Insurance Credit Program

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

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

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

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 13. Other Postemployment Benefits Liabilities (Continued)

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

Contributions

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2015. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

Group Life Insurance Program

Governed by:	<i>Code of Virginia</i> 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.
Total rate:	1.31% of covered employee compensation. Rate allocated 60/40; 0.79% employee and 0.52% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2018 Contribution	\$105,361
June 30, 2017 Contribution	\$103,641

Teacher Health Insurance Credit Program

Governed by:	<i>Code of Virginia</i> 51.1-1401(E) and may be impacted as a result of funding provided to school divisions by the Virginia General Assembly.
Total rate:	1.23% of covered employee compensation.
June 30, 2018 Contribution	\$229,767
June 30, 2017 Contribution	\$207,000

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 13. Other Postemployment Benefits Liabilities (Continued)

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

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

The net OPEB liabilities were measured as of June 30, 2017 and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by actuarial valuations as of that date. The covered employer's proportion of the net OPEB liabilities were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers.

Group Life Insurance Program

June 30, 2018 proportionate share of liability	\$1,626,000
June 30, 2017 proportion	0.10806%
June 30, 2016 proportion	0.10847%
June 30, 2018 expense	\$17,000

Teacher Health Insurance Credit Program

June 30, 2018 proportionate share of liability	\$2,996,000
June 30, 2017 proportion	0.23620%
June 30, 2016 proportion	0.24027%
June 30, 2018 expense	\$237,000

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

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 13. Other Postemployment Benefits Liabilities (Continued)

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

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

At June 30, 2018, the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

Group Life Insurance Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 36,000
Change in assumptions	-	84,000
Net difference between projected and actual earnings on OPEB plan investments	-	61,000
Changes in proportion	6,000	12,000
Employer contributions subsequent to the measurement date	105,361	-
Total	<u>\$ 111,361</u>	<u>\$ 193,000</u>

Teacher Health Insurance Credit Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ -	\$ 31,000
Net difference between projected and actual earnings on OPEB plan investments	-	5,000
Changes in proportion	-	45,000
Employer contributions subsequent to the measurement date	229,767	-
Total	<u>\$ 229,767</u>	<u>\$ 81,000</u>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 13. Other Postemployment Benefits Liabilities (Continued)

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

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

The deferred outflows of resources related to OPEB resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Group Life Insurance Program

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2019	\$ (38,000)
2020	(38,000)
2021	(38,000)
2022	(38,000)
2023	(24,000)
Thereafter	(11,000)

Teacher Health Insurance Credit Program

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2019	\$ (13,000)
2020	(13,000)
2021	(13,000)
2022	(13,000)
2023	(12,000)
Thereafter	(17,000)

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 13. Other Postemployment Benefits Liabilities (Continued)

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

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2016, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017:

Inflation	2.5%
Salary increases, including inflation:	
• Locality – general employees	3.5 – 5.35%
• Teachers	3.5 – 5.95%
Healthcare cost trend rates:	
• Under age 65	7.75 – 5.00%
• Ages 65 and older	5.75 – 5.00%
Investment rate of return, net of expenses, including inflation*	GLI & HIC: 7.0%

- * Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment rate for GASB purposes of slightly more than the assumed percent above. However, since the difference was minimal, and a more conservative investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be the percent noted above to simplify preparation of OPEB liabilities.

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

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 13. Other Postemployment Benefits Liabilities (Continued)

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

Net OPEB Liabilities

The net OPEB liabilities represent each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	Group Life Insurance Program	Teacher Employee HIC OPEB Plan
Total OPEB Liability	\$ 2,942,426	\$ 1,364,702
Plan fiduciary net position	1,437,586	96,091
Employers' net OPEB liability (asset)	\$ 1,504,840	\$ 1,268,611
Plan fiduciary net position as a percentage of total OPEB liability	48.86%	7.04%

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

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 13. Other Postemployment Benefits Liabilities (Continued)

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

Long-Term Expected Rate of Return

Group Life Insurance and Health Insurance Credit Programs

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	40.00 %	4.54 %	1.82 %
Fixed Income	15.00	0.69	0.10
Credit Strategies	15.00	3.96	0.59
Real Assets	15.00	5.76	0.86
Private Equity	15.00	9.53	1.43
Total	100.00 %		4.80 %
	Inflation		2.50 %
	*Expected arithmetic nominal return		7.30 %

- * The above allocation provides for a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.5%.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 13. Other Postemployment Benefits Liabilities (Continued)

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

Discount Rate

The discount rate used to measure the GLI and HIC OPEB liabilities was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the net OPEB liabilities of the School Board, as well as what the School Board's net OPEB liabilities would be if it were calculated using a discount rate that is one percentage point lower (6.00% HIC) or one percentage point higher (8.00% HIC; GLI) than the current discount rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
GLI Net OPEB liability	\$ 2,103,000	\$ 1,626,000	\$ 1,240,000
Teacher HIC Net OPEB liability	\$ 3,344,000	\$ 2,996,000	\$ 2,701,000

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 13. Other Postemployment Benefits Liabilities (Continued)

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

Payables to the OPEB Plan

At June 30, 2018, the following amounts were payable to the Virginia Retirement System for the legally required contributions related to June 2018 payroll.

- Group Life Insurance \$32,975
- Teacher Employee Health Insurance Credit 30,886

Note 14. Summary of Other Post-Employment Benefit Elements

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

	Governmental Activities	Business-Type Activities	Total Primary Government	School Board
Net other postemployment benefits liabilities				
Local Sponsored Health Insurance	\$ (3,312,274)	\$ (299,235)	\$ (3,611,509)	\$ (9,566,990)
VRS – Group Life Insurance	(1,003,632)	(65,368)	(1,069,000)	(1,626,000)
VRS – HIC	-	-	-	(2,996,000)
Total net other postemployment benefit liabilities	<u>\$ (4,315,906)</u>	<u>\$ (364,603)</u>	<u>\$ (4,680,509)</u>	<u>\$ (14,188,990)</u>
Deferred outflows of resources				
Change in proportion –				
VRS – Group Life Insurance	\$ -	\$ -	\$ -	\$ 6,000
Contributions subsequent to measurement date –				
VRS – Group Life Insurance	64,371	4,193	68,564	105,361
VRS – HIC	-	-	-	229,767
Total deferred outflows of resources	<u>\$ 64,371</u>	<u>\$ 4,193</u>	<u>\$ 68,564</u>	<u>\$ 341,128</u>
Deferred inflows of resources				
Differences between expected and actual experience –				
VRS – Group Life Insurance	\$ (22,532)	\$ (1,468)	\$ (24,000)	\$ (36,000)
Net difference between projected and actual investment earnings –				
VRS – Group Life Insurance	(37,554)	(2,446)	(40,000)	(61,000)
VRS – HIC	-	-	-	(5,000)
Change in actuarial assumptions-				
Local Sponsored Health Insurance	(18,909)	(1,708)	(20,617)	(53,656)
VRS – Group Life Insurance	(51,637)	(3,363)	(55,000)	(84,000)
VRS – HIC	-	-	-	(31,000)
Change in proportion –				
VRS – Group Life Insurance	(28,166)	(1,834)	(30,000)	(12,000)
VRS – HIC	-	-	-	(45,000)
Total deferred inflows of resources	<u>\$ (158,798)</u>	<u>\$ (10,819)</u>	<u>\$ (169,617)</u>	<u>\$ (327,656)</u>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 15. Fund Balances

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

	<u>General Fund</u>	<u>Capital Projects Fund</u>
Nonspendable:		
Inventories	\$ 29,100	\$ -
Prepays	10,776	-
	<u>39,876</u>	<u>-</u>
Restricted:		
Judicial administration	59,896	-
Public safety – funds restricted for forfeited assets	146,899	-
Health and Welfare	3,156	-
Other capital projects – funds restricted from 2015 bond issuance for other capital projects such as Bruce Avenue drainage and other utility infrastructure and repairs	-	1,127,587
Other capital projects – funds restricted from 2016 bond issuance for other capital projects such as School capital and radio system	-	6,962,286
Total restricted	<u>209,951</u>	<u>8,089,873</u>
Committed:		
General government	8,960	-
Judicial administration	11,046	-
Public safety – Encumbrances approved by Council for second phase of radio project and Police car purchases	43,342	-
Public works – Encumbrances approved by Council for paving and curbside recycling	49,088	-
Parks, recreation, and cultural	15,708	-
Community development	1,459	-
Nondepartmental	300	-
Other capital projects	-	-
Total committed	<u>129,903</u>	<u>-</u>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 15. Fund Balances (Continued)

	<u>General Fund</u>	<u>Capital Projects Fund</u>
Assigned:		
General government	\$ 754,191	\$ -
Public safety	242,649	-
Public works	225,000	-
Parks, recreation, and cultural	94,274	-
Community development	16,391	-
Human Services	1,422	-
Total assigned	<u>1,333,927</u>	<u>-</u>
Unassigned	<u>9,227,574</u>	<u>-</u>
Total fund balance	<u><u>\$ 10,941,231</u></u>	<u><u>\$ 8,089,873</u></u>

Note 16. Risk Management

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

Risk Pools

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

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

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 16. Risk Management (Continued)

Risk Pools (Continued)

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

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

Note 17. Jointly Governed Organizations

Riverside Regional Jail Authority

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

The general purpose of the Authority is to acquire, construct, equip, maintain, and operate a regional jail facility to meet the needs of the participating jurisdictions for additional jail facilities. The Authority completed the feasibility study and conceptual design of the jail and proceeded with the preparation of the Service Agreement. The Service Agreement is a long-term contract regulating usage of the jail and establishing payment terms applicable to participating jurisdictions. It guarantees that the facility will be used and provides for the issuance of revenue bonds to fund the final design and construction of the regional jail facility. The City's cost for adult incarceration services for 2018 was approximately \$2,267,400.

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

Appomattox River Water Authority

The City, in conjunction with the Counties of Chesterfield, Dinwiddie, and Prince George and the City of Petersburg, participated in the creation of the Authority. The Authority, whose five-member board is comprised of one representative from each participating entity, is responsible for providing a supply of filtered water to be purchased by the members of the Authority. In accordance with the joint venture agreement, each participating entity is required to purchase water from the Authority. The City retains an ongoing financial responsibility for the joint venture due to this requirement of the agreement. The City's purchase of water for 2018 was approximately \$550,000. Complete financial statements for the Authority can be obtained from the Authority's office at 21300 Chesdin Road, Petersburg, Virginia 23803.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 17. Jointly Governed Organizations (Continued)

South Central Wastewater Authority (SCWWA)

The Authority was created on July 2, 1996, and currently provides wastewater treatment to the Cities of Colonial Heights and Petersburg, the Counties of Chesterfield and Prince George and the Dinwiddie County Water Authority. The City has 4.0 million gallons per day of wastewater treatment capacity reserved at SCWWA's plant pursuant to a long-term service contract which is further described in Note 7. The City's cost of wastewater treatment for 2018 was approximately \$1,708,000. Complete financial statements for the Authority can be obtained from the Authority's office at 900 Magazine Road, Petersburg, Virginia 23803.

Central Virginia Waste Management Authority

The Authority's board is comprised of representatives from the Cities of Colonial Heights, Petersburg, and Richmond, as well as the Counties of Charles City, Chesterfield, Goochland, Hanover, Henrico, New Kent, Powhatan, Prince George, and the Town of Ashland. The Authority is comprised of a 20-member board with member jurisdictions making at least one but no more than three appointments. The City appoints one board member. The Authority is responsible for creating and implementing recycling and solid waste management programs for member jurisdictions in order to meet waste reduction mandates set by the Virginia General Assembly. Except for contribution requirements and direct payments for special projects, no participant has an ongoing financial interest or responsibility in the Authority. The City's 2018 contribution requirement and direct payments for special projects totaled approximately \$838,000. Complete financial statements for the Authority can be obtained from the Authority's office at 2100 W. Laburnum Ave., Suite 105, Richmond, Virginia 23227.

