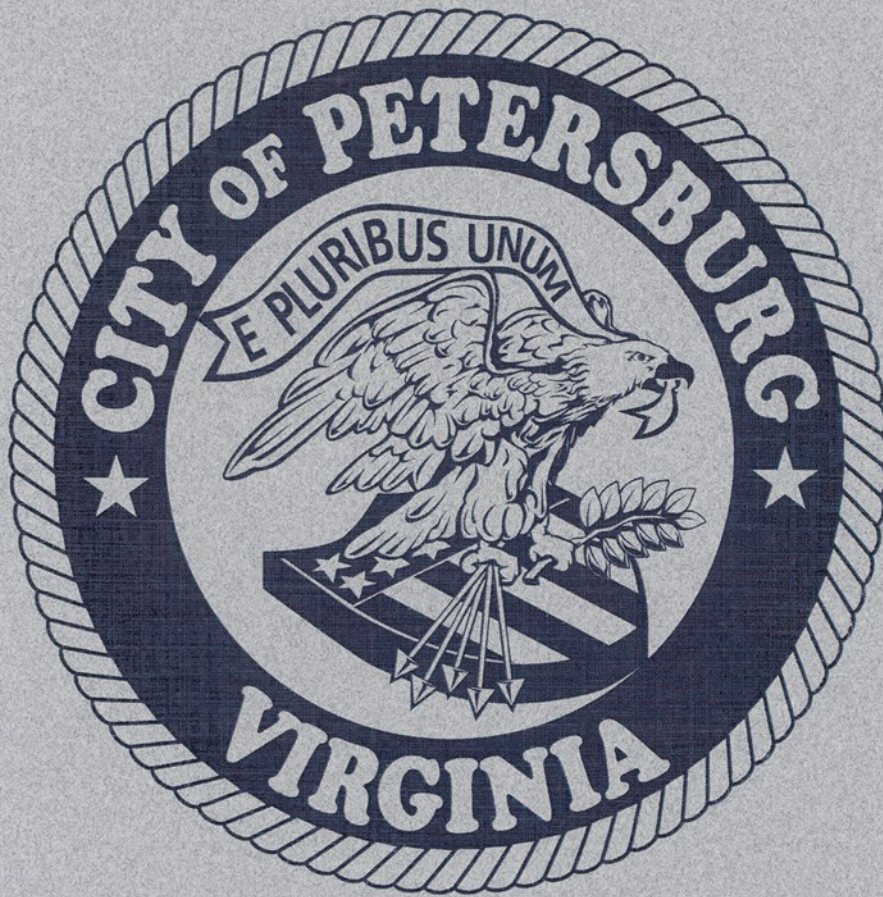


**COMPREHENSIVE  
ANNUAL FINANCIAL REPORT**  
**City of Petersburg, Virginia**



**For the Fiscal Year  
ended June 30, 2017**



**City of Petersburg, Virginia**

**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2017**

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**Prepared By:**

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Department of Finance



CITY OF PETERSBURG, VIRGINIA  
Comprehensive Annual Financial Report  
For The Fiscal Year Ended June 30, 2017

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CITY OF PETERSBURG, VIRGINIA

Comprehensive Annual Financial Report  
For The Fiscal Year Ended June 30, 2017

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**CITY OF PETERSBURG, VIRGINIA  
CITY COUNCIL AND EXECUTIVE OFFICERS  
JUNE 30, 2017**

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**CITY COUNCIL**

Samuel Parham..... Mayor  
John A. Hart ..... Vice-Mayor  
Annette Smith-Lee..... Councilwoman  
Charles Cuthbert..... Councilman  
Treska Wilson-Smith..... Councilwoman  
W. Howard Myers ..... Councilman  
Darrin Hill ..... Councilman

**CONSTITUTIONAL OFFICERS**

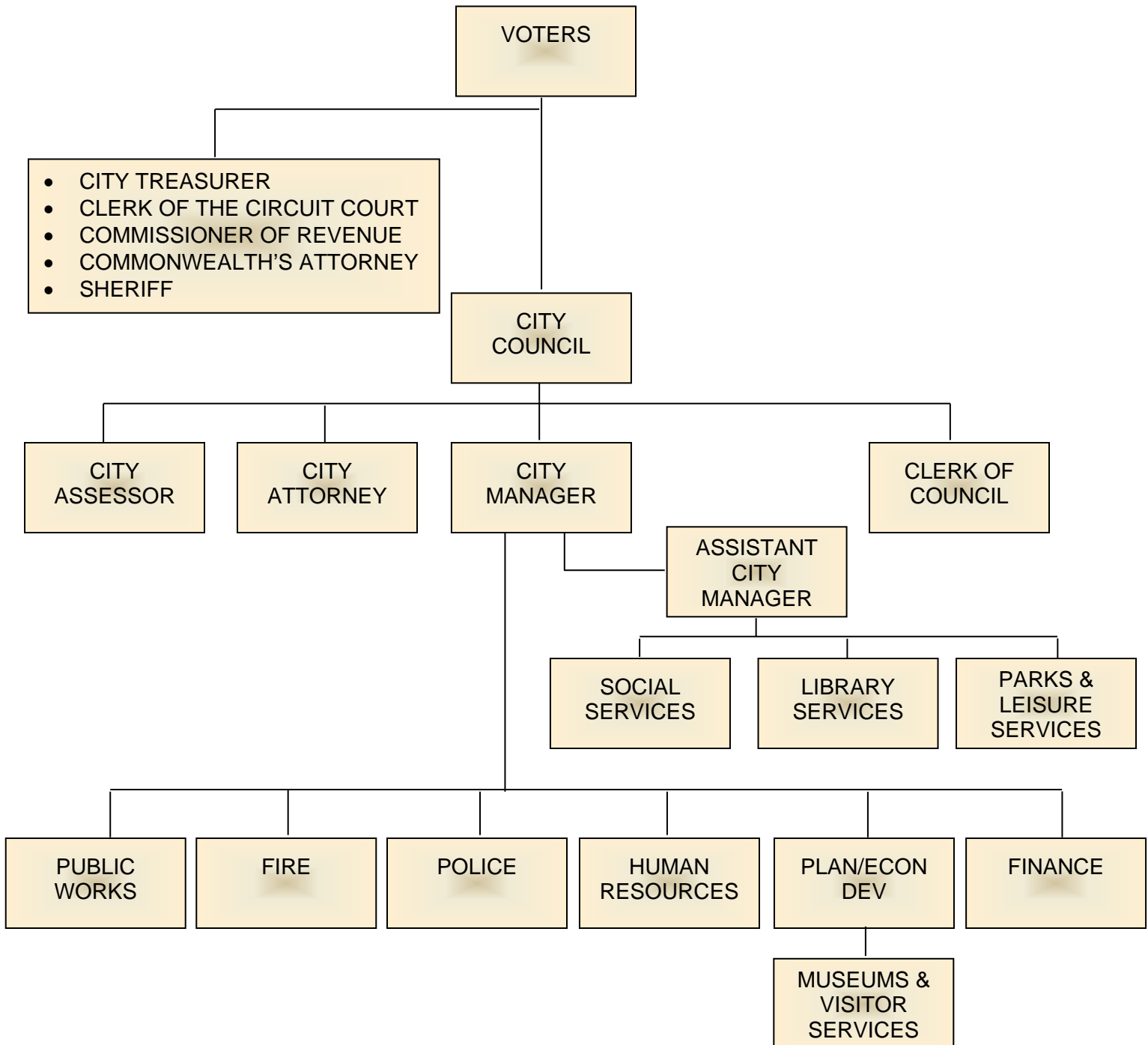
Pam Hairston ..... Commissioner of Revenue  
Cherly Wilson ..... Commonwealth's Attorney  
Kevin A. Brown ..... City Treasurer  
Shalva J. Braxton ..... Clerk of the Circuit Court  
Vanessa R. Crawford ..... City Sheriff

**CITY ADMINISTRATION**

Tom Tyrrell ..... Acting City Manager  
Nelsie Birch ..... Interim Deputy City Manager and Interim Director of Finance  
Nykesha D. Jackson..... Council Clerk  
Joseph Preston. .... City Attorney  
Richie McKeithen ..... City Assessor  
Tami M. Champ-Yerby ..... Director of Parks and Leisure Services  
Michelle B. Peters ..... Director of Planning  
Wayne Crocker ..... Library Director  
Vacant ..... Manager of Economic Development  
Kimberly Willis Miles ..... Director of Social Services  
Daniel Harrison..... Interim Director of Public Works  
Brian Sturdivant..... Interim Fire Chief  
Nicole Milner ..... Director of Human Resources  
Brian Braswell ..... Interim Chief of Police



# CITY OF PETERSBURG, VIRGINIA ORGANIZATIONAL CHART







**I AM  
PETERSBURG  
VIRGINIA**

# **CITY OF PETERSBURG**

## **FINANCE DEPARTMENT**

CITY HALL ANNEX, 103 W. TABB STREET  
PETERSBURG, VIRGINIA 23803  
(804) 733-2337 FAX (804) 733-2434

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November 27, 2017

The Honorable Members of City Council  
City of Petersburg, Virginia

To the Honorable Members of City Council:

The Comprehensive Annual Financial Report (CAFR) of the City of Petersburg, Virginia (the City) for the year ended June 30, 2017, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

Internal Control: Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Single Audit: As a recipient of federal and state financial assistance, the City also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management of the City.

The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. As part of the City's single audit, tests are made to determine the adequacy of the internal control structure, including that portion related to Federal financial assistance programs, as well as to determine that the City has complied with applicable laws and regulations. Information related to this single audit, including the schedule of expenditures of federal awards, findings and questioned costs and independent auditors' reports on the internal control structure and compliance with applicable laws and regulations, is included in this report.

Budgetary Controls: The objective of budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City's governing body. Activities of the General Fund and Special Revenue Funds are included in the annual appropriated budget. Project-length financial plans are adopted for the Capital Projects Fund. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is established by function for the General Fund and the fund level for other individual funds. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control.

The financial reporting entity includes all funds of the Primary Government (i.e., the City), as well as the component units for which the City is financially accountable. GAAP has established standards for defining and reporting on the financial reporting entity. Specifically, under GAAP the School Board of the City of Petersburg, Virginia (the School Board) is reported as a separate component unit in the City's reporting entity. This presentation is designed to emphasize that the School Board is legally separate from the City and to differentiate its financial position and results of operations from that of the City. This component unit is administered by a separate board, which is elected. The City provides a full range of services including police and fire protection; sanitation services; health and social services; the construction and maintenance of roads, streets and infrastructure; recreation activities; and cultural events. In addition to general government activities, the operations of Petersburg's public utilities and the City's transit system are also part of the primary government and included in the reporting entity.

## **ECONOMIC CONDITION AND OUTLOOK AND FUTURE PROSPECTS**

The City's basic industries are manufacturing, government, trade and services. The manufacturing sector includes firms in the chemical, medical, metal and optical industries. The City's economic prospects are enhanced by its proximity to Richmond, the state capital, and its inclusion in the Richmond-Petersburg Metropolitan Statistical Area. Fort Lee Army Base is located adjacent to the City. Fort Lee houses the Army's Quartermaster and Logistics Management Centers. Fort Lee has an average daily population of 28,186 and employs approximately 7,804 civilians. Fort Lee has an economic impact on the region in excess of \$2.4 billion.

The region's primary medical services facility, Southside Regional Medical Center (SRMC), is located in the City. The facility, which includes a nursing school and a specialty healthcare center, is the largest private employer in the City with over 1,450 employees. SRMC along with Poplar Springs Hospital and HealthSouth Surgical Rehabilitation Hospital make Petersburg the medical services hub of the Tri-cities area.

## **OTHER INFORMATION**

### Relevant Financial Policies:

Investments are made to an investment policy that seeks to safeguard principal, meet liquidity objectives, and seek fair value rates of return within the parameters of the *Code of Virginia*. Funds held for capital projects are invested in accordance with these objectives in addition to ensuring compliance with U.S. Treasury arbitrage regulations.

Management's Discussion and Analysis: GAAP require management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement

## OTHER INFORMATION: (CONTINUED)

MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Independent Audit: State statutes require an annual audit by independent certified public accountants. The accounting firm of Robinson, Farmer, and Cox Associates was selected by the City's audit committee. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the federal Single Audit Act of 1984 and the related requirements of OMB Circular A-133. The independent auditors' report on the basic financial statements, combining, and individual fund statements and schedules is included in the financial section of this report. The independent auditors' reports related specifically to the single audit are included in the compliance section of this report.

Acknowledgements: This report could not have been accomplished without a great deal of cooperation and assistance by the staff in a number of City departments. Also, we would like to thank the Mayor and members of the City Council for the continued interest and support.

Respectfully Submitted,

A handwritten signature in blue ink that reads "Aretha Ferrell-Benavides".

Aretha Ferrell-Benavides, City Manager

A handwritten signature in blue ink that reads "Blake Rane".

Blake Rane, Chief Financial Officer

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## Independent Auditors' Report

To the Honorable Members of City Council  
City of Petersburg, Virginia

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Petersburg, Virginia, as of and for the year ended June 30, 2017, 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.

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

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

## *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Petersburg, Virginia, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 5-12, 92, and 93-96 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. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Petersburg, Virginia's basic financial statements. The introductory section, combining and individual fund financial statements and 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*, and is also not a required part of the basic financial statements.

The combining and individual fund financial statements and 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 combining and individual fund financial statements and 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 27, 2017, on our consideration of the City of Petersburg, Virginia'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 of Petersburg, Virginia's internal control over financial reporting and compliance.

*Robinson, Farnell, Cox Associates*

Charlottesville, Virginia  
November 27, 2017

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

### JUNE 30, 2017

---

As management of the City of Petersburg, Virginia (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City as of and for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

#### **Financial Highlights**

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$48,067,661 (net position).
- The City's net position increased in governmental funds and business-type activities. Governmental funds net position increased \$12,472,935 while business-type activities increased \$993,318.
- As of the close of the current fiscal year, the City's Governmental Funds reported combined ending fund balances of \$20,864,411, an increase of \$6,019,597 in comparison with the prior year. Unassigned fund balance for the General Fund increased from \$(7,728,395) to \$(143,932).

#### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components:

1. Government-wide financial statements,
2. Fund financial statements, and
3. Notes to the basic financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements - The Government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the City's assets, deferred inflows of resources, and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the Government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, judicial administration, public safety, public works, health and welfare services, education, parks recreation, & cultural events, and community development. The business-type activities of the City include Public Utility and Mass Transit operations.

## Overview of the Financial Statements: (Continued)

The Government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate school district for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds - Governmental funds are used to account for essentially the same functions reported as Governmental activities in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains eight individual governmental funds. The General Fund and the Capital Projects Fund are both considered to be major funds and accordingly financial information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for these funds. The six other governmental funds (Federal and State Projects Fund, Community Development Act Fund, Stormwater Fund, Blandford Cemetery Perpetual Care Fund, Clara J. McKenney Memorial Fund, and Library Endowment Fund) are considered to be non-major funds and are reported in the fund financial statements in one column and in the combining and individual fund statements and schedules as individual columns.

The City adopts an annual appropriated budget for certain Governmental funds. A budgetary comparison schedule has been provided as required supplementary information for the General Fund to demonstrate compliance with this budget.

Proprietary funds - The City maintains three enterprise funds, which are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water system, mass transportation and golf course operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, mass transportation and golf course activities all of which are considered to be major funds of the City.

Fiduciary funds - The City is the trustee, or fiduciary, for the City's agency and private-purpose trust funds. It is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. The City excludes these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations. Fiduciary funds consist of private purpose trust funds and agency funds. Agency funds are City custodial funds used to provide accountability of client monies for which the City is custodian.

## Overview of the Financial Statements: (Continued)

Notes to the basic financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including the General Fund budgetary comparison schedule and pension funding activities and other supplementary information, including combining and individual fund financial statements and schedules.

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a City's financial position. In the case of the City, assets and deferred inflows of resources exceeded liabilities and deferred inflows of resources by \$48,067,661 at the close of the fiscal year.