Virginia Gateway Region Board

The Virginia Gateway Region Board (VGRB) serves the Cities of Colonial Heights, Hopewell, and Petersburg, as well as the Counties of Chesterfield, Dinwiddie, and Prince George in their efforts to provide balanced industrialization to corporation members. The City appoints two members of the Appomattox Basin Industrial Development Corporation (ABIDCO) board and contributed approximately \$0 to ABIDCO during 2018.

Note 18. Related Organization

The City Council is responsible for appointing the members of the Colonial Heights Economic 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.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 19. Adoption of New Standard and Prior Period Restatement

In the current year, the Town adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard replaces the requirements of GASB Statements No. 45 as it relates to governments that provide postemployment benefits other than pensions. The new Statement requires governments providing defined benefit postemployment benefits to recognize the long-term obligation for those benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of other postemployment 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 plan are determined, and assumptions and methods used to calculate the liability. Comparative prior year information, to the extent presented, has not been restated because the necessary information is not available.

The following is a summary of the restatements to net position, resulting from the adoption of GASB Statement No. 75:

	<u>Governmental Activities</u>	<u>Water and Sewer Fund</u>	<u>Stormwater Fund</u>	<u>School Board</u>
Net position, July 1, 2017, per above	\$ 33,953,493	\$ 11,082,240	\$ 594,026	\$ (12,787,242)
Recognition of other postemployment benefits related liabilities and deferred outflows/inflows in accordance with GASB No. 75	<u>(2,707,480)</u>	<u>(180,032)</u>	<u>(37,826)</u>	<u>(11,601,432)</u>
Net position, July 1, 2017, as restated	<u>\$ 31,246,013</u>	<u>\$ 10,902,208</u>	<u>\$ 556,200</u>	<u>\$ (24,388,674)</u>

Note 20. Subsequent Events

On October 19, 2018, the City issued \$5.825 million in direct placement bonds ("Bank Loan") with U.S. Bancorp ("U.S. Bank") to fund various projects as included in the City's FY2019-FY2023 Capital Improvements Plan. The bank loan has a sixteen-year term with principal payments made in FY2021 through FY2035 and a stated interest rate of 3.422%. Projects to be financed with this obligation include fire apparatus, computer aided dispatch and enterprise resource planning software, a generator, a pump station, and various school replacement projects.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 21. New Accounting Standards

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

The GASB issued **Statement No. 83**, *Certain Asset Retirement Obligations* in November 2016. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The requirements of this Statement are effective for periods beginning after June 15, 2018.

The GASB issued **Statement No. 84**, *Fiduciary Activities* in January 2017. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for periods beginning after December 15, 2018.

The GASB issued **Statement No. 87**, *Leases* in June 2017. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for periods beginning after December 15, 2019.

The GASB issued **Statement No. 88**, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* in March 2018. This Statement improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowing and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The requirements of this Statement are effective for periods beginning after June 15, 2018.

The GASB issued **Statement No. 89**, *Accounting for Interest Cost Incurred before the End of a Construction Period* in June 2018. This Statement enhances the relevance and comparability of information about capital assets and the cost of borrowing for a period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for periods beginning after December 15, 2019. The requirements of this Statement should be applied prospectively.

The GASB issued **Statement No. 90**, *Major Equity Interests, an amendment of GASB Statements No. 14 and No. 61* in August 2018. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 21. New Accounting Standards (Continued)

Statement No. 90 (Continued)

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for periods beginning after December 15, 2018. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

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

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COLONIAL HEIGHTS, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Revenue from local sources:				
General property taxes:				
Real property	\$ 19,139,117	\$ 19,139,117	\$ 19,255,220	\$ 116,103
Real and personal public service corporation property	448,564	448,564	483,542	34,978
Personal property	2,792,177	2,792,177	2,950,253	158,076
Delinquent	795,889	795,889	356,570	(439,319)
Penalties and interest	185,000	185,000	185,545	545
Total general property taxes	23,360,747	23,360,747	23,231,130	(129,617)
Other local taxes:				
Communication sales and use	722,000	722,000	636,269	(85,731)
Food and lodging	8,123,169	8,123,169	7,978,399	(144,770)
Consumer utility	975,000	975,000	977,892	2,892
Bank stock	385,000	385,000	419,004	34,004
Local option sales and use	7,987,395	7,987,395	7,847,364	(140,031)
Recordation	230,000	230,000	251,956	21,956
Total other local taxes	18,422,564	18,422,564	18,110,884	(311,680)
Permits, fees, and licenses:				
Business and occupational licenses	3,175,267	3,175,267	3,054,424	(120,843)
Motor vehicle licenses	530,000	530,000	517,134	(12,866)
Zoning and construction permits	141,000	141,000	208,445	67,445
Other fees	112,520	112,520	93,333	(19,187)
Total permits, fees, and licenses	3,958,787	3,958,787	3,873,336	(85,451)
Fines and forfeitures	457,500	457,500	415,893	(41,607)
Charges for services:				
Refuse collection fees	1,189,216	1,189,216	1,170,952	(18,264)
Recreation use charges and fees	186,000	199,500	192,883	(6,617)
Administrative	1,273,100	1,273,100	1,269,689	(3,411)
Other	9,500	9,500	7,317	(2,183)
Total charges for services	2,657,816	2,671,316	2,640,841	(30,475)
Use of money and property:				
Interest	35,000	35,000	63,187	28,187
Rental of property	241,000	241,000	234,686	(6,314)
Sale of commodities and property	28,000	28,000	360	(27,640)
Total use of money and property	304,000	304,000	298,233	(5,767)
Miscellaneous	34,500	48,800	51,670	2,870
Reimbursement from School Board	817,730	817,730	907,818	90,088
Total revenue from local sources	50,013,644	50,041,444	49,529,805	(511,639)

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues (Continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Personal property tax relief	\$ 1,753,369	\$ 1,753,369	\$ 1,753,369	\$ -
Rolling stock tax	5,147	5,147	4,878	(269)
Total non-categorical aid	1,758,516	1,758,516	1,758,247	(269)
Categorical aid:				
Commissioner of Revenue	89,260	89,035	88,255	(780)
Treasurer	72,246	82,807	67,025	(15,782)
Circuit Court	294,048	282,240	292,391	10,151
Sheriff	306,686	304,598	311,083	6,485
Commonwealth's attorney	490,653	510,235	508,550	(1,685)
Law enforcement	579,874	579,874	579,872	(2)
Street construction and maintenance	2,663,583	2,663,583	2,651,566	(12,017)
Other	523,795	538,795	582,133	43,338
Total categorical aid	5,020,145	5,051,167	5,080,875	29,708
Total revenue from the Commonwealth	6,778,661	6,809,683	6,839,122	29,439
Revenue from federal government:				
Categorical aid	242,040	384,912	209,287	(175,625)
Total intergovernmental	7,020,701	7,194,595	7,048,409	(146,186)
Total revenue	\$ 57,034,345	\$ 57,236,039	\$ 56,578,214	\$ (657,825)
Expenditures				
General government:				
City council	\$ 115,720	\$ 109,720	\$ 97,111	\$ 12,609
Clerk of council	65,650	66,125	56,001	10,124
City manager	218,859	220,426	219,298	1,128
Human resources	105,418	106,228	103,508	2,720
City attorney	230,907	240,038	229,187	10,851
Real estate assessor	156,218	157,430	151,566	5,864
Commissioner of the revenue	224,811	227,105	193,963	33,142
Treasurer	91,916	93,194	91,884	1,310
Finance	867,049	888,315	528,618	359,697
Information technologies	275,794	277,336	183,408	93,928
Auditing	100,000	100,300	100,300	-
Purchasing	148,563	149,796	133,561	16,235
Insurance and risk management	492,259	492,259	480,745	11,514
Employee benefits	5,575,586	5,650,919	5,480,761	170,158
Board of elections	22,818	22,935	19,012	3,923
Registrar	176,947	199,420	202,723	(3,303)
Economic development	221,958	222,858	196,280	26,578
Billing & collections	184,625	185,958	181,358	4,600
Total general government	9,275,098	9,410,362	8,649,284	761,078

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Continued)				
Judicial administration:				
Circuit courts	\$ 481,963	\$ 461,677	\$ 436,523	\$ 25,154
General district court	85,514	85,514	34,332	51,182
Probation	5,884	5,884	3,676	2,208
Commonwealth's attorney	589,079	626,438	626,103	335
Sheriff	832,849	833,435	792,895	40,540
Incarceration	2,605,000	2,601,400	2,504,838	96,562
Community correction services	117,000	120,600	120,549	51
Community diversion services	57,000	57,000	57,000	-
Victim witness	128,831	129,627	117,644	11,983
Juvenile & Domestic Court	16,350	16,350	4,711	11,639
Total judicial administration	4,919,470	4,937,925	4,698,271	239,654
Public safety:				
Bureau of police	4,075,756	4,164,629	4,009,815	154,814
Bureau of fire	3,435,445	3,596,798	3,593,709	3,089
Emergency preparedness	34,159	45,052	38,232	6,820
Communications	1,190,547	1,162,006	1,094,684	67,322
Total public safety	8,735,907	8,968,485	8,736,440	232,045
Public works:				
Administration	245,367	247,664	202,739	44,925
Engineering division	709,834	709,940	675,806	34,134
Street maintenance	1,713,834	1,718,987	1,504,343	214,644
Building maintenance	624,866	611,391	609,626	1,765
Fleet maintenance	286,228	288,697	286,779	1,918
Solid waste	680,150	665,150	642,587	22,563
Recycling	235,707	235,707	243,321	(7,614)
Total public works	4,495,986	4,477,536	4,165,201	312,335
Health and welfare:				
Health	242,838	242,838	238,718	4,120
Welfare	334,000	348,000	347,084	916
Comprehensive services	275,000	520,000	516,777	3,223
Total health and welfare	851,838	1,110,838	1,102,579	8,259
Parks, recreation, and cultural:				
Parks and recreation	559,052	621,958	574,161	47,797
Parks and grounds	545,314	598,350	525,404	72,946
Agency on aging	243,179	241,282	197,986	43,296
Violet bank museum	83,570	84,134	77,032	7,102
Library	639,491	647,333	641,412	5,921
Recreation trips and classes	162,300	184,500	184,316	184
Horticulture	101,564	101,971	81,187	20,784
Total parks, recreation, and cultural	2,334,470	2,479,528	2,281,498	198,030

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures: (Continued)				
Community development:				
Planning	\$ 225,036	\$ 227,002	\$ 170,646	\$ 56,356
Building inspections	230,277	232,124	206,238	25,886
Total community development	455,313	459,126	376,884	82,242
Education:				
Payments to School Board	21,141,814	21,141,814	21,093,249	48,565
Human Services:				
Office of youth	141,053	160,356	155,623	4,733
Better beginnings	2,600	2,800	2,492	308
Juvenile crime	98,283	98,513	82,802	15,711
CDBG	80,000	87,108	82,985	4,123
Kids after school program	32,000	35,679	34,257	1,422
Total human services	353,936	384,456	358,159	26,297
Nondepartmental:				
Contributions and subsidies	184,691	234,691	228,735	5,956
Contingencies and miscellaneous	418,943	159,943	105,055	54,888
Total nondepartmental	603,634	394,634	333,790	60,844
Debt service:				
Principal retirement	3,004,973	3,004,973	2,997,480	7,493
Interest and fiscal charges	1,076,421	1,076,421	1,083,817	(7,396)
Bond issuance costs	10,000	10,000	2,850	7,150
Total debt service	4,091,394	4,091,394	4,084,147	7,247
Total expenditures	57,258,860	57,856,098	55,879,502	1,976,596
Excess of revenues over (under) expenditures	(224,515)	(620,059)	698,712	1,318,771
Other financing source (uses):				
Proceeds from capital lease	275,000	275,000	-	(275,000)
Transfers out	(88,000)	(842,666)	(754,666)	88,000
Total other financing sources (uses)	187,000	(567,666)	(754,666)	(187,000)
Net change in fund balance	\$ (37,515)	\$ (1,187,725)	\$ (55,954)	\$ 1,131,771

Note:

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS –
PRIMARY GOVERNMENT
June 30, 2018

	Primary Government			
	Plan Year			
	2017	2016	2015	2014
Total Pension Liability				
Service cost	\$ 1,767,349	\$ 1,764,320	\$ 1,776,096	\$ 1,701,944
Interest on total pension liability	5,005,168	4,817,132	4,525,376	4,300,904
Changes of assumptions	(104,084)	-	-	-
Difference between expected and actual experience	(1,914,015)	(810,107)	566,769	-
Benefit payments, including refunds of employee contributions	(3,476,363)	(2,693,858)	(2,706,743)	(2,885,463)
Net change in total pension liability	1,278,055	3,077,487	4,161,498	3,117,385
Total pension liability - beginning	73,240,582	70,163,095	66,001,597	62,884,212
Total pension liability - ending	74,518,637	73,240,582	70,163,095	66,001,597
Plan Fiduciary Net Position				
Contributions - employer	1,866,696	2,096,376	2,084,048	2,141,597
Contributions - employee	650,821	651,691	684,051	640,031
Net investment income	6,900,716	997,365	2,455,417	7,293,094
Benefit payments, including refunds of employee contributions	(3,476,363)	(2,693,858)	(2,706,743)	(2,885,463)
Administrative expenses	(39,983)	(34,358)	(33,037)	(39,060)
Other	(6,145)	(416)	(520)	384
Net change in plan fiduciary net position	5,895,742	1,016,800	2,483,216	7,150,583
Plan fiduciary net position - beginning	56,972,903	55,956,103	53,472,887	46,322,304
Plan fiduciary net position - ending	62,868,647	56,972,903	55,956,103	53,472,887
Net pension liability - ending	\$ 11,649,992	\$ 16,267,679	\$ 14,206,992	\$ 12,528,710
Plan fiduciary net position as a percentage of total pension liability	84%	78%	80%	81%
Covered payroll	\$ 13,056,245	\$ 13,053,400	\$ 12,961,992	\$ 12,747,601
Net pension liability as a percentage of covered payroll	89%	125%	110%	98%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2017 information was presented in the entity's fiscal year 2018 financial report.

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
June 30, 2018

	Schools – Nonprofessional Employees Plan Year			
	2017	2016	2015	2014
Total Pension Liability				
Service cost	\$ 133,817	\$ 132,525	\$ 126,804	\$ 137,965
Interest on total pension liability	310,335	305,624	299,424	287,415
Changes of assumptions	(31,143)	-	-	-
Difference between expected and actual experience	11,549	(98,133)	(70,089)	-
Benefit payments, including refunds of employee contributions	(265,098)	(280,345)	(254,780)	(252,875)
Net change in total pension liability	159,460	59,671	101,359	172,505
Total pension liability - beginning	4,565,903	4,506,232	4,404,873	4,232,368
Total pension liability - ending	4,725,363	4,565,903	4,506,232	4,404,873
Plan Fiduciary Net Position				
Contributions - employer	72,037	95,491	93,422	118,587
Contributions - employee	60,431	56,470	55,511	57,398
Net investment income	535,907	75,984	199,346	608,037
Benefit payments, including refunds of employee contributions	(265,098)	(280,345)	(254,780)	(252,875)
Administrative expenses	(3,159)	(2,843)	(2,797)	(3,309)
Other	(474)	(33)	(42)	33
Net change in plan fiduciary net position	399,644	(55,276)	90,660	527,871
Plan fiduciary net position - beginning	4,452,445	4,507,721	4,417,061	3,889,190
Plan fiduciary net position - ending	4,852,089	4,452,445	4,507,721	4,417,061
Net pension (asset) liability - ending	<u>\$ (126,726)</u>	<u>\$ 113,458</u>	<u>\$ (1,489)</u>	<u>\$ (12,188)</u>
Plan fiduciary net position as a percentage of total pension liability	<u>103%</u>	<u>98%</u>	<u>100%</u>	<u>100%</u>
Covered payroll	<u>\$ 1,237,361</u>	<u>\$ 1,147,595</u>	<u>\$ 1,116,864</u>	<u>\$ 1,147,986</u>
Net pension (asset) liability as a percentage of covered payroll	<u>-10%</u>	<u>10%</u>	<u>0%</u>	<u>1%</u>

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2017 information was presented in the entity's fiscal year 2018 financial report.

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS

June 30, 2018

Entity Fiscal Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
Primary Government					
2018	\$ 1,898,963	\$ 1,898,963	\$ -	\$ 13,175,927	14.41%
2017	1,866,696	1,866,696	-	13,056,245	14.30
2016	2,096,376	2,096,376	-	13,053,400	16.06
2015	2,066,219	2,066,219	-	12,961,992	15.94
Schools - Nonprofessional Employees					
2018	\$ 74,809	\$ 74,809	\$ -	\$ 1,276,466	5.86%
2017	72,037	72,037	-	1,237,361	5.82
2016	95,491	95,491	-	1,147,595	8.32
2015	100,000	100,000	-	1,116,864	8.95

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

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
VRS TEACHER RETIREMENT PLAN
June 30, 2018

Year Ended June 30	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability	Covered Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2018	0.23693%	\$ 29,138,000	\$ 18,582,653	157%	72.92%
2017	0.24029	33,675,000	18,328,457	184	68.28
2016	0.24579	30,936,000	17,861,181	173	70.68
2015	0.25511	30,829,000	17,591,360	175	70.88

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

The covered payroll amounts above are for the measurement period, which is the twelve months prior to the school division's fiscal year.

CITY OF COLONIAL HEIGHTS, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
VRS TEACHER RETIREMENT PLAN
June 30, 2018

Entity Fiscal Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2018	\$ 3,047,049	\$ 3,047,049	-	\$ 18,972,065	16.06 %
2017	2,696,034	2,696,034	-	18,582,653	14.51
2016	2,576,981	2,576,981	-	18,328,457	14.06
2015	2,600,000	2,600,000	-	17,861,181	14.56

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

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

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

June 30, 2018

	Plan Year 2017	
	Primary	
	Government	Schools
	Local Plan	Schools Local Plan
Total OPEB Liability		
Service cost	\$ 99,014	\$ 283,414
Interest on total OPEB liability	126,738	341,473
Changes in assumptions	(22,679)	(60,363)
Benefit payments	(104,308)	(522,536)
Net change in total OPEB liability	98,765	41,988
Total OPEB liability – beginning	3,512,744	9,525,002
Total OPEB liability – ending	\$ 3,611,509	\$ 9,566,990
Covered payroll	\$ 13,131,639	\$ 18,902,040
Net OPEB liability as a percentage of covered payroll	28%	51%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2017 information was presented in the entity's fiscal year 2018 financial report.

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY – VRS
June 30, 2018

Entity Fiscal Year Ended June 30	Employer's Proportion of the Net OPEB Liability (Asset)	Employer's Proportionate Share of the Net OPEB Liability (Asset)	Covered Payroll	Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
Virginia Retirement System - Health Insurance Credit - Teachers					
2018	0.2362%	\$ 2,996,000	\$ 18,582,653	16.12%	7.04%
Virginia Retirement System - Group Life Insurance - General Employees					
2018	0.0711%	1,069,000	13,185,396	8.11%	48.86%
Virginia Retirement System - Group Life Insurance - Schools - Teachers					
2018	0.1013%	1,524,000	19,040,280	8.00%	48.86%
Virginia Retirement System - Group Life Insurance - Schools - General Employees					
2018	0.0068%	102,000	1,283,854	7.94%	48.86%

Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

CITY OF COLONIAL HEIGHTS, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF OPEB CONTRIBUTIONS – VRS

June 30, 2018

Entity Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
Virginia Retirement System - Health Insurance Credit - Teachers					
2018	\$ 229,767	\$ 229,767	\$ -	\$ 18,680,215	1.23%
Virginia Retirement System - Group Life Insurance - General Employees					
2018	68,564	68,564	-	13,185,396	0.52%
Virginia Retirement System - Group Life Insurance - Schools					
2018	105,361	105,361	-	20,324,135	0.52%

Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2018

Note 1. Changes of Benefit Terms

Pension

There have been no actuarially material changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 are not material.

Other Postemployment Benefits (OPEB)

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

Note 2. Changes of Assumptions

The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 – Non-Hazardous Duty:

- Update mortality table
- Lowered in rates of service retirement
- Update withdrawal rates to better fit experience
- Lowered in rates of disability retirement
- No changes to salary rates
- Increase Line of Duty Disability rates
- Applicable to: Pension, GLI OPEB, and HIC OPEB

Largest 10 –Hazardous Duty/Public Safety Employees:

- Update mortality table
- Lowered rates of retirement at older ages
- Update withdrawal rates to better fit experience
- Increased disability rates
- No changes to salary rates
- Increased Line of Duty disability rates
- Applicable to: Pension, GLI OPEB, and LODA OPEB

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

- Update mortality table
- Lowered rates of retirement at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience
- Lowered disability rates
- No changes to salary rates
- Increased Line of Duty disability rates from 14% to 15%
- Applicable to: Pension and GLI OPEB

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2018

Note 2. Changes of Assumptions (Continued)

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

- Update mortality table
- Increased retirement rate at age 50 and lowered rates at older ages
- Update withdrawal rates to better fit experience
- Update disability rates to better fit experience
- No changes to salary rates
- Lowered Line of Duty rate from 60% to 45%
- Applicable to: Pension, GLI OPEB, and LODA OPEB

Teacher cost-sharing pool

- Update mortality table
- Lowered retirement rates at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience
- Update disability rates to better fit experience
- No changes to salary rates
- Applicable to: Pension, GLI OPEB, and HIC OPEB

OTHER SUPPLEMENTARY INFORMATION

CITY OF COLONIAL HEIGHTS, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUND
June 30, 2018

	School Operating Fund
ASSETS	
Cash and investments	\$ 6,714,262
Due from other governments	1,460,020
Due from primary government	485,071
Inventories	31,987
Total assets	<u>\$ 8,691,340</u>
LIABILITIES	
Accounts payable and other current liabilities	\$ 4,273,555
Due to primary government	77,405
Unearned revenue	13,174
Total liabilities	<u>4,364,134</u>
FUND BALANCE	
Nonspendable	31,987
Committed	1,518,290
Assigned	2,776,929
Total fund balance	<u>4,327,206</u>
Total liabilities and fund balance	<u>\$ 8,691,340</u>
Adjustments for the Statement of Net Position (Exhibit 1):	
Total Fund Balance - School Board	\$ 4,327,206
Amounts reported for the School Board's governmental activities in the Statement of Net Position are different because:	
Long-term assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	
Net pension asset	126,726
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	
Nondepreciable	4,322,409
Depreciable, net	17,889,005
	<u>22,211,414</u>
Deferred outflows and inflows of resources related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows related to:	
Pensions	3,553,534
Other postemployment benefits	341,128
Deferred inflows related to:	
Pensions	(4,830,842)
Other postemployment benefits	(327,656)
Net pension liability	(29,138,000)
Net other postemployment benefits liability	(14,188,990)
	<u>(44,590,826)</u>
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	<u>(2,068,628)</u>
Total Net Position - School Board Governmental Activities	<u>\$ (19,994,108)</u>