**City of Petersburg's, Net Position**  
**Schedule of Assets, Liabilities and Net Position**  
**Governmental and Business-type Activities**  
**For the Years Ended June 30, 2017 and 2016**

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 45,363,380	\$ 31,444,744	\$ 11,096,822	\$ 8,963,770	\$ 56,460,202	\$ 40,408,514
Capital assets	56,885,201	57,901,150	49,107,226	49,803,544	105,992,427	107,704,694
Total assets	\$ 102,248,581	\$ 89,345,894	\$ 60,204,048	\$ 58,767,314	\$ 162,452,629	\$ 148,113,208
Deferred outflows of resources	\$ 5,378,862	\$ 3,350,413	\$ 1,041,478	\$ 611,878	\$ 6,420,340	\$ 3,962,291
Total assets and deferred outflows of resources	\$ 107,627,443	\$ 92,696,307	\$ 61,245,526	\$ 59,379,192	\$ 168,872,969	\$ 152,075,499
Long-term liabilities outstanding	\$ 65,878,514	\$ 68,407,506	\$ 19,441,080	\$ 19,777,649	\$ 85,319,594	\$ 88,185,155
Current liabilities	23,017,062	16,792,319	9,400,554	8,197,749	32,417,616	24,990,068
Total liabilities	\$ 88,895,576	\$ 85,199,825	\$ 28,841,634	\$ 27,975,398	\$ 117,737,210	\$ 113,175,223
Deferred inflows of resources	\$ 2,754,298	\$ 3,991,848	\$ 313,800	\$ 307,020	\$ 3,068,098	\$ 4,298,868
Net position:						
Net investment in capital assets	\$ 20,234,034	\$ 20,071,779	\$ 37,552,117	\$ 38,557,116	\$ 57,786,151	\$ 58,628,895
Restricted	5,064,216	4,275,250	491,191	489,434	5,555,407	4,764,684
Unrestricted	(9,320,681)	(20,842,395)	(5,953,216)	(7,949,776)	(15,273,897)	(28,792,171)
Total net position	\$ 15,977,569	\$ 3,504,634	\$ 32,090,092	\$ 31,096,774	\$ 48,067,661	\$ 34,601,408
Total liabilities, deferred inflows and net position	\$ 107,627,443	\$ 92,696,307	\$ 61,245,526	\$ 59,379,192	\$ 168,872,969	\$ 152,075,499

The majority of the City's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), net of any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

## Government-wide Financial Analysis: (Continued)

At the end of the current fiscal year, the City is able to report positive balances in most categories of net position. The requirement to record the VRS pension plan liabilities, which totaled \$27,034,547 for governmental activities caused it to report negative unrestricted net position as it will many other localities in Virginia. The Business-type activities also reported negative unrestricted position at year end, however, the City plans to remediate its negative unrestricted net position over time through increases in user fees and transfers from the general government.

Governmental Activities - Governmental activities increased the City's net position by \$12,472,935, while business-type activities increased net position by \$993,318. Key elements of these decreases are as follows:

**City of Petersburg, Virginia's Changes in Net Position  
Governmental and Business-type Activities  
For the Years Ended June 30, 2017 and 2016**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Revenues:						
Program revenues:						
Charges for services	\$ 6,262,115	\$ 5,045,717	\$ 14,028,190	\$ 8,492,194	\$ 20,290,305	\$ 13,537,911
Operating grants and contributions	20,537,203	24,048,570	2,194,278	1,840,955	22,731,481	25,889,525
Capital grants and contributions	-	26,804	18,616	784,525	18,616	811,329
General revenues:						
General property taxes	34,862,878	31,963,589	-	-	34,862,878	31,963,589
Other local taxes	13,486,416	12,341,696	-	-	13,486,416	12,341,696
Use of money and property	253,178	490,012	3,362	4,971	256,540	494,983
Commonwealth of Virginia non- categorical aid	5,129,284	4,749,525	-	-	5,129,284	4,749,525
Other general revenues	368,291	640,843	-	-	368,291	640,843
Total revenues	<u>\$ 80,899,365</u>	<u>\$ 79,306,756</u>	<u>\$ 16,244,446</u>	<u>\$ 11,122,645</u>	<u>\$ 97,143,811</u>	<u>\$ 90,429,401</u>
Expenses:						
General government administration	\$ 6,987,157	\$ 7,000,032	\$ -	\$ -	\$ 6,987,157	\$ 7,000,032
Judicial administration	2,424,147	2,324,844	-	-	2,424,147	2,324,844
Public safety	18,589,827	23,666,410	-	-	18,589,827	23,666,410
Public works	7,303,967	11,605,106	-	-	7,303,967	11,605,106
Health and welfare	13,891,867	13,488,320	-	-	13,891,867	13,488,320
Education	8,775,894	11,673,961	-	-	8,775,894	11,673,961
Parks, recreation, and cultural	1,642,337	2,216,162	-	-	1,642,337	2,216,162
Community development	6,324,991	6,286,581	-	-	6,324,991	6,286,581
Interest	1,768,995	1,648,599	-	-	1,768,995	1,648,599
Public Utility	-	-	10,639,774	10,404,257	10,639,774	10,404,257
Mass Transit	-	-	4,359,362	5,133,570	4,359,362	5,133,570
Golf Course	-	-	969,240	1,186,181	969,240	1,186,181
Total expenses	<u>\$ 67,709,182</u>	<u>\$ 79,910,015</u>	<u>\$ 15,968,376</u>	<u>\$ 16,724,008</u>	<u>\$ 83,677,558</u>	<u>\$ 96,634,023</u>
Increase (decrease) in net position before transfers	\$ 13,190,183	\$ (603,259)	\$ 276,070	\$ (5,601,363)	\$ 13,466,253	\$ (6,204,622)
Transfers	<u>(717,248)</u>	<u>(1,207,175)</u>	<u>717,248</u>	<u>1,207,175</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	\$ 12,472,935	\$ (1,810,434)	\$ 993,318	\$ (4,394,188)	\$ 13,466,253	\$ (6,204,622)
Net position, beginning of year, as restated	<u>3,504,634</u>	<u>5,315,068</u>	<u>31,096,774</u>	<u>35,490,962</u>	<u>34,601,408</u>	<u>40,806,030</u>
Net position, end of year	<u>\$ 15,977,569</u>	<u>\$ 3,504,634</u>	<u>\$ 32,090,092</u>	<u>\$ 31,096,774</u>	<u>\$ 48,067,661</u>	<u>\$ 34,601,408</u>