CITY OF COLONIAL HEIGHTS, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
Year Ended June 30, 2018

	School Operating Fund
REVENUES	
Charges for services	\$ 346,270
Miscellaneous	106,668
Payments from City	24,530,154
Intergovernmental	17,449,390
Total revenue	<u>42,432,482</u>
EXPENDITURES	
Education:	
Administration, attendance, and health	2,095,622
Instruction	27,252,635
Operation and maintenance	4,220,235
Pupil transportation	1,217,871
Food service	1,252,797
Facilities	3,761,290
Technology	1,798,551
Reimbursement to City	907,818
Total expenditures	<u>42,506,819</u>
Net change in fund balance	(74,337)
FUND BALANCE AT JULY 1	<u>4,401,543</u>
FUND BALANCE AT JUNE 30	<u><u>\$ 4,327,206</u></u>
Reconciliation to the Statement of Activities (Exhibit 2):	
Net Change in Fund Balance - School Board	\$ (74,337)
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	4,133,792
Depreciation and amortization expense	<u>(878,133)</u>
	3,255,659
Governmental funds report proceeds from the sale of capital assets as an increase in financial resources while governmental activities report the gain or loss on the sale of capital assets.	(19,186)
Governmental funds report employer pension contributions as expenditures. However, in the Statement of Activities the cost of pension benefits earned net of employee contributions is reported as pension expense. This is the amount by which employer pension contributions of \$3,121,858 exceed pension expense of \$1,585,329 in the current period.	1,536,529
Governmental funds report employer other postemployment benefit contributions as expenditures. However, in the Statement of Activities the cost of other postemployment benefits earned net of employee contributions is reported as other postemployment benefit expense. This is the amount by which employer other postemployment contributions of \$335,128 exceed other postemployment expense of \$351,285 in the current period.	(16,157)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Compensated absences	<u>(287,942)</u>
Change in Net Position - School Board Governmental Activities	<u><u>\$ 4,394,566</u></u>

CITY OF COLONIAL HEIGHTS, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - SCHOOL OPERATING FUND
Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES				
Revenue from local sources:				
Charges for services:				
Cafeteria	\$ 354,151	\$ 298,124	\$ 298,124	\$ -
Other	53,500	48,146	48,146	-
	407,651	346,270	346,270	-
Miscellaneous	95,000	106,668	106,668	-
Payments from City	21,093,249	24,530,154	24,530,154	-
Total revenue from local sources	21,595,900	24,983,092	24,983,092	-
Intergovernmental:				
Revenue from the Commonwealth of Virginia:				
Categorical aid:				
Basic school aid	7,045,688	7,026,964	7,026,964	-
State sales tax	2,882,166	2,733,199	2,733,199	-
Other	5,177,655	5,321,639	5,321,639	-
	15,105,509	15,081,802	15,081,802	-
Revenue from the federal government:				
Categorical aid:				
Title I Grant	571,719	632,277	632,277	-
Title VI B Grant	600,154	612,110	612,110	-
Other	904,415	1,030,133	1,123,201	93,068
	2,076,288	2,274,520	2,367,588	93,068
Total intergovernmental	17,181,797	17,356,322	17,449,390	93,068
Total revenues	38,777,697	42,339,414	42,432,482	93,068
EXPENDITURES				
Education:				
Administration, attendance, and health	1,844,529	2,095,672	2,095,622	50
Instruction	28,781,222	27,347,942	27,252,635	95,307
Operation and maintenance	4,144,595	4,439,903	4,220,235	219,668
Pupil transportation	1,250,491	1,239,521	1,217,871	21,650
Food service	1,068,951	1,173,330	1,252,797	(79,467)
Facilities	359,971	3,892,081	3,761,290	130,791
Technology	1,761,546	1,812,416	1,798,551	13,865
Contingencies	723,979	1,406,048	-	1,406,048
Reimbursement to City	817,730	907,818	907,818	-
Total expenditures	40,753,014	44,314,731	42,506,819	1,807,912
Net change in fund balance	\$ (1,975,317)	\$ (1,975,317)	\$ (74,337)	\$ 1,900,980

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SUPPORTING SCHEDULE

CITY OF COLONIAL HEIGHTS, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

Federal Granting Agency/Recipient State Agency/Grant Program	Federal CFDA Number	Cluster Amounts	Federal Expenditures
U.S. Department of Agriculture			
Pass-through payments:			
Commonwealth of Virginia Department of Agriculture and Consumer Services			
Child Nutrition Cluster			
School Breakfast Program	10.553	\$ 150,307	
National School Lunch Program	10.555	611,784	
National School Lunch Program - Commodities	10.555	93,068	
After School Snack	10.555	12,204	
Special Milk Program for Children	10.556	347	
Total Child Nutrition Cluster			867,710
Total U.S. Department of Agriculture			867,710
U.S. Department of Justice			
Pass-through payments:			
Department of Criminal Justice Services			
Crime Victim Assistance	16.575		107,898
Public Safety Partnership and Community Policing Grants	16.710		58,180
Edward Byrne Memorial Justice Assistance Grant Program	16.738		3,349
Total U.S. Department of Justice			169,427
U.S. Department of Transportation			
Pass-through payments:			
National Highway Traffic Safety Administration			
State and Community Highway Safety	20.600		6,038
Alcohol Open Container Requirements	20.607		10,343
Federal Highway Administration			
Highway Planning and Construction	20.205		600,723
Total U.S. Department of Transportation			617,104
U.S. Department of Education			
Direct payments:			
Impact Aid	84.041		1,943
Pass-through payments:			
Commonwealth of Virginia Department of Education:			
Title I, Part A Cluster			
Title I Grants to Local Educational Agencies	84.010	632,277	
Total Title I, Part A Cluster			632,277
Special Education Cluster (IDEA)			
Special Education - Grants to States	84.027	598,043	
Special Education - Preschool Grants	84.173	14,067	
Total Special Education Cluster (IDEA)			612,110
Career and Technical Education - Basic Grants to States	84.048		38,448
Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	84.330		1,115
English Language Acquisition State Grants	84.365		19,161
Improving Teacher Quality State Grants	84.367		77,391
Total U.S. Department of Education			1,382,445

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2017

Federal Granting Agency/Recipient State Agency/Grant Program	Federal CFDA Number	Cluster Amounts	Federal Expenditures
U.S. Department of Health and Human Services:			
Pass-through Payments:			
Commonwealth of Virginia Department of Medical Assistance Services:			
Medicaid Cluster			
Medical Assistance Program	93.778	\$ 117,433	
Total Medicaid Cluster			117,433
Total U.S. Department of Health and Human Services			117,433
U.S. Department of Homeland Security:			
Pass-through Payments:			
Department of Emergency Management:			
Emergency Management Performance Grants	97.042		7,500
Homeland Security Grant Program (SHSP)	97.067		10,909
Total U.S. Department of Homeland Security			18,409
Total Expenditures of Federal Awards			\$ 3,172,528

Note 1. Basis of Presentation

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

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

Note 2. Non-Cash Assistance

The City of Colonial Heights participated in the National School Lunch Program, CFDA Number 10.555, which provides non-cash benefits. The accompanying Schedule of Expenditure of Federal Awards includes commodity distributions of \$55,967 from the National School Lunch Program.

Note 3. De Minimis Indirect Cost Rate

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

Note 4. Outstanding Loan Balances

At June 30, 2018 the City had no outstanding loan balances requiring continuing disclosure.

STATISTICAL SECTION

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

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

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

Notes

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

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

TABLE 1

CITY OF COLONIAL HEIGHTS, VIRGINIA

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Governmental activities										
Net investment in capital assets	\$ 36,467,607	\$ 37,861,696	\$ 35,926,630	\$ 34,894,010	\$ 29,874,492	\$ 27,289,172	\$ 22,707,728	\$ 18,555,807	\$ 21,261,760	\$ 29,035,677
Restricted	209,951	590,549	235,027	332,329	313,998	329,699	-	-	-	-
Unrestricted	(6,200,101)	(4,498,752)	(4,586,604)	(7,129,653)	6,085,816	5,732,421	7,850,461	8,899,613	6,429,655	(1,362,767)
Total governmental activities net position	<u>\$ 30,477,457</u>	<u>\$ 33,953,493</u>	<u>\$ 31,575,053</u>	<u>\$ 28,096,686</u>	<u>\$ 36,274,306</u>	<u>\$ 33,351,292</u>	<u>\$ 30,558,189</u>	<u>\$ 27,455,420</u>	<u>\$ 27,691,415</u>	<u>\$ 27,672,910</u>
Business-type activities										
Net investment in capital assets	\$ 11,233,677	\$ 11,837,529	\$ 11,891,771	\$ 11,855,032	\$ 11,926,690	\$ 11,607,652	\$ 11,418,325	\$ 11,273,727	\$ 9,712,661	\$ 9,348,617
Restricted	-	-	-	-	364,421	364,421	364,421	364,421	-	-
Unrestricted	428,086	(161,263)	(590,377)	(763,712)	(277,999)	(59,317)	331,577	417,781	164,831	674,952
Total business-type activities net position	<u>\$ 11,661,763</u>	<u>\$ 11,676,266</u>	<u>\$ 11,301,394</u>	<u>\$ 11,091,320</u>	<u>\$ 12,013,112</u>	<u>\$ 11,912,756</u>	<u>\$ 12,114,323</u>	<u>\$ 12,055,929</u>	<u>\$ 9,877,492</u>	<u>\$ 10,023,569</u>
Primary government										
Net investment in capital assets	\$ 47,701,284	\$ 49,699,225	\$ 47,818,401	\$ 46,749,042	\$ 41,801,182	\$ 38,896,824	\$ 34,126,053	\$ 29,829,534	\$ 30,974,421	\$ 38,384,294
Restricted	209,951	590,549	235,027	332,329	678,419	694,120	364,421	364,421	-	-
Unrestricted	(5,772,015)	(4,660,015)	(5,176,981)	(7,893,365)	5,807,817	5,673,104	8,182,038	9,317,394	6,594,486	(687,815)
Total primary government net position	<u>\$ 42,139,220</u>	<u>\$ 45,629,759</u>	<u>\$ 42,876,447</u>	<u>\$ 39,188,006</u>	<u>\$ 48,287,418</u>	<u>\$ 45,264,048</u>	<u>\$ 42,672,512</u>	<u>\$ 39,511,349</u>	<u>\$ 37,568,907</u>	<u>\$ 37,696,479</u>
Component Units										
Net investment in capital assets	\$ 22,211,414	\$ 18,974,941	\$ 17,659,025	\$ 18,080,934	\$ 18,710,224	\$ 19,250,268	\$ 19,873,661	\$ 19,170,921	\$ 17,508,207	\$ 18,513,205
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	(42,141,522)	(31,762,183)	(31,784,153)	(33,894,001)	67,351	1,611,591	1,985,250	2,406,683	2,104,270	1,877,210
Total component units net position	<u>\$ (19,930,108)</u>	<u>\$ (12,787,242)</u>	<u>\$ (14,125,128)</u>	<u>\$ (15,813,067)</u>	<u>\$ 18,777,575</u>	<u>\$ 20,861,859</u>	<u>\$ 21,858,911</u>	<u>\$ 21,577,604</u>	<u>\$ 19,612,477</u>	<u>\$ 20,390,415</u>
Total reporting entity										
Net investment in capital assets	\$ 60,776,685	\$ 58,753,096	\$ 60,186,205	\$ 58,993,061	\$ 54,238,252	\$ 51,380,705	\$ 46,754,260	\$ 41,320,933	\$ 40,380,353	\$ 48,108,917
Restricted	209,951	590,549	235,027	332,329	678,419	694,120	364,421	364,421	-	-
Unrestricted	(38,777,524)	(26,501,128)	(31,669,913)	(35,950,451)	12,148,322	14,051,082	17,412,742	19,403,599	16,801,031	9,977,977
Total reporting entity	<u>\$ 22,209,112</u>	<u>\$ 32,842,517</u>	<u>\$ 28,751,319</u>	<u>\$ 23,374,939</u>	<u>\$ 67,064,993</u>	<u>\$ 66,125,907</u>	<u>\$ 64,531,423</u>	<u>\$ 61,088,953</u>	<u>\$ 57,181,384</u>	<u>\$ 58,086,894</u>

Notes:

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

TABLE 2

CITY OF COLONIAL HEIGHTS, VIRGINIA

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Expenses										
Governmental activities										
General government	\$ 3,998,220	\$ 4,091,160	\$ 4,222,021	\$ 4,035,396	\$ 4,229,539	\$ 8,513,050	\$ 8,430,859	\$ 8,252,642	\$ 8,420,688	\$ 8,075,559
Judicial administration	5,256,841	5,255,271	5,298,386	5,401,538	5,373,484	4,654,684	4,185,393	4,784,397	4,622,336	4,453,918
Public safety	12,751,210	11,137,517	11,043,829	11,268,573	11,299,988	9,019,958	8,862,843	8,132,209	8,157,263	8,007,156
Public works	6,472,875	5,741,092	5,867,451	5,568,423	6,056,945	5,340,369	4,204,531	4,093,809	4,644,140	3,675,598
Health and welfare	1,141,789	1,082,908	900,875	700,961	623,784	758,401	650,043	564,251	511,097	593,946
Parks, recreation, and cultural	3,006,186	3,056,313	2,978,081	2,860,914	2,914,469	2,388,151	2,262,706	2,332,036	2,420,733	2,450,217
Community development	441,174	583,330	536,782	455,683	567,323	500,588	468,981	465,764	613,699	571,243
Education	24,530,154	20,289,595	20,503,749	19,383,253	19,461,176	19,296,419	18,996,933	19,405,770	18,598,070	20,202,607
Human Services	462,086	468,039	447,513	437,567	470,011	-	-	-	-	-
Interest	943,038	1,093,100	831,949	1,312,329	1,115,804	1,230,148	940,076	846,625	996,773	1,181,785
Total governmental activities	59,003,573	52,798,325	52,630,636	51,424,637	52,112,523	51,701,768	49,002,365	48,877,503	48,984,799	49,212,029
Business-type activities										
Water and Sewer	5,273,714	5,010,173	4,668,983	4,324,991	4,206,290	4,197,076	-	-	-	-
Water	-	-	-	-	-	-	1,599,243	1,599,110	1,692,407	1,625,950
Sewer	-	-	-	-	-	-	2,687,436	2,142,288	2,863,099	2,903,274
Solid Waste	-	-	-	-	-	-	1,226,034	1,192,142	1,174,794	1,145,197
Storm water management	376,511	305,172	290,846	309,071	298,556	257,289	258,114	231,702	229,545	243,483
Total business-type activities expense	5,650,225	5,315,345	4,959,829	4,634,062	4,504,846	4,454,365	5,770,827	5,165,242	5,959,845	5,917,904
Total primary government expenses	64,653,798	58,113,670	57,590,465	56,058,699	56,617,369	56,156,133	54,773,192	54,042,745	54,944,644	55,129,933
Program revenues										
Governmental activities										
Charges for services										
Refuse collection	1,151,497	972,808	978,597	1,109,042	1,109,143	1,125,094	-	-	-	-
Parks and recreation	192,540	178,767	196,353	181,843	184,839	182,759	150,502	247,439	336,773	254,040
Other activities	5,586,033	5,135,773	5,267,723	5,294,990	5,289,334	5,626,146	5,313,067	5,235,500	5,125,656	5,234,826
Operating grants and contributions	6,197,981	5,910,440	5,463,958	5,306,971	5,556,569	4,971,475	5,418,602	4,836,631	5,102,144	5,487,211
Capital grants and contributions	1,606,438	765,492	913,850	4,230,162	3,436,635	2,413,293	2,809,970	941,115	1,320,778	151,333
Total governmental activities program revenues	14,734,489	12,963,280	12,820,481	16,123,008	15,576,520	14,318,767	13,692,141	11,260,685	11,885,351	11,127,410
Business-type activities										
Charges for services										
Water and sewer	5,418,622	5,052,084	4,784,973	4,181,407	4,164,312	4,144,465	-	-	-	-
Water	-	-	-	-	-	-	1,531,079	1,553,670	1,640,431	1,769,893
Sewer	-	-	-	-	-	-	2,696,866	2,675,820	2,740,934	2,892,816
Solid waste	-	-	-	-	-	-	1,143,300	1,118,569	1,096,627	1,070,028
Storm water management	434,958	388,089	384,930	396,082	379,088	372,312	377,976	257,563	-	-
Total business-type activities program revenues	5,853,580	5,440,173	5,169,903	4,577,489	4,543,400	4,516,777	5,749,221	5,605,622	5,477,992	5,732,737
Total primary government program revenues	20,588,069	18,403,453	17,990,384	20,700,497	20,119,920	18,835,544	19,441,362	16,866,307	17,363,343	16,860,147

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Net (expense) revenue										
Governmental activities	\$ (44,269,084)	\$ (39,835,045)	\$ (39,810,155)	\$ (35,301,629)	\$ (36,536,003)	\$ (37,383,001)	\$ (35,310,224)	\$ (37,616,818)	\$ (37,099,448)	\$ (38,084,619)
Business-type activities	203,355	124,828	210,074	(56,573)	38,554	62,412	(21,606)	440,380	(481,853)	(185,167)
Total primary government net expense	(44,065,729)	(39,710,217)	(39,600,081)	(35,358,202)	(36,497,449)	(37,320,589)	(35,331,830)	(37,176,438)	(37,581,301)	(38,269,786)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
General property taxes	23,139,195	22,319,312	21,547,059	21,604,557	21,415,093	21,512,047	20,829,561	20,545,422	21,409,820	21,101,105
Local sales and use	7,847,364	7,567,072	7,602,518	7,505,833	7,192,330	7,174,334	7,066,137	6,662,265	6,687,050	6,998,818
Food and lodging	7,978,399	7,813,174	7,668,016	7,277,458	6,841,952	6,930,069	6,338,213	5,509,401	5,105,057	4,813,420
Other taxes	2,285,121	2,247,185	2,251,352	2,145,835	2,232,755	2,205,223	2,183,334	2,288,483	2,151,134	2,097,530
Intergovernmental, non-categorical aid	1,758,246	1,758,517	1,759,131	1,758,845	1,759,070	1,758,697	1,757,530	1,757,878	1,856,496	1,871,849
Use of money and property	440,533	359,133	215,801	167,783	175,282	233,822	194,826	158,013	47,549	175,942
Miscellaneous	51,670	368,686	217,348	218,790	142,232	97,933	123,392	669,645	195,415	465,376
Transfers	-	(250,044)	-	-	-	263,979	(80,000)	(108,566)	(334,568)	(396,608)
Gain on sale of capital assets	-	30,450	2,027,297	-	-	-	-	-	-	-
Total governmental activities	43,500,528	42,213,485	43,288,522	40,679,101	39,758,714	40,176,104	38,412,993	37,482,541	37,117,953	37,127,432
Business-type activities:										
Use of money and property	-	-	-	-	-	-	-	238	1,208	7,864
Miscellaneous	-	-	-	-	-	-	-	5,190	-	-
Transfers	-	250,044	-	-	-	(263,979)	80,000	108,566	334,568	396,608
Total business-type activities	-	250,044	-	-	-	(263,979)	80,000	113,994	335,776	404,472
Total primary government	43,500,528	42,463,529	43,288,522	40,679,101	39,758,714	39,912,125	38,492,993	37,596,535	37,453,729	37,531,904
Changes in Net Position										
Governmental activities	(768,556)	2,378,440	3,478,367	5,377,472	3,222,711	2,793,103	3,102,769	(134,277)	18,505	(957,187)
Business-type activities	203,355	374,872	210,074	(56,573)	38,554	(201,567)	58,394	554,374	(146,077)	219,305
Total primary government	(565,201)	2,753,312	3,688,441	5,320,899	3,261,265	2,591,536	3,161,163	420,097	(127,572)	(737,882)
Component Units:										
Expenses:										
Education	38,037,916	36,376,383	35,087,111	35,871,027	36,905,074	35,569,416	34,304,488	33,698,131	34,245,957	34,453,393
Program revenues										
Charges for services	410,270	389,665	390,422	376,249	478,386	573,499	409,019	407,204	432,265	546,183
Operating grants and contributions	17,449,390	16,899,977	15,801,934	15,234,548	14,765,427	14,599,996	14,838,115	15,001,600	14,186,550	15,817,225
Total program revenues	17,859,660	17,289,642	16,192,356	15,610,797	15,243,813	15,173,495	15,247,134	15,408,804	14,618,815	16,363,408
Net expense	(20,178,256)	(19,086,741)	(18,894,755)	(20,260,230)	(21,661,261)	(20,395,921)	(19,057,354)	(18,289,327)	(19,627,142)	(18,089,985)
General Revenues and Other Changes in Net Position										
Contribution from primary government	24,530,154	20,289,595	20,503,749	19,383,253	19,461,176	19,296,419	18,996,933	19,405,770	18,598,070	20,202,607
Use of money and property	-	-	-	-	-	-	434	2,477	2,885	12,036
Miscellaneous	106,668	135,032	110,631	103,926	115,801	102,450	341,305	278,643	248,429	255,358
Loss on sale of capital assets	-	-	(31,686)	-	-	-	-	-	-	-
Total general revenue	24,636,822	20,424,627	20,582,694	19,487,179	19,576,977	19,398,869	19,338,672	19,686,890	18,849,384	20,470,001
Total component units change in net position	\$ 4,458,566	\$ 1,337,886	\$ 1,687,939	\$ (773,051)	\$ (2,084,284)	\$ (997,052)	\$ 281,318	\$ 1,397,563	\$ (777,758)	\$ 2,380,016

Notes:

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

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

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

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

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

TABLE 3

CITY OF COLONIAL HEIGHTS, VIRGINIA

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

	2018	2017	2016	2015	2014	2013	2012	2011
Post-GASB 54 implementation:								
General Fund								
Nonspendable	\$ 39,876	\$ 60,051	\$ 64,871	\$ 60,599	\$ 68,832	\$ 69,859	\$ 67,373	\$ 109,011
Restricted	209,951	590,549	235,027	332,329	313,998	329,699	369,152	350,067
Committed	129,903	196,092	554,259	618,698	431,512	327,569	484,422	592,493
Assigned	1,333,927	1,415,321	1,969,999	728,241	1,407,705	1,574,257	873,226	680,712
Unassigned	9,227,574	8,735,172	7,950,089	8,015,011	7,415,836	8,083,102	8,477,484	7,652,961
Total general fund	<u>\$ 10,941,231</u>	<u>\$ 10,997,185</u>	<u>\$ 10,774,245</u>	<u>\$ 9,754,878</u>	<u>\$ 9,637,883</u>	<u>\$ 10,384,486</u>	<u>\$ 10,271,657</u>	<u>\$ 9,385,244</u>
Capital Projects Fund								
Restricted	\$ 8,089,873	\$ 11,462,474	\$ 2,192,697	\$ 3,388,835	\$ 372,795	\$ 7,207,335	\$ 16,792,519	\$ -
Committed	-	-	-	-	-	-	246,683	957,111
Assigned	-	-	-	-	-	-	197,390	308,416
Unassigned	-	(348,287)	(1,505,584)	(3,587,598)	(10,080)	(1,245,870)	-	-
Total capital projects fund	<u>\$ 8,089,873</u>	<u>\$ 11,114,187</u>	<u>\$ 687,113</u>	<u>\$ (198,763)</u>	<u>\$ 362,715</u>	<u>\$ 5,961,465</u>	<u>\$ 17,236,592</u>	<u>\$ 1,265,527</u>
Pre-GASB 54 implementation:	2010	2009						
General Fund								
Reserved	\$ 56,571	\$ 45,085						
Unreserved:								
Designated	344,001	305,505						
Undesignated	7,987,538	8,333,760						
Total general fund	<u>\$ 8,388,110</u>	<u>\$ 8,684,350</u>						
All Other Governmental Funds								
Reserved	\$ -	\$ -						
Unreserved:								
Designated:								
Capital projects fund	1,213,975	2,864,837						
Undesignated:								
Capital projects fund	1,305,091	758,371						
Total all other governmental funds	<u>\$ 2,519,066</u>	<u>\$ 3,623,208</u>						