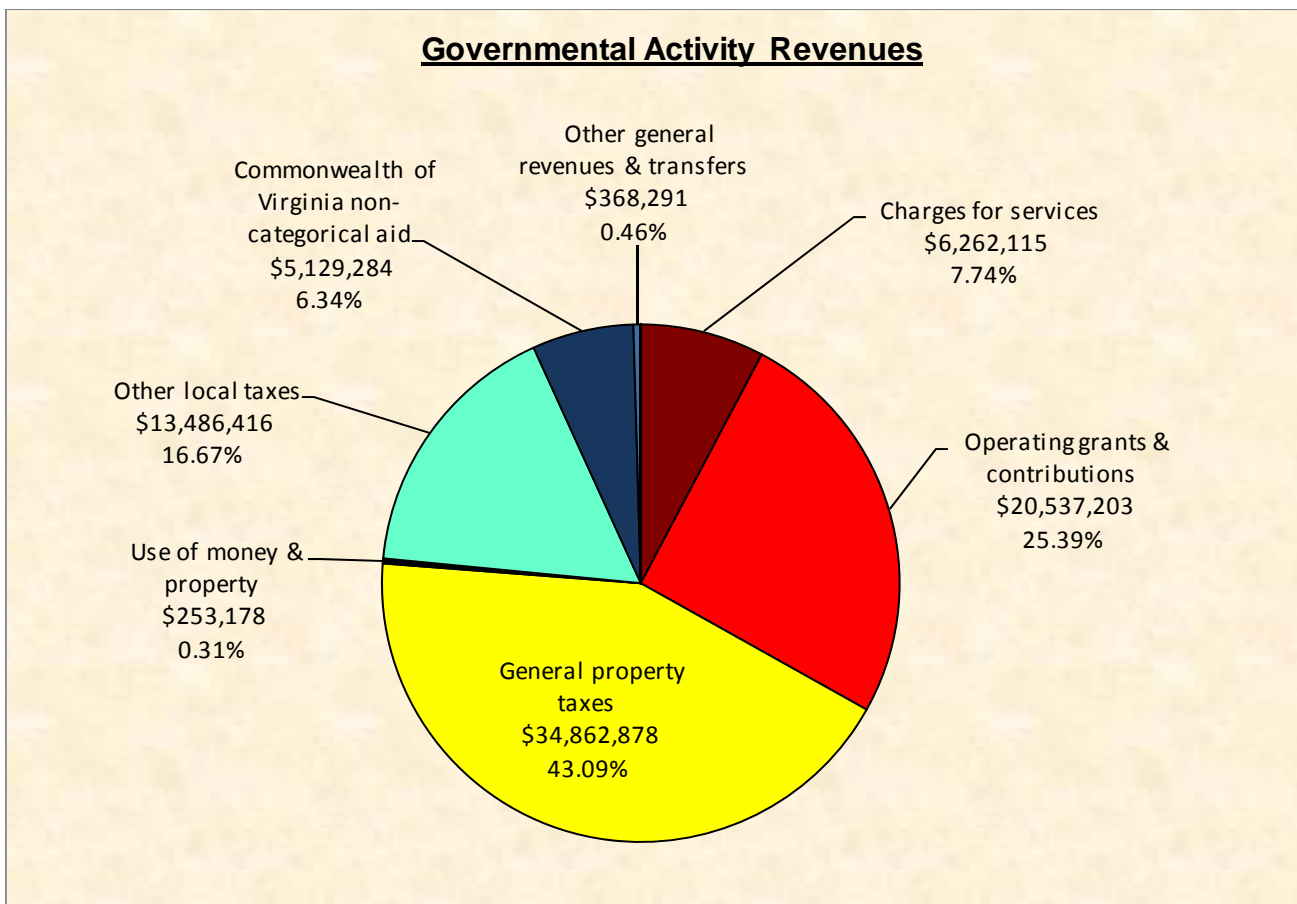


## Government-wide Financial Analysis: (Continued)

The City's net position increased \$13,215,624 during the current fiscal year. This increase was reflective of an increase in net position of governmental activities of \$12,472,935 and an increase of \$742,689 in business-type activities. Governmental activity revenues increased from \$79,306,756 to \$80,899,365, an increase of \$1,592,609 or 2.00%. There were three major factors which contributed to the increase in revenue to include decrease in operating grants and contributions of \$3,560,636, an increase in general property taxes and other local taxes of \$4,055,008, and an increase in charges for services of \$1,216,398. Governmental expenses decreased from \$79,910,015 to \$67,709,182 or \$12,200,833. There were several factors to support this decrease which were primarily in public safety, public works, and education. Public safety expenses totaled \$18,589,827 in FY 17 compared to \$23,666,410 in FY 16. Public works expenses totaled \$7,303,967 in FY 17 compared to \$11,605,106 in FY 16. Education expenses totaled \$8,775,894 in FY 17 compared to \$11,673,961 in FY 16.

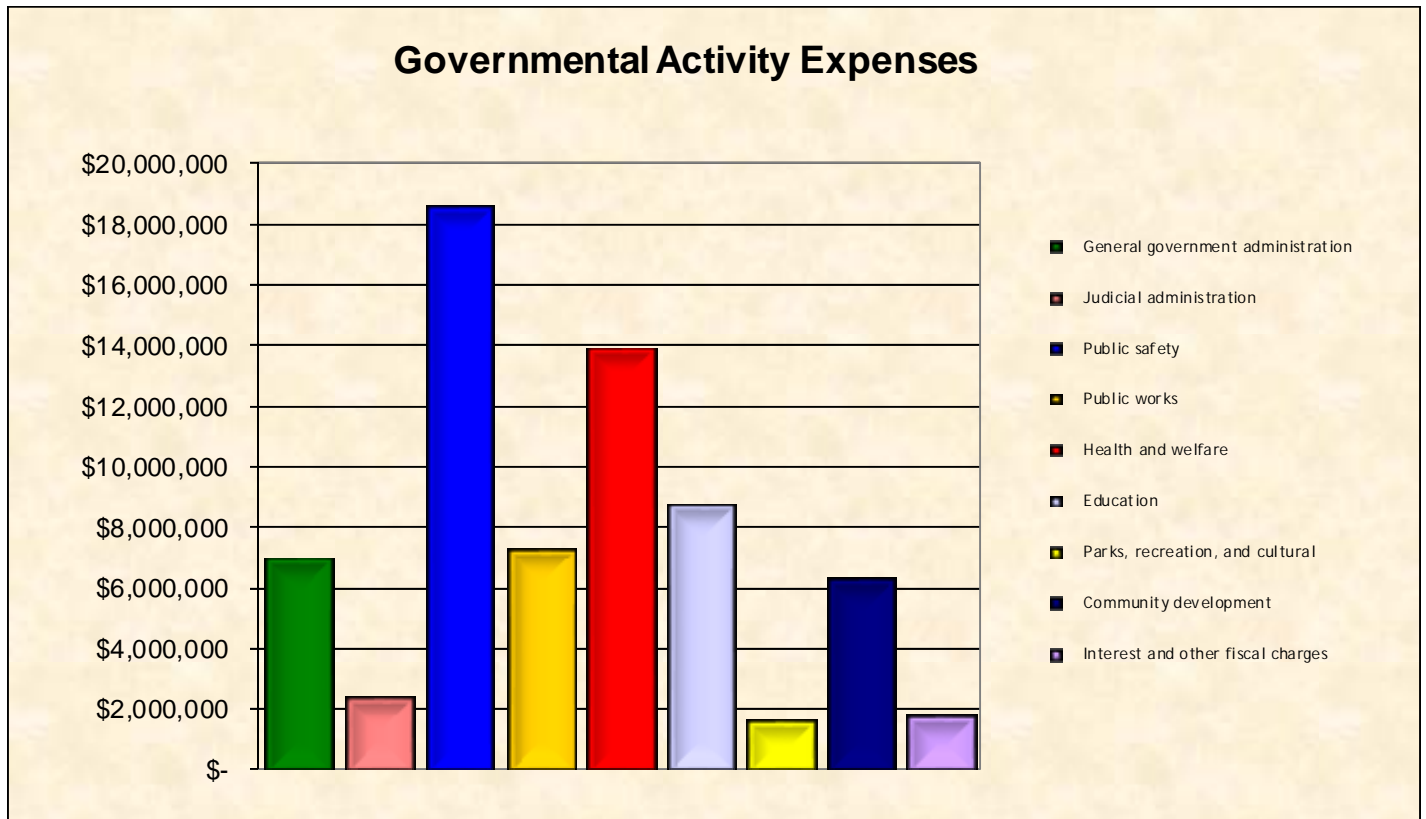
Net position increased in the business-type activities by \$993,318. The Public Utility Fund's net position increased by \$2,092,689, the Mass Transit Fund net position increased by \$1,156,226 and the Golf Course increased by \$56,855. Overall business-type activity revenues increased from \$11,373,274 to \$16,244,446 or \$5,121,801. The most significant increase was noted in Public Utility charges for services which increased from \$7,180,519 in FY 16 to \$12,334,213, or \$5,153,694. Mass Transit expenses decreased from \$5,133,570 in FY 16 to \$4,359,362 in FY 17 or \$774,208.

The chart below provides an overview of FY 16-17 revenues by program source:



## Government-wide Financial Analysis: (Continued)

The chart below denotes expenses by major category.



## Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds** - The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$20,864,411 an increase of \$6,019,598 in comparison with the prior year. The City has non-spendable balances comprised of inventory and land held for resale in the amount of \$5,193,055 and inter-fund loans in the amount of \$252,904. The City's General Fund has restricted fund balance for debt service in the amount of \$3,437,187. The fund balance of the City's General Fund increased \$7,208,719 during the current fiscal year. Key factors in the increase are as follows:

- The City's other local taxes revenue increased from \$12,341,696 to \$13,486,416 or \$1,144,720

### **Financial Analysis of the City's Funds: (Continued)**

- Public Safety expenditures decreased from \$20,899,960 in FY 16 to \$17,745,235 in FY 17, or \$3,154,725.
- Education expenditures decreased from \$10,593,975 in FY 16 to \$8,254,730 in FY 17, or \$2,339,245.
- In FY 17 the General Fund expended \$65,861,125 while revenues totaled \$73,069,844, an excess of \$7,208,719, reference Exhibit 11.

The City's other governmental funds reflected an overall decrease in fund balances of \$1,189,121. The Capital Projects fund balance decreased \$2,729,100 and the other non-major funds increased \$1,539,979.

The Federal and State Projects Fund had revenues of \$5,296,424 and expenditures of \$4,237,579. The Federal and States Projects Fund has an increase in fund balance of \$1,058,845 in FY 17. More information on the other governmental funds can be found on Exhibit 17.

Proprietary funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities, but in more detail.

Unrestricted net position (deficit) of the Public Utility Fund, Mass Transit Fund and the Golf Course at the end of the year were \$1,338,468, (\$4,628,652), and (\$2,663,032), respectively. Net position increased for the Public Utility Fund by \$2,092,689 and by \$56,855 for Golf Course Fund while the Mass Transit Fund had a decrease in net position of \$1,156,226. Information for these funds was discussed previously in this letter. The Multi-modal Transportation Facility was fully operational for the first year in FY 11 and state and federal funding sources in addition to charges for services were insufficient to cover operating expenses thus contributing to the decline in net position.