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

TABLE 4

CITY OF COLONIAL HEIGHTS, VIRGINIA

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues										
General property taxes	\$ 23,231,130	\$ 22,375,525	\$ 21,520,136	\$ 21,560,377	\$ 21,309,428	\$ 21,434,252	\$ 21,405,217	\$ 21,374,974	\$ 21,159,849	\$ 20,897,171
Other local taxes	18,110,884	17,627,431	17,521,886	16,929,126	16,267,037	16,309,626	15,587,684	14,460,149	13,943,241	13,909,768
Permits, fees, and licenses	3,873,336	3,487,901	3,766,603	3,541,207	3,509,526	3,633,852	3,384,894	3,371,767	707,554	731,615
Fines and forfeitures	415,893	341,560	438,930	505,391	540,368	729,979	718,053	747,448	1,433,972	1,283,848
Charges for services	2,640,841	2,457,887	2,237,140	2,539,277	2,533,422	2,570,168	1,360,622	1,363,724	3,320,903	3,473,403
Use of money and property	440,533	359,133	215,801	167,783	175,282	233,822	194,826	158,013	47,549	175,942
Miscellaneous	51,670	368,686	217,348	245,348	142,232	97,933	123,392	669,645	7,690,484	6,627,145
Reimbursement from component unit	907,818	538,537	381,605	377,274	781,768	323,897	315,449	314,345	588,934	883,248
Intergovernmental	8,654,847	7,895,912	7,755,334	10,892,146	9,970,506	8,819,568	9,670,653	7,221,279	195,415	465,376
Total revenues	58,326,952	55,452,572	54,054,783	56,757,929	55,229,569	54,153,097	52,760,790	49,681,344	49,087,901	48,447,516
Expenditures										
General government	3,907,317	3,749,469	3,860,820	3,774,029	3,929,794	7,722,431	7,560,760	7,330,864	7,423,627	7,229,137
Judicial administration	5,306,612	5,271,039	5,375,979	5,452,078	5,411,741	4,595,172	4,152,036	4,745,029	4,541,636	4,346,342
Public safety	11,511,864	11,182,996	11,219,742	11,146,037	10,969,018	8,201,249	8,261,480	7,439,357	7,433,568	7,261,713
Public works	4,754,712	4,635,226	4,235,724	4,079,575	4,555,044	3,906,864	2,894,228	2,591,213	3,111,361	3,031,589
Health and welfare	1,102,579	1,072,990	897,077	697,163	619,986	754,603	646,245	560,453	507,299	590,148
Parks, recreation, and cultural	2,803,734	2,684,709	2,707,421	2,726,632	2,707,146	2,056,291	2,012,473	2,073,329	2,135,270	2,188,202
Community development	504,284	583,721	547,914	515,386	568,937	487,155	465,879	476,452	522,187	553,966
Education	24,530,154	20,289,595	20,503,749	19,383,253	19,461,176	19,296,419	18,996,933	19,405,770	18,598,070	20,202,607
Human services	477,214	465,663	458,317	447,668	490,762	444,346	433,956	509,570	397,630	435,331
Nondepartmental	333,790	336,656	417,516	334,301	249,008	269,748	361,190	366,238	258,062	279,042
Debt service:										
Principal retirement	2,997,480	2,398,190	2,783,005	2,607,026	2,839,657	2,546,199	2,028,330	1,968,712	2,185,490	6,082,877
Interest and fiscal charges	1,086,667	1,227,077	927,997	1,190,669	1,220,379	1,511,054	788,734	865,566	1,029,750	1,312,510
Bond issuance costs	-	-	-	-	-	-	311,693	-	-	-
Capital expenditures	2,090,813	1,889,302	855,647	5,132,587	8,486,471	13,780,361	6,230,285	1,496,630	2,430,048	1,847,651
Total expenditures	61,407,220	55,786,633	54,790,908	57,486,404	61,509,119	65,571,892	55,144,222	49,829,183	50,573,998	55,361,115
Excess of revenues over (under) expenditures	(3,080,268)	(334,061)	(736,125)	(728,475)	(6,279,550)	(11,418,795)	(2,383,432)	(147,839)	(1,486,097)	(6,913,599)
Other Financing Sources (Uses)										
Premium on issuance of debt	-	918,669	-	625,569	-	-	1,460,910	-	412,680	-
Payment to refunded bond escrow agent	-	-	-	(8,887,096)	-	-	(3,970,000)	-	(7,267,779)	-
Issuance of debt	-	10,285,000	-	8,424,044	-	-	21,830,000	-	6,943,864	3,970,000
Proceeds from capital lease	-	-	-	121,475	-	-	-	-	-	-
Proceeds from sale of capital assets	-	30,450	2,641,368	-	-	-	-	-	-	-
Transfers in	754,666	11,735,993	826,982	378,901	657,198	311,497	366,197	115,000	368,018	933,007
Transfers out	(754,666)	(11,986,037)	(826,982)	(378,901)	(657,198)	(55,000)	(446,197)	(223,566)	(371,068)	(1,329,615)
Total other financing sources (uses)	-	10,984,075	2,641,368	283,992	-	256,497	19,240,910	(108,566)	85,715	3,573,392
Net change in fund balances	\$ (3,080,268)	\$ 10,650,014	\$ 1,905,243	\$ (444,483)	\$ (6,279,550)	\$ (11,162,298)	\$ 16,857,478	\$ (256,405)	\$ (1,400,382)	\$ (3,340,207)

TABLE 4

CITY OF COLONIAL HEIGHTS, VIRGINIA

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Debt service as a percentage of noncapital expenditures:										
Primary Government										
Total debt service	\$ 4,084,147	\$ 3,625,267	\$ 3,711,002	\$ 3,797,695	\$ 4,060,036	\$ 4,057,253	\$ 2,817,064	\$ 2,834,278	\$ 3,215,240	\$ 7,395,387
Total expenditures	61,407,220	55,786,633	54,790,908	57,486,404	61,509,119	65,571,892	55,144,222	49,829,183	50,573,998	55,361,115
Capital expenditures	(3,314,765)	(3,145,974)	(1,541,702)	(5,729,345)	(9,164,371)	(14,250,650)	(6,843,873)	(1,772,395)	(2,289,455)	(3,265,514)
Non-capital expenditures	<u>\$ 58,092,455</u>	<u>\$ 52,640,659</u>	<u>\$ 53,249,206</u>	<u>\$ 51,757,059</u>	<u>\$ 52,344,748</u>	<u>\$ 51,321,242</u>	<u>\$ 48,300,349</u>	<u>\$ 48,056,788</u>	<u>\$ 48,284,543</u>	<u>\$ 52,095,601</u>
Debt service as a percentage of non-capital expenditures - primary government only	<u>7.03%</u>	<u>6.89%</u>	<u>6.97%</u>	<u>7.34%</u>	<u>7.76%</u>	<u>7.91%</u>	<u>5.83%</u>	<u>5.90%</u>	<u>6.66%</u>	<u>14.20%</u>
School Board										
School expenditures, excluding City contribution	\$ 17,976,665	\$ 17,337,789	\$ 14,570,190	\$ 15,744,708	\$ 16,273,697	\$ 15,164,652	\$ 15,708,729	\$ 15,565,764	\$ 15,267,683	\$ 17,417,113
Capital expenditures - Public Schools	(4,133,792)	(2,151,024)	(320,139)	(170,982)	(543,416)	(280,731)	(1,550,915)	(2,496,489)	(626,065)	(3,539,692)
Non-capital expenditures	<u>\$ 13,842,873</u>	<u>\$ 15,186,765</u>	<u>\$ 14,250,051</u>	<u>\$ 15,573,726</u>	<u>\$ 15,730,281</u>	<u>\$ 14,883,921</u>	<u>\$ 14,157,814</u>	<u>\$ 13,069,275</u>	<u>\$ 14,641,618</u>	<u>\$ 13,877,421</u>
Debt service as a percentage of non-capital expenditures - total reporting entity	<u>5.68%</u>	<u>5.34%</u>	<u>5.50%</u>	<u>5.64%</u>	<u>5.96%</u>	<u>6.13%</u>	<u>4.51%</u>	<u>4.64%</u>	<u>5.11%</u>	<u>11.21%</u>

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, 2018
(Unaudited)**

	Revenues and Resources					Expenditures and Contract Commitments			
	Prior Years	Current	Transfers In/(Out)	Uncollected Future	Revised Budget	Prior Years	Current	Contract Commitment	Unobligated Balance
General Government:									
Allocable to Complete Projects:									
Beautification Committee/Tourism	\$ 147,213	\$ -	\$ -	\$ -	\$ 147,213	\$ 142,701	\$ -	\$ -	\$ 4,512
Courts Building	18,513,127	-	(88,712)	-	18,424,415	18,424,415	-	-	-
Development Projects	141,359	-	(42,765)	-	98,594	50,929	-	-	47,665
Sign Replacement	57,212	-	(6,099)	-	51,113	51,113	-	-	-
Animal Shelter Expansion	351,493	-	25,000	-	376,493	195,292	176,431	-	4,770
Total	19,210,404	-	(112,576)	-	19,097,828	18,864,450	176,431	-	56,947
Allocable to Incomplete Projects:									
Fire Apparatus	311,391	134,512	135,112	-	581,015	306,449	204,895	67,012	2,659
Communications System	5,500,000	-	-	-	5,500,000	840,687	278,025	3,808,474	572,814
Total	5,811,391	134,512	135,112	-	6,081,015	1,147,136	482,920	3,875,486	575,473
Total General Government	25,021,795	134,512	22,536	-	25,178,843	20,011,586	659,351	3,875,486	632,420
Recreational Facilities									
Allocable to Complete Projects:									
Appomattox River Greenway	588,053	349,400	-	210,314	1,147,767	880,502	437	-	266,828
Flora Hill Park	68,461	-	(5,503)	-	62,958	62,958	-	-	-
Total	656,514	349,400	(5,503)	210,314	1,210,725	943,460	437	-	266,828
Allocable to Incomplete Projects:									
White Bank Restrooms	-	300,000	-	-	300,000	-	-	24,000	276,000
Facilities Master Plan	205,000	-	(23,334)	-	181,666	147,762	-	-	33,904
Violet Bank Museum	100,000	-	-	-	100,000	-	-	-	100,000
Appomattox River Greenway Ph V	-	-	28,100	112,400	140,500	-	-	-	140,500
Total	305,000	300,000	4,766	112,400	722,166	147,762	-	24,000	550,404
Total Recreational Facilities	961,514	649,400	(737)	322,714	1,932,891	1,091,222	437	24,000	817,232
Educational Facilities									
Allocable to Incomplete Projects:									
Transfer to School CIP Projects	5,500,000	-	-	-	5,500,000	-	2,951,834	-	2,548,166
Tennis Courts	-	76,666	23,334	400,000	500,000	-	-	-	500,000
Total	5,500,000	76,666	23,334	400,000	6,000,000	-	2,951,834	-	3,048,166
Streets and Bridges:									
Allocable to Complete Projects:									
Bruce Avenue Drainage	2,661,105	-	-	-	2,661,105	2,661,105	-	-	-
Boulevard Widening	-	-	1,100	-	1,100	1,100	-	-	-
Boulevard Enhancement	-	-	8,158	-	8,158	-	8,158	-	-
Snead Avenue Drainage	123,538	-	-	-	123,538	123,538	-	-	-
Gateway Roundabout	-	-	142,323	-	142,323	-	142,323	-	-
Blvd Modernization Dupuy Intersection	11,205,165	190,069	24,726	-	11,419,960	11,419,960	-	-	-

(Continued)

TABLE 5

CITY OF COLONIAL HEIGHTS, VIRGINIA

**SCHEDULE OF REVENUES, RESOURCES, EXPENDITURES, CONTRACT COMMITMENTS,
AND UNOBLIGATED BALANCE
Year Ended June 30, 2018
(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
Allocable to Complete Projects: (Continued)									
Temple Avenue Turning Lane	\$ 192,737	\$ 262,344	\$ (65,678)	\$ -	\$ 389,403	\$ 389,403	\$ -	\$ -	\$ -
Southpark & Dimmock	295,134	10,984	(28,536)	-	277,582	277,582	-	-	-
Temple Avenue/Dimmock Turning Lane	422,343	77,657	(85,921)	-	414,079	414,079	-	-	-
Total	14,900,022	541,054	(3,828)	-	15,437,248	15,286,767	150,481	-	-
Allocable to Incomplete Projects:									
Safe Routes to School- CHMS Phase II	21,051	-	(21,051)	178,776	178,776	-	-	-	178,776
Safe Routes to School- CHMS Phase III	-	-	(3,491)	241,162	237,671	16,407	-	-	221,264
Redevelopment Project	53,292	-	-	-	53,292	33,123	-	-	20,169
Highway Construction-Local Share	116,455	-	(19,731)	-	96,724	-	-	-	96,724
Safe Routes to School- N. Elem. Ph I	6,000	-	-	244,592	250,592	6,145	-	-	244,447
Safe Routes to School- N. Elem. Ph II/ Sidew	-	-	-	432,989	432,989	7,500	-	-	425,489
Blvd. Resurfacing	-	800,185	-	199,815	1,000,000	-	800,185	29,174	170,641
Conduit/ Ellerslie Intersection	342,500	29,303	-	313,197	685,000	-	58,685	38,940	587,375
Blvd Enh. A to Temple	-	-	15,300	61,200	76,500	-	-	-	76,500
Dupuy Avenue Modernization	1,167,550	74,997	-	2,955,452	4,197,999	1,016,037	103,375	119,245	2,959,342
Lakeview Ave Modernization	771,936	99,373	-	2,442,690	3,313,999	754,926	89,271	31,159	2,438,643
Bridge Rehabilitation Project	-	-	-	650,000	650,000	-	-	-	650,000
Traffic Signal Coordination	-	-	-	495,000	495,000	1,100	-	97,536	396,364
Holly Avenue	343,827	76,953	73,618	(16,096)	478,302	400,350	127,294	-	(49,342)
Stratford Drive	198,050	50,701	(5,000)	129,450	373,201	5,000	101,401	114,324	152,476
Mallard Drive	73,950	261	-	63,589	137,800	-	333	64,723	72,744
Total	3,094,611	1,131,773	39,645	8,391,816	12,657,845	2,240,588	1,280,544	495,101	8,641,612
Total Streets and Bridges	17,994,633	1,672,827	35,817	8,391,816	28,095,093	17,527,355	1,431,025	495,101	8,641,612
Utility Improvements:									
Allocable to Complete Projects:									
Boulevard Modernization - Utility	980,660	-	68,423	-	1,049,083	1,049,083	-	-	-
Temple Ave. Sewer Lines	750,044	-	-	-	750,044	750,044	-	-	-
Lafayette/Hamilton Pipe	340,000	-	44,131	-	384,131	384,131	-	-	-
White Sands Reconstruction	135,487	30,513	(58,392)	-	107,608	107,608	-	-	-
Total	2,206,191	30,513	54,162	-	2,290,866	2,290,866	-	-	-
Allocable to Incomplete Projects:									
Stormwater Drainage Improvements	267,000	-	-	-	267,000	22,710	-	8,538	235,752
Dupuy Avenue Modernization - Utility	577,223	-	-	-	577,223	7,795	-	24,915	544,513
Lakeview Ave Modernization - Utility	527,130	-	-	-	527,130	53,650	-	-	473,480
Utility Infrastructure	292,715	-	-	-	292,715	114,630	-	-	178,084
Total	1,664,068	-	-	-	1,664,068	198,785	-	33,453	1,431,829
Total Utility Improvements	3,870,259	30,513	54,162	-	3,954,934	2,489,651	-	33,453	1,431,829

(Continued)

TABLE 5

CITY OF COLONIAL HEIGHTS, VIRGINIA

**SCHEDULE OF REVENUES, RESOURCES, EXPENDITURES, CONTRACT COMMITMENTS,
AND UNOBLIGATED BALANCE
Year Ended June 30, 2018
(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
Stormwater Improvements:									
Allocable to Incomplete Projects:									
Bruce Avenue Drainage Phase IV	\$ 1,967,481	\$ -	\$ -	\$ -	\$ 1,967,481	\$ 1,462,100	\$ -	\$ -	\$ 505,380
Total	1,967,481	-	-	-	1,967,481	1,462,100	-	-	505,380
Restricted Fund - Appratus	135,112	-	(135,112)	-	-	-	-	-	-
Total Projects	\$ 55,450,794	\$ 2,563,918	\$ -	\$ 9,114,530	\$ 67,129,242	\$ 42,581,914	\$ 5,042,647	\$ 4,428,040	\$ 15,076,639

TABLE 6

CITY OF COLONIAL HEIGHTS, VIRGINIA

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

Calendar Year	Real Property			Public Service**	Personal Property***	Total Taxable Assessed Value	Total Direct Tax Rate	Actual Taxable Value	Value as a Percentage of Assessed Value
	Residential Property*	Multi-Family Property	Commercial Property						
2018	\$ 965,592,500	\$ 87,645,105	\$ 624,188,200	\$ 37,071,997	134,129,650	\$ 1,848,627,452	\$ 1.37	\$ 1,848,627,452	100.00 %
2017	937,034,800	87,022,300	603,466,400	37,380,404	137,155,861	1,802,059,765	1.38	1,802,059,765	100.00
2016	936,134,000	87,022,300	598,832,200	35,854,598	140,902,070	1,798,745,168	1.38	1,798,745,168	100.00
2015	937,198,700	87,323,500	590,412,800	33,778,852	139,126,750	1,787,840,602	1.38	1,648,713,852	100.00
2014	936,946,100	87,323,500	580,791,400	34,376,713	124,991,591	1,764,429,304	1.36	1,639,437,713	100.00
2013	978,270,500	95,275,100	554,297,500	36,333,519	123,492,209	1,787,668,828	1.36	1,664,176,619	100.00
2012	971,122,700	95,265,700	551,009,900	34,468,630	124,390,779	1,776,257,709	1.36	1,651,866,930	100.00
2011	1,033,929,400	96,926,200	552,194,300	32,922,680	120,861,019	1,836,833,599	1.35	1,715,972,580	100.00
2010	1,031,967,800	96,461,100	549,782,600	29,896,895	122,178,354	1,830,286,749	1.35	1,708,108,395	100.00
2009	1,029,811,100	97,597,000	546,792,700	28,481,719	117,990,192	1,820,672,711	1.35	1,702,682,519	100.00

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

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

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

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

Year	Real Estate	Public Service	Personal Property	Total Direct Rate
2018	1.20	1.20	3.50	1.37
2017	1.20	1.20	3.50	1.38
2016	1.14	1.14	3.50	1.38
2015	1.14	1.14	3.50	1.38
2014	1.14	1.14	3.50	1.36
2013	1.14	1.14	3.50	1.36
2012	1.10	1.10	3.50	1.36
2011	1.10	1.10	3.50	1.35
2010	1.10	1.10	3.50	1.35
2009	1.10	1.10	3.50	1.35

Notes: 1) There is no overlapping government taxation.

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

TABLE 8

CITY OF COLONIAL HEIGHTS, VIRGINIA

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

Taxpayer	2018			2009		
	Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Southpark Mall	\$ 73,339,200	1	3.97%	\$ 72,451,239	1	4.31%
Roslyn Farms Corp	28,445,500	2	1.58%	35,504,475	2	2.11%
Wal-Mart/Sams	26,100,700	3	1.45%	24,872,963	3	1.48%
Southgate Square Virginia LLC	24,828,300	4	1.39%	24,870,100	4	1.48%
Virginia Electric & Power	17,273,123	5	0.98%	-	-	0.00%
Dunlop House	14,571,100	6	0.82%	14,281,700	5	0.85%
Colonial Square Associated	14,384,400	7	0.81%	13,538,200	6	0.81%
Dimmock Square Marketplace	13,562,000	8	0.74%	-	-	0.00%
Colonial Heights Operations	13,390,700	9	0.73%	12,498,106	8	0.74%
Faison Colonial Heights	13,040,000	10	0.72%	12,333,688	9	0.73%
Home Depot USA	-	-	-	12,396,036	7	0.74%
Southpark Hotel	-	-	-	11,553,006	10	0.69%
	<u>\$ 238,935,023</u>		<u>13.19%</u>	<u>\$ 234,299,513</u>		<u>13.94%</u>

TABLE 9

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

Calendar Year Ended December 31	Taxes Levied for the Year		Collected within the Year of the Levy		Collections in Subsequent Years*	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2017	\$	23,672,547	\$ 23,096,026	97.56 %	\$ 328,042	23,424,069	98.95 %
2016		23,612,144	23,056,541	97.65	302,652	23,359,193	98.93
2015		23,205,467	22,622,829	97.49	467,144	23,089,973	99.50
2014		23,087,247	22,546,470	97.66	486,331	23,032,801	99.76
2013		23,197,067	22,707,550	97.89	452,544	23,160,094	99.84
2012		23,148,788	22,634,176	97.78	485,038	23,119,214	99.87
2011		23,066,409	22,500,624	97.55	565,785	23,066,409	100.00
2010		22,920,083	22,666,857	98.90	253,226	22,920,083	100.00
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

Source: Detailed City property tax records.

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

*Does not include penalties and interest.

TABLE 10

CITY OF COLONIAL HEIGHTS, VIRGINIA

TAXABLE SALES BY CATEGORY

Last Ten Calendar Years

(in thousands of dollars)

(unaudited)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Apparel	\$ 76,804	\$ 77,638	\$ 73,203	\$ 71,591	\$ 71,301	\$ 68,317	\$ 64,286	\$ 61,381	\$ 59,414	\$ 55,303
Automotive	4,323	4,053	3,816	3,623	3,665	4,331	5,977	12,392	14,554	14,817
Food	146,146	160,041	158,054	144,188	136,078	137,113	127,548	119,677	118,561	116,997
Furniture, home furnishings, and equipment	11,533	11,536	12,567	12,387	12,944	14,781	12,205	8,100	9,186	8,313
General merchandise	268,174	272,096	283,051	286,433	282,948	280,835	302,806	275,618	279,137	293,417
Machinery, equipment, and supplies	25,779	29,123	28,851	29,887	31,905	34,033	28,439	37,309	39,068	43,189
Miscellaneous	184,478	175,037	161,193	150,454	144,172	82,789	83,710	76,519	69,668	86,177
Total	<u>\$ 717,237</u>	<u>\$ 729,524</u>	<u>\$ 720,735</u>	<u>\$ 698,563</u>	<u>\$ 683,013</u>	<u>\$ 622,199</u>	<u>\$ 624,971</u>	<u>\$ 590,996</u>	<u>\$ 589,588</u>	<u>\$ 618,213</u>
City direct local option sales tax	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

Source: Virginia Department of Taxation.