### **General Fund Budgetary Highlights**

The differences between the General Fund original budget and final amended budget were caused by three main increases and decreases in appropriations. These increases and decreases caused the expenditure budget to decrease from \$70,147,563 to \$68,348,325 as disclosed on Exhibit 11. Some of the major differences can be summarized as follows:

- An increase of \$1,354,026 in health and welfare primarily for social services expenditures.
- A decrease of \$1,778,702 in public safety expenditures.
- A decrease of \$3,425,500 in education expenditures.

The total General Fund revenue budget decreased from \$70,515,514 to \$67,136,675 or \$3,378,839. More detailed information on the General Fund budget revenues and expenditures can be found on Schedules 1 and 2 of this report.

## **Capital Assets and Debt Administration**

**Capital assets** - The City's investment in capital assets for its governmental and business-type activities as of June 30, 2017 totaled \$105,992,427 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, infrastructure, water capacity rights intangibles, vehicles, and machinery and equipment. Current year depreciation on the assets amounted to \$3,013,009 in the governmental activities and \$2,284,436 in the business-type activities. The City's governmental capital assets, net of accumulated depreciation, decreased by \$1,015,949. The City's business-type capital assets, net of accumulated depreciation, decreased \$696,318. More detailed information on the City's capital assets can be found in Note 6 of this report.

**Long-term obligations** - At the end of the current fiscal year, the City governmental activities had total long-term obligations outstanding of \$69,761,913 and the business-type activities had \$20,170,840. Of these amounts \$49,158,908 comprises debt backed by the full faith and credit of the City as general obligation and Qualified Zone Academy bonds. The City issued \$6,500,000 of tax revenue anticipation notes during the year. As noted earlier the City recorded net pension liabilities in accordance with GASB 68 and the liabilities total \$27,034,547 at June 30, 2017. More detailed information on the City's long-term obligations can be found in the Note 7 of this report.

## **Economic Factors and Next Year's Budgets and Rates**

Based on available economic data, certain trends for the local economy have continued to show improvements while others have not. The local unemployment rate is currently at 6.7%, which is lower than the 7.6% in September, 2016. The state unemployment rate is currently 3.6%.

This factor was considered in preparing the City's budget for the 2018 fiscal year. The General Fund for FY 18 totals \$78,225,499, which is \$9,813,824 higher than the fiscal 2017 approved budget. The real estate tax rate of \$1.35 per \$100 assessment remains unchanged.

## **Requests for Information**

This financial report is designed to provide a general overview of the City of Petersburg, Virginia's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, City Hall Annex, Petersburg, Virginia 23803.

## **BASIC FINANCIAL STATEMENTS**

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## **Government-wide Financial Statements**

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Statement of Net Position  
June 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	School Board
<b>ASSETS</b>				
Current Assets				
Cash and cash equivalents	\$ 11,393,454	\$ 481,766	\$ 11,875,220	\$ 2,280,096
Restricted cash	12,630,872	6,429,894	19,060,766	-
Receivables (net of allowance for uncollectibles):				
Property taxes	8,624,070	-	8,624,070	-
Accounts receivable	2,107,278	3,735,081	5,842,359	21,900
Prepaid items	-	-	-	160,594
Inventory	5,193,055	481,264	5,674,319	75,360
Due from Primary Government	-	-	-	4,735,974
Internal balances	62,478	(62,478)	-	-
Due from other governmental units	5,352,173	31,295	5,383,468	3,489,244
Total Current Assets	<u>\$ 45,363,380</u>	<u>\$ 11,096,822</u>	<u>\$ 56,460,202</u>	<u>\$ 10,763,168</u>
Capital Assets (net of depreciation):				
Land	\$ 6,046,998	\$ 5,123,939	\$ 11,170,937	\$ 5,000
Construction in progress	5,168,492	935,826	6,104,318	-
Land improvements	-	425,384	425,384	90,045
Utility plant in service	-	17,675,934	17,675,934	-
Water capacity rights	-	2,099,500	2,099,500	-
Buildings and improvements	30,515,037	20,023,701	50,538,738	5,995,473
Vehicles	1,459,992	2,185,567	3,645,559	1,380,278
Equipment and machinery	1,923,816	637,375	2,561,191	496,272
Infrastructure	11,770,866	-	11,770,866	-
Total Capital Assets	<u>\$ 56,885,201</u>	<u>\$ 49,107,226</u>	<u>\$ 105,992,427</u>	<u>\$ 7,967,068</u>
Total Assets	<u>\$ 102,248,581</u>	<u>\$ 60,204,048</u>	<u>\$ 162,452,629</u>	<u>\$ 18,730,236</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension deferrals	\$ 5,378,862	\$ 1,041,478	\$ 6,420,340	\$ 7,491,501
Total Assets and Deferred Outflows of Resources	<u>\$ 107,627,443</u>	<u>\$ 61,245,526</u>	<u>\$ 168,872,969</u>	<u>\$ 26,221,737</u>
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable and accrued expenses	\$ 6,604,417	\$ 1,781,097	\$ 8,385,514	\$ 8,222,818
Reconciled overdraft	-	6,114,280	6,114,280	-
Accrued interest payable	316,977	137,395	454,372	-
Unearned revenue	418,553	1,476	420,029	8,005
Customer deposits	57,742	636,546	694,288	-
Due to Component Unit School Board	4,735,974	-	4,735,974	-
Short-term revenue anticipation note	6,500,000	-	6,500,000	-
Current portion of litigation payable	300,000	-	300,000	-
Current portion of long-term obligations	4,083,399	729,760	4,813,159	62,663
Total Current Liabilities	<u>\$ 23,017,062</u>	<u>\$ 9,400,554</u>	<u>\$ 32,417,616</u>	<u>\$ 8,293,486</u>
Noncurrent Liabilities:				
Noncurrent portion of litigation payable	\$ 200,000	-	200,000	-
Noncurrent portion of long-term obligations	65,678,514	19,441,080	85,119,594	46,369,076
Total Noncurrent Liabilities	<u>\$ 65,878,514</u>	<u>\$ 19,441,080</u>	<u>\$ 85,319,594</u>	<u>\$ 46,369,076</u>
Total Liabilities	<u>\$ 88,895,576</u>	<u>\$ 28,841,634</u>	<u>\$ 117,737,210</u>	<u>\$ 54,662,562</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred revenue - property taxes	\$ 13,383	-	13,383	-
Pension deferrals	2,740,915	313,800	3,054,715	2,376,808
Total Deferred Inflows of Resources	<u>\$ 2,754,298</u>	<u>\$ 313,800</u>	<u>\$ 3,068,098</u>	<u>\$ 2,376,808</u>
<b>NET POSITION</b>				
Net investment in capital assets	\$ 20,234,034	\$ 37,552,117	\$ 57,786,151	\$ 7,967,068
Restricted for grants	3,180,966	-	3,180,966	-
Restricted for debt service	-	491,191	491,191	-
Restricted for McKenney scholarships	8,538	-	8,538	-
Restricted for perpetual care and library	1,874,712	-	1,874,712	-
Unrestricted (deficit)	(9,320,681)	(5,953,216)	(15,273,897)	(38,784,701)
Total Net Position	<u>\$ 15,977,569</u>	<u>\$ 32,090,092</u>	<u>\$ 48,067,661</u>	<u>\$ (30,817,633)</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 107,627,443</u>	<u>\$ 61,245,526</u>	<u>\$ 168,872,969</u>	<u>\$ 26,221,737</u>

The accompanying notes to financial statements are an integral part of this statement.