Notes:

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

There is no overlapping government taxation.

TABLE 11

CITY OF COLONIAL HEIGHTS, VIRGINIA

TAXABLE SALES BY CATEGORY

Calendar Years 2017 and 2008

(taxable sales in thousands of dollars)

(unaudited)

	Calendar Year 2017				Calendar Year 2008			
	Number of Filers	Percentage of Total	Taxable Sales	Percentage of Total	Number of Filers	Percentage of Total	Taxable Sales	Percentage of Total
Apparel	66	10.73 %	\$ 76,804	10.71 %	110	19.60 %	\$ 55,303	8.95 %
Automotive	9	1.46	4,323	0.60	18	3.20	14,817	2.40
Food	115	18.70	146,146	20.38	70	12.50	116,997	18.93
Furniture, home furnishings, and equipment	13	2.11	11,533	1.61	19	3.40	8,313	1.34
General merchandise	71	11.54	268,174	37.39	80	14.30	293,417	47.46
Machinery, equipment, and supplies	15	2.44	25,779	3.59	24	4.30	43,189	6.99
Miscellaneous	326	53.02	184,478	25.72	239	42.70	86,177	13.93
Total	615	100.00 %	\$ 717,237	100.00 %	560	100.00 %	\$ 618,213	100.00 %

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

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

TABLE 12

CITY OF COLONIAL HEIGHTS, VIRGINIA

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

(unaudited)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Debt limit	\$ 184,862,745	\$ 180,205,977	\$ 179,874,517	\$ 178,784,060	\$ 176,442,930	\$ 178,766,883	\$ 177,625,771	\$ 183,683,360	\$ 183,028,675	\$ 182,067,271
Total net debt applicable to limit	36,864,995	40,125,000	32,485,000	35,555,000	34,040,000	37,045,000	39,750,000	24,125,000	26,295,000	28,855,000
Legal debt margin	<u>\$ 147,997,750</u>	<u>\$ 140,080,977</u>	<u>\$ 147,389,517</u>	<u>\$ 143,229,060</u>	<u>\$ 142,402,930</u>	<u>\$ 141,721,883</u>	<u>\$ 137,875,771</u>	<u>\$ 159,558,360</u>	<u>\$ 156,733,675</u>	<u>\$ 153,212,271</u>
Total net debt applicable to the limit as a percentage of debt limit	19.94%	22.27%	18.06%	19.89%	19.29%	20.72%	22.38%	13.13%	14.37%	15.85%

Legal Debt Margin Calculation for Fiscal Year 2018

Assessed value*	<u>\$ 1,848,627,452</u>
Debt limit (10% of assessed value)	\$ 184,862,745
Less debt applicable to limit:	
General obligation bonds	<u>36,864,995</u>
Legal debt margin	<u>\$ 147,997,750</u>

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

*Personal property was added to Table 6 in 2018. Total taxable assessed values for previous years has also been updated.

TABLE 13

CITY OF COLONIAL HEIGHTS, VIRGINIA

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

(unaudited)

Governmental Activities				Business-type Activities		
Fiscal Year	General Obligation Bonds	Net Deferred Amounts ⁽¹⁾	Capital Leases	General Obligation Bonds	Net Deferred Amounts ⁽¹⁾	Capital Leases
2018	\$ 33,050,862	\$ 2,246,226	\$ 44,357	\$ 3,814,133	\$ 177,647	\$ -
2017	36,024,071	2,470,747	68,628	4,100,929	193,625	19,791
2016	28,113,743	1,789,006	92,146	4,371,257	209,603	45,518
2015	30,873,958	1,964,688	114,936	4,681,042	225,580	70,510
2014	33,406,897	1,230,564	-	633,103	8,186	94,789
2013	36,246,554	1,576,521	-	798,446	11,846	32,558
2012	38,792,753	1,697,691	-	957,247	14,215	74,490
2011	22,961,083	357,951	-	1,163,917	16,585	114,795
2010	24,929,795	406,075	-	1,365,205	18,954	181,587
2009	26,855,108	155,712	-	1,999,892	-	245,697

Fiscal Year	Total Net General Bonded Debt ⁽²⁾	Net General Bonded Debt Per Capita	Net General Bonded Debt to Estimated Actual Value of Taxable Property	Total Primary Government Outstanding Debt	Total Outstanding Debt Per Capita	Total Outstanding Debt to Estimated Actual Value of Taxable Property ⁽³⁾
2018	\$ 39,288,868	\$ 2,204	2.13 %	\$ 39,333,225	\$ 2,207	2.13 %
2017	42,789,372	2,401	2.37	42,877,791	2,406	2.38
2016	34,483,609	1,935	1.92	34,621,273	1,943	1.92
2015	37,745,268	2,168	2.29	37,930,714	2,179	2.12
2014	35,278,750	2,026	2.15	35,373,539	2,032	2.00
2013	38,633,367	2,219	2.32	38,665,925	2,221	2.16
2012	41,461,906	2,387	2.51	41,536,396	2,386	2.34
2011	24,499,536	1,407	1.43	24,614,331	1,414	1.34
2010	26,720,029	1,482	1.56	26,901,616	1,492	1.47
2009	29,010,712	1,640	1.70	29,256,409	1,654	1.61

(1) Net deferred amounts include premiums and discounts.

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

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

TABLE 14

CITY OF COLONIAL HEIGHTS, VIRGINIA

DEMOGRAPHIC STATISTICS

Last Ten Fiscal Years

(unaudited)

Fiscal Year	Population	Personal Income (in thousands)	Per Capita Personal Income	School Enrollment	Unemployment Rate
2018	17,820	*	*	2,820	3.60 %
2017	17,820	*	*	2,814	4.00
2016	17,820	*	*	2,799	4.30
2015	17,411	*	*	2,796	5.30
2014	17,411	*	*	2,812	6.00
2013	17,411	*	*	2,829	7.30
2012	17,411	*	*	2,972	6.90
2011	17,411	*	*	2,891	7.60
2010	18,035	*	*	2,836	8.60
2009	17,693	2,704,120	35,052	2,881	8.70

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

TABLE 15

CITY OF COLONIAL HEIGHTS, VIRGINIA

PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago
(unaudited)

Employer	2018		2009	
	Employees	Rank	Employees	Rank
Colonial Heights School Board	500 to 999	1	500 to 999	1
Wal - Mart	500 to 999	2	500 to 999	2
City of Colonial Heights	250 to 499	3	250 to 499	3
VDOT	250 to 499	4	-	-
Randstad US L P	100 to 249	5	-	-
Colonial Heights Operations	100 to 249	6	100 to 249	4
Publix Nc Employee Services, LLC	100 to 249	7	-	-
J.C. Penny Corporation, Inc.	100 to 249	8	100 to 249	6
Care Advantage	100 to 249	9	100 to 249	7
The Home Depot	100 to 249	10	100 to 249	8
Red Lobster & Olive Garden	-	-	100 to 249	5
Ukrops	-	-	100 to 249	9
Sears Roebuck & Company	-	-	100 to 249	10

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)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<u>Function/Program</u>										
General government										
Management services	7	7	7	7	7	6	6	6	6	6
Tax collections	6	6	9	9	9	9	9	11	11	11
Finance	15	15	11	11	11	11	11	9	9	9
Information technology	2	2	2	2	2	2	2	1	2	2
Board of elections	2	2	2	2	2	2	2	2	2	2
Judicial administration	27	26	25	25	22	22	23	21	21	22
Public safety	118	118	115	115	115	114	113	113	114	117
Public works	48	48	48	48	45	45	30	28	29	30
Parks, recreation, and cultural	27	27	27	26	26	25	24	24	25	25
Community development	6	6	6	5	5	5	5	5	5	6
Human services	3	3	3	3	4	4	4	5	5	5
Education	482	464	456	453	436	439	437	430	430	428
Total	743	724	711	706	684	684	666	655	659	663

Source: City Adopted Budget.

TABLE 17

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

Function/Program	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Government										
Registered voters	12,240	12,172	12,113	11,775	12,050	12,056	12,282	11,971	11,936	11,938
Structures										
Detached	6,155	6,152	6,159	6,161	6,221	6,195	6,168	6,172	6,182	6,179
Duplex	357	357	357	379	379	169	170	178	175	179
Multi-family	1,198	1,198	1,198	1,198	1,198	1,198	1,211	1,211	1,211	1,211
Parcel with elderly/disabled:										
Exemptions	175	178	207	234	272	296	316	314	330	353
Judicial Administration										
Average daily jail population	155	165	172	181	180	179	152	163	185	170
Public safety										
Volunteers	44	46	54	46	53	47	61	60	66	58
Public works										
Road mileage maintained:										
Arterial	30	30	31	31	31	31	31	31	31	31
Local/collector	164	163	162	162	162	162	162	162	162	162
Parks, Recreational, and Cultural										
Parks:										
Number	10	10	10	10	10	10	10	10	10	9
Areas	75	75	75	75	75	75	71	71	71	71
Recreation:										
Baseball fields	11	11	11	11	11	11	11	11	11	9
Tennis courts	4	9	9	9	9	9	9	9	9	9
Basketball courts	10	10	10	10	10	11	10	6	6	5
Soccer fields	11	11	11	11	11	11	11	11	6	6
Library										
Volumes in collection	60,535	62,663	62,399	60,789	61,326	60,521	64,703	63,871	62,474	62,422
Community development										
Building permits issued - calendar	588	647	491	520	551	532	407	547	N/A	N/A
Value	\$ 18,098,886	\$ 5,856,620	\$ 6,849,319	\$ 6,827,056	\$ 6,957,542	\$ 6,544,861	\$ 4,582,561	\$ 3,560,086	N/A	N/A
Education										
Elementary	3	3	3	3	3	3	3	3	3	3
Secondary	2	2	2	2	2	2	2	2	2	2
Vocational buldings	1	1	1	1	1	1	1	1	1	1

Sources:

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

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COMPLIANCE SECTION

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the City of Colonial Heights, Virginia, (the "City") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 29, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Brown, Edwards & Company, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 29, 2018

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Colonial Heights, Virginia (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2018. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 29, 2018

CITY OF COLONIAL HEIGHTS, VIRGINIA

SUMMARY OF COMPLIANCE MATTERS

June 30, 2018

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

STATE COMPLIANCE MATTERS

Code of Virginia:

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

State Agency Requirements:

Education
Highway Maintenance Funds

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

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

CITY OF COLONIAL HEIGHTS, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2018

A. SUMMARY OF AUDITOR'S RESULTS

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

<u>Name of Program:</u>	<u>CFDA #</u>
Child Nutrition Cluster:	
School Breakfast Program	10.553
National School Lunch Program	10.555
Special Milk Program for Children	10.556

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

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

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

None.

D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

None.

CITY OF COLONIAL HEIGHTS, VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2018

A. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

2017-001: Highway Maintenance

Condition:

Unacceptable costs were incurred for items that did not relate to maintenance, construction, or reconstruction of streets for 2 out of 20 transactions tested.

Current Status:

Condition not noted during the current year.

2017-002: Disclosure Statements

Condition:

Two of the thirty-three disclosure statements were not filed and one of the thirty-three disclosure statements was filed late.

Current Status:

Condition not noted during the current year.