## CITY OF PETERSBURG, VIRGINIA

Statement of Activities  
Year Ended June 30, 2017

Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 6,987,157	\$ 390,688	\$ 302,173	\$ -
Judicial administration	2,424,147	929,815	1,047,600	-
Public safety	18,589,827	725,906	3,885,072	-
Public works	7,303,967	4,116,778	3,683,938	-
Health and welfare	13,891,867	-	10,617,628	-
Education	8,775,894	-	-	-
Parks, recreation, and cultural	1,642,337	86,805	148,257	-
Community development	6,324,991	12,123	852,535	-
Interest	1,768,995	-	-	-
Total governmental activities	\$ 67,709,182	\$ 6,262,115	\$ 20,537,203	\$ -
Business-type activities:				
Public utility	\$ 10,639,774	\$ 12,334,213	\$ -	\$ -
Mass transit	4,359,362	990,242	2,194,278	18,616
Golf course	969,240	703,735	-	-
Total business-type activities	\$ 15,968,376	\$ 14,028,190	\$ 2,194,278	\$ 18,616
Total primary government	\$ 83,677,558	\$ 20,290,305	\$ 22,731,481	\$ 18,616
COMPONENT UNIT:				
School Board	\$ 53,305,591	\$ 173,770	\$ 26,088,174	\$ -
General revenues:				
General property taxes				
Local sales and use taxes				
Consumer utility taxes				
Business license taxes				
Motor vehicle license taxes				
Lodging taxes				
Meals taxes				
Other local taxes				
Unrestricted revenues from use of money and property				
Miscellaneous				
Grants and contributions not restricted to specific programs				
City contribution to the school board				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning, as restated				
Net position - ending				

The accompanying notes to financial statements are an integral part of this statement.

Exhibit 2

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Unit	
Governmental Activities	Business-type Activities	Total	School Board	
\$ (6,294,296)	\$ -	\$ (6,294,296)	\$ -	
(446,732)	-	(446,732)	-	
(13,978,849)	-	(13,978,849)	-	
496,749	-	496,749	-	
(3,274,239)	-	(3,274,239)	-	
(8,775,894)	-	(8,775,894)	-	
(1,407,275)	-	(1,407,275)	-	
(5,460,333)	-	(5,460,333)	-	
(1,768,995)	-	(1,768,995)	-	
\$ (40,909,864)	\$ -	\$ (40,909,864)	\$ -	
\$ -	\$ 1,694,439	\$ 1,694,439	\$ -	
-	(1,156,226)	(1,156,226)	-	
-	(265,505)	(265,505)	-	
\$ -	\$ 272,708	\$ 272,708	\$ -	
\$ (40,909,864)	\$ 272,708	\$ (40,637,156)	\$ -	
\$ (27,043,647)				
\$ 34,862,878	\$ -	\$ 34,862,878	\$ -	
3,663,381	-	3,663,381	-	
1,758,638	-	1,758,638	-	
2,912,639	-	2,912,639	-	
372,125	-	372,125	-	
436,032	-	436,032	-	
2,843,808	-	2,843,808	-	
1,499,793	-	1,499,793	-	
253,178	3,362	256,540	12,759	
368,291	-	368,291	446,140	
5,129,284	-	5,129,284	17,208,678	
-	-	-	8,254,730	
(717,248)	717,248	-	-	
\$ 53,382,799	\$ 720,610	\$ 54,103,409	\$ 25,922,307	
\$ 12,472,935	\$ 993,318	\$ 13,466,253	\$ (1,121,340)	
3,504,634	31,096,774	34,601,408	(29,696,293)	
\$ 15,977,569	\$ 32,090,092	\$ 48,067,661	\$ (30,817,633)	

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## **Fund Financial Statements**

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Balance Sheet - Governmental Funds  
At June 30, 2017

	Governmental Funds			Total Governmental Funds
	General	Capital Projects	Non Major Funds	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,319,453	\$ 4,071,303	\$ 5,002,698	\$ 11,393,454
Restricted cash	8,013,268	2,734,354	1,883,250	12,630,872
Receivables (Net of allowances for uncollectibles):				
Taxes	8,624,070	-	-	8,624,070
Accounts	1,839,780	-	267,498	2,107,278
Inventory and land held for resale	5,193,055	-	-	5,193,055
Due from other funds	252,904	2,761,952	-	3,014,856
Due from other governmental units	5,146,778	-	205,395	5,352,173
Total assets	<u>\$ 31,389,308</u>	<u>\$ 9,567,609</u>	<u>\$ 7,358,841</u>	<u>\$ 48,315,758</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 3,406,085	\$ 187,155	\$ 617,736	\$ 4,210,976
Reconciled overdraft	-	-	-	-
Accrued salaries payable	2,356,325	-	37,116	2,393,441
Deposits held	57,742	-	-	57,742
Unearned revenue	-	-	418,553	418,553
Short-term revenue anticipation note	6,500,000	-	-	6,500,000
Due to other funds	2,482,171	-	470,207	2,952,378
Due to Component Unit School Board	1,665,488	3,070,486	-	4,735,974
Total liabilities	<u>\$ 16,467,811</u>	<u>\$ 3,257,641</u>	<u>\$ 1,543,612</u>	<u>\$ 21,269,064</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	<u>\$ 6,182,283</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,182,283</u>
<b>FUND BALANCE</b>				
Nonspendable:				
Inventory and land held for resale	\$ 5,193,055	\$ -	\$ -	\$ 5,193,055
Cemetery Perpetual care and library	-	-	1,874,712	1,874,712
McKenney scholarships	-	-	8,538	8,538
Interfund loans	252,904	-	-	252,904
Restricted:				
Grants	-	-	3,180,966	3,180,966
Debt service	3,437,187	-	-	3,437,187
Capital projects	-	6,309,968	-	6,309,968
Committed:				
Stormwater	-	-	751,013	751,013
Unassigned (deficit)	<u>(143,932)</u>	<u>-</u>	<u>-</u>	<u>(143,932)</u>
Total fund balances	<u>\$ 8,739,214</u>	<u>\$ 6,309,968</u>	<u>\$ 5,815,229</u>	<u>\$ 20,864,411</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 31,389,308</u>	<u>\$ 9,567,609</u>	<u>\$ 7,358,841</u>	<u>\$ 48,315,758</u>
Fund balances above				\$ 20,864,411

Detailed explanation of adjustments from fund statements to government-wide statement of net position:

When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the locality as a whole.

56,885,201

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

(316,977)

Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.

Deferred inflows related to measurement of net pension liability

(2,740,915)

Deferred outflows - pension deferrals

5,378,862

Some of the City's property taxes will be collected after year-end, but are not available soon enough to pay for the current year's expenditures, and therefore are reported as unavailable in the funds.

6,168,900

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities--both current and long-term--are reported in the statement of net position.

(70,261,913)

Net position of General Government Activities

\$ 15,977,569

The accompanying notes to financial statements are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances --  
Governmental Funds  
Year Ended June 30, 2017

	Governmental Fund Types			Total Governmental Funds
	General	Capital Projects	Non- Major Funds	
Revenues:				
General property taxes	\$ 33,735,254	\$ -	\$ -	\$ 33,735,254
Other local taxes	13,486,416	-	-	13,486,416
Permits, privilege fees and regulatory licenses	514,189	-	30,910	545,099
Fines and forfeitures	765,982	-	-	765,982
Revenue from use of money and property	133,102	74,303	45,773	253,178
Charges for services	3,610,716	-	1,340,318	4,951,034
Miscellaneous	321,341	14,717	32,233	368,291
Recovered costs	866,150	-	39,916	906,066
Intergovernmental:				
Commonwealth	15,222,229	4,858	4,046,727	19,273,814
Federal	4,414,465	19,432	1,958,776	6,392,673
Total revenues	<u>\$ 73,069,844</u>	<u>\$ 113,310</u>	<u>\$ 7,494,653</u>	<u>\$ 80,677,807</u>
Expenditures:				
Current:				
General government administration	\$ 6,895,282	\$ 98,712	\$ -	\$ 6,993,994
Judicial administration	1,972,605	586,743	46,329	2,605,677
Public safety	17,745,235	142,938	1,258,416	19,146,589
Public works	3,875,562	554,743	1,938,391	6,368,696
Health and welfare	12,405,235	-	876,037	13,281,272
Education	8,254,730	715,151	-	8,969,881
Parks, recreation, and cultural	1,400,330	26,875	2,581	1,429,786
Community development	4,861,404	-	1,137,935	5,999,339
Nondepartmental	2,660,937	-	-	2,660,937
Debt service:				
Principal retirement	4,052,071	-	629,332	4,681,403
Interest and other fiscal charges	1,737,734	-	65,653	1,803,387
Total expenditures	<u>\$ 65,861,125</u>	<u>\$ 2,125,162</u>	<u>\$ 5,954,674</u>	<u>\$ 73,940,961</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 7,208,719</u>	<u>\$ (2,011,852)</u>	<u>\$ 1,539,979</u>	<u>\$ 6,736,846</u>
Other financing sources (uses):				
Transfers (out)	\$ -	\$ (717,248)	\$ -	\$ (717,248)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ (717,248)</u>	<u>\$ -</u>	<u>\$ (717,248)</u>
Changes in fund balance	\$ 7,208,719	\$ (2,729,100)	\$ 1,539,979	\$ 6,019,598
Fund balances at beginning of year	<u>1,530,495</u>	<u>9,039,068</u>	<u>4,275,250</u>	<u>14,844,813</u>
Fund balances at end of year	<u>\$ 8,739,214</u>	<u>\$ 6,309,968</u>	<u>\$ 5,815,229</u>	<u>\$ 20,864,411</u>

The accompanying notes to financial statements are an integral part of this statement.



Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances  
to the Statement of Activities - Governmental Funds  
Year Ended June 30, 2017

		<u>Primary Government Governmental Funds</u>
Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	\$	6,019,598
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. The following details support this adjustment.		
Capital asset additions	\$ 1,997,060	
Depreciation expense	<u>(3,013,009)</u>	(1,015,949)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Details of this item consist of the following:		
Change in deferred taxes	\$ 1,127,624	
Increase (decrease) in deferred inflows related to the measurement of net pension liability	<u>1,242,114</u>	2,369,738
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items the treatment of long-term debt and related items. A summary of items supporting this adjustment is as follows:		
Principal retired on debt	\$ 4,681,403	
Premium on debt and capital leases	<u>37,596</u>	4,718,999
Increase (decrease) in deferred outflows related to pensions		2,028,449
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 governmental funds. The following is a summary of items supporting this adjustment:		
Change in compensated absences	\$ 489,188	
Change in net pension liability	(2,526,844)	
Change in litigation payable	424,960	
Change in net OPEB obligation	(32,000)	
Change in accrued interest payable	<u>(3,204)</u>	(1,647,900)
Change in net position of governmental activities	\$	<u><u>12,472,935</u></u>

The accompanying notes to financial statements are an integral part of this statement.

Statement of Net Position  
Proprietary Funds  
June 30, 2017

	Public Utility Fund	Mass Transit Fund	Golf Course Fund	Totals
<b>ASSETS</b>				
Current Assets				
Cash and cash equivalents	\$ 481,766	\$ -	\$ -	\$ 481,766
Restricted cash	6,429,894	-	-	6,429,894
Receivables (net of allowance for uncollectibles):				
Accounts receivable	3,735,081	-	-	3,735,081
Due from other governmental units	-	31,295	-	31,295
Due from other funds	48,165	145,059	24,078	217,302
Inventory	270,603	195,290	15,371	481,264
Total Current Assets	\$ 10,965,509	\$ 371,644	\$ 39,449	\$ 11,376,602
Capital assets (net of depreciation):				
Land	\$ 173,898	\$ 1,566,994	\$ 3,383,047	\$ 5,123,939
Construction in progress	935,826	-	-	935,826
Land improvements	-	-	425,384	425,384
Utility plant in service	17,675,934	-	-	17,675,934
Buildings and improvements	-	19,107,576	916,125	20,023,701
Water capacity rights	2,099,500	-	-	2,099,500
Vehicles	51,248	2,134,319	-	2,185,567
Equipment and machinery	106,014	156,036	375,325	637,375
Total capital assets (net of accumulated depreciation)	\$ 21,042,420	\$ 22,964,925	\$ 5,099,881	\$ 49,107,226
Total Assets	\$ 32,007,929	\$ 23,336,569	\$ 5,139,330	\$ 60,483,828
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension deferrals	\$ 237,519	\$ 693,441	\$ 110,518	\$ 1,041,478
Total Assets and Deferred Outflows of Resources	\$ 32,245,448	\$ 24,030,010	\$ 5,249,848	\$ 61,525,306
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable and accrued expenses	\$ 1,510,729	\$ 135,534	\$ 63,998	\$ 1,710,261
Reconciled overdraft	-	3,886,485	2,227,795	6,114,280
Accrued salaries payable	22,175	41,494	7,167	70,836
Accrued interest payable	88,522	-	48,873	137,395
Deferred revenue	-	-	1,476	1,476
Due to other funds	-	-	279,780	279,780
Customers' deposits payable	636,546	-	-	636,546
Current portion of compensated absences	4,349	6,713	2,778	13,840
Current portion of capital leases	295,809	-	-	295,809
Current portion of premium on bonds issued	24,612	-	-	24,612
Current portion of general obligation bonds	289,226	-	106,273	395,499
Total Current Liabilities	\$ 2,871,968	\$ 4,070,226	\$ 2,738,140	\$ 9,680,334
Noncurrent Liabilities:				
Noncurrent portion of compensated absences	\$ 39,137	60,413	25,005	124,555
Noncurrent portion of capital leases	4,476,931	-	-	4,476,931
Noncurrent portion of premium on bonds issued	588,625	-	-	588,625
Noncurrent portion of net pension liability	1,046,986	1,421,496	141,977	2,610,459
Noncurrent portion of general obligation bonds	7,650,655	-	3,989,855	11,640,510
Total Noncurrent Liabilities	\$ 13,802,334	\$ 1,481,909	\$ 4,156,837	\$ 19,441,080
Total Liabilities	\$ 16,674,302	\$ 5,552,135	\$ 6,894,977	\$ 29,121,414
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension deferrals	\$ 158,048	\$ 141,602	\$ 14,150	\$ 313,800
<b>NET POSITION</b>				
Net investment in capital assets	\$ 13,583,439	\$ 22,964,925	\$ 1,003,753	\$ 37,552,117
Restricted for debt service	491,191	-	-	491,191
Unrestricted	1,338,468	(4,628,652)	(2,663,032)	(5,953,216)
Total Net Position	\$ 15,413,098	\$ 18,336,273	\$ (1,659,279)	\$ 32,090,092
Total Liabilities, Deferred Inflows of resources, and Net Position	\$ 32,245,448	\$ 24,030,010	\$ 5,249,848	\$ 61,525,306

The accompanying notes to financial statements are an integral part of this statement.

Statement of Revenues, Expenses and Changes in Net Position --  
 Proprietary Funds  
 Year Ended June 30, 2017

	Public Utility Fund	Mass Transit Fund	Golf Course Fund	Totals
Operating revenues:				
Charges for services	\$ 11,422,689	\$ 982,696	\$ 641,223	\$ 13,046,608
Connection fees	886,651	-	-	886,651
Miscellaneous income	24,873	7,546	62,512	94,931
Total operating revenues	<u>\$ 12,334,213</u>	<u>\$ 990,242</u>	<u>\$ 703,735</u>	<u>\$ 14,028,190</u>
Operating expenses:				
Personal services	\$ 972,743	\$ 1,600,213	\$ 281,224	\$ 2,854,180
Fringe benefits	292,627	576,572	65,275	934,474
Contractual services	443,447	473,249	102,881	1,019,577
Wastewater treatment services	4,898,809	-	-	4,898,809
Water purchased for resale	1,910,879	-	-	1,910,879
Other charges	570,841	600,202	204,992	1,376,035
Depreciation	1,058,454	1,109,126	116,856	2,284,436
Total operating expenses	<u>\$ 10,147,800</u>	<u>\$ 4,359,362</u>	<u>\$ 771,228</u>	<u>\$ 15,278,390</u>
Operating income (loss)	<u>\$ 2,186,413</u>	<u>\$ (3,369,120)</u>	<u>\$ (67,493)</u>	<u>\$ (1,250,200)</u>
Nonoperating revenues (expenses):				
State grants	\$ -	\$ 816,107	\$ -	\$ 816,107
Federal grants	-	1,378,171	-	1,378,171
Interest income	3,362	-	-	3,362
Interest expense	(491,974)	-	(198,012)	(689,986)
Total nonoperating revenues (expenses)	<u>\$ (488,612)</u>	<u>\$ 2,194,278</u>	<u>\$ (198,012)</u>	<u>\$ 1,507,654</u>
Income (loss) before contributions and transfers	<u>\$ 1,697,801</u>	<u>\$ (1,174,842)</u>	<u>\$ (265,505)</u>	<u>\$ 257,454</u>
Capital contributions and construction grants	-	18,616	-	18,616
Transfers in	394,888	-	322,360	717,248
Changes in net position	<u>\$ 2,092,689</u>	<u>\$ (1,156,226)</u>	<u>\$ 56,855</u>	<u>\$ 993,318</u>
Net position (deficit) at beginning of year, as restated	<u>13,320,409</u>	<u>19,492,499</u>	<u>(1,716,134)</u>	<u>31,096,774</u>
Net position (deficit) at end of year	<u><u>\$ 15,413,098</u></u>	<u><u>\$ 18,336,273</u></u>	<u><u>\$ (1,659,279)</u></u>	<u><u>\$ 32,090,092</u></u>

The accompanying notes to financial statements are an integral part of this statement.

Statement of Cash Flows --  
 Proprietary Funds  
 Year Ended June 30, 2017

	Public Utility Fund	Mass Transit Fund	Golf Course Fund	Totals
<b>Cash flows from operating activities:</b>				
Receipts from customers and users	\$ 9,817,717	\$ 990,242	\$ 705,211	\$ 11,513,170
Payments to employees (including fringe benefits)	(1,393,772)	(2,219,289)	(364,330)	(3,977,391)
Payments to suppliers	(6,462,995)	(1,065,372)	(245,448)	(7,773,815)
Net cash provided by (used for) operating activities	\$ 1,960,950	\$ (2,294,419)	\$ 95,433	\$ (238,036)
<b>Cash flows from capital and related financing activities:</b>				
Purchase and construction of capital assets	\$ (394,888)	\$ (830,045)	\$ (363,185)	\$ (1,588,118)
Capital grants and contributions	-	18,616	-	18,616
Interest expense	(518,325)	-	(194,126)	(712,451)
Transfers (to) and from other funds	346,723	(145,059)	298,281	499,945
Retirement of indebtedness	(570,136)	-	(106,758)	(676,894)
Net cash provided by (used for) capital and related financing activities	\$ (1,136,626)	\$ (956,488)	\$ (365,788)	\$ (2,458,902)
<b>Cash flows from noncapital financing activities:</b>				
State and federal grants	\$ -	\$ 2,217,344	\$ -	\$ 2,217,344
Negative cash balances implicitly financed	-	1,033,563	270,355	1,303,918
Net cash provided by (used for) noncapital financing activities	\$ -	\$ 3,250,907	\$ 270,355	\$ 3,521,262
<b>Cash flows from investing activities:</b>				
Interest income	\$ 3,362	\$ -	\$ -	\$ 3,362
Increase in cash and cash equivalents	\$ 827,686	\$ -	\$ -	\$ 827,686
Cash and cash equivalents at beginning of year	6,083,974	-	-	6,083,974
Cash and cash equivalents at end of year	\$ 6,911,660	\$ -	\$ -	\$ 6,911,660
Reconciliation of operating income to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 2,186,413	\$ (3,369,120)	\$ (67,493)	\$ (1,250,200)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation	\$ 1,058,454	\$ 1,109,126	\$ 116,856	\$ 2,284,436
Changes in operating activities:				
(Increase) decrease in:				
Accounts receivable and due from other governments	(2,539,703)	-	-	(2,539,703)
Inventory	7,119	4,030	27,324	38,473
Increase (decrease) in:				
Accounts payable and accrued expenses	1,296,559	(74,064)	28,314	1,250,809
Customer deposits	23,207	-	-	23,207
Pension deferred outflows of resources	(51,001)	(334,476)	(44,123)	(429,600)
Pension deferred inflows of resources	(8,490)	16,759	(1,489)	6,780
Net pension liability	7,541	376,637	34,758	418,936
Unearned revenue	-	-	1,476	1,476
Compensated absences	(19,149)	(23,311)	(190)	(42,650)
Total adjustments	\$ (225,463)	\$ 1,074,701	\$ 162,926	\$ 1,012,164
Net cash provided by (used for) operating activities	\$ 1,960,950	\$ (2,294,419)	\$ 95,433	\$ (238,036)
Reconciliation of Cash to Statement of Net Position:				
Cash and cash equivalents	\$ 481,766	\$ -	\$ -	\$ 481,766
Restricted cash - SCWA - debt service	6,429,894	-	-	6,429,894
Negative cash balances implicitly financed	-	(3,886,485)	(2,227,795)	(6,114,280)
Total cash and cash equivalents at end of year	\$ 6,911,660	\$ (3,886,485)	\$ (2,227,795)	\$ 797,380

The accompanying notes to financial statements are an integral part of this statement.

Statement of Fiduciary Net Position - Fiduciary Funds  
At June 30, 2017

	<u>Hospital Trust Fund</u>		<u>Private- Purpose Trust</u>		<u>Agency Funds</u>
ASSETS					
Cash and cash equivalents	\$	554,822	\$	249,014	
Land held for resale		<u>-</u>		<u>2,500,000</u>	
Total assets	\$	<u>554,822</u>	\$	<u>2,749,014</u>	
LIABILITIES					
Accounts payable	\$	135,000	\$	-	
Amounts held for others		-		471,874	
Note payable		<u>-</u>		<u>2,277,140</u>	
Total liabilities	\$	135,000	\$	2,749,014	
NET POSITION					
Held for hospitalization care for welfare recipients		<u>419,822</u>		<u>-</u>	
Total liabilities and net position	\$	<u>554,822</u>	\$	<u>2,749,014</u>	

The accompanying notes to financial statements are an integral part of this statement.

Statement of Changes in Fiduciary Net Position - Fiduciary Funds  
 Year Ended June 30, 2017

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	Hospital Trust Fund
	Private- Purpose Trust
<b>Additions</b>	
Investment income	\$ 105
Change in net position	\$ 105
Net position - beginning of the year	419,717
Net position - end of the year	\$ 419,822

The accompanying notes to financial statements are an integral part of this statement.

## CITY OF PETERSBURG, VIRGINIA

### Notes to Financial Statements As of June 30, 2017

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#### **Note 1—Summary of Significant Accounting Policies:**

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The City of Petersburg, Virginia (the City) was incorporated in 1850 and its current Charter was granted in 1962. The City is governed by an elected seven member City Council. The City operates under a Council/Manager form of government and provides the following services: public safety (police and fire), public works, health and welfare services, parks, recreation and cultural, education, community and economic development and judicial and general administrative services.

#### **A. Financial Reporting Entity**

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity is financial accountability. Financial accountability includes the appointment of a voting majority of the organizations governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the City of Petersburg, Virginia (the primary government) and its component unit. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government.

#### **B. Individual Component Unit Disclosures**

*Blended Component Unit.* The City has no blended component units to be included for the fiscal year ended June 30, 2017.

*Discretely Presented Component Unit.* The School Board is a discretely presented component unit of the City of Petersburg, Virginia for the fiscal year ended June 30, 2017.

The School Board members are elected by the citizens and are responsible for the operations of the City's School System. The School Board is fiscally dependent on the City in that the City has the ability to approve its budget and any amendments and serves as the primary funding source for the School Board.

Complete financial statements of the School Board can be obtained from the administrative offices at Petersburg Public Schools, 255 South Boulevard East, Petersburg, Virginia 23805.

#### **C. Other Related Organizations**

##### **Included in the City's Comprehensive Annual Financial Report**

None

## CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

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### Note 1—Summary of Significant Accounting Policies: (Continued)

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#### C. Other Related Organizations: (Continued)

##### Excluded from the City's Comprehensive Annual Financial Report

###### Joint Ventures

###### South Central Wastewater Authority

The South Central Wastewater Authority is considered a joint venture and therefore its operations are not included in the City's financial statements. The Counties of Chesterfield, Dinwiddie and Prince George and the Cities of Petersburg and Colonial Heights each appoint one member to the five member board. Each participating entity is required to purchase wastewater treatment services from the Authority at prescribed rates and capacity levels. Based on the City's capacity level of 10.5 million gallons out of total capacity of 20 million gallons, the City retains an on-going financial responsibility for the joint venture due to this requirement. The City's expenditures for wastewater treatment services for the year ended June 30, 2017 were \$4,898,809. The City does not retain a financial interest in the SCWA.

Complete financial statements for the Authority can be obtained from the Authority's office at 900 Magazine Road, Petersburg, Virginia 23803.

###### Riverside Regional Jail Authority

The Riverside Regional Jail Authority is considered a joint venture and therefore its operations are not included in the City's financial statements. The Counties of Charles City, Chesterfield, Prince George and Surry and the Cities of Petersburg, Colonial Heights and Hopewell each appoint one member to the seven member board. Each participating entity is required to commit prisoners and pay the established per diem charge in accordance with its service agreement with the RRJA. The City's expenditures for confinement services for the year ended June 30, 2017 were \$1,418,384. The City does not retain a financial interest in the RRJA.

Complete financial statements for the Authority can be obtained from the Authority's office at 1000 River Road, Hopewell, Virginia 23860.

###### Appomattox River Water Authority

The Appomattox River Water Authority is considered a joint venture and therefore its operations are not included in the City's financial statements. The Counties of Chesterfield, Dinwiddie and Prince George and the Cities of Petersburg and Colonial Heights each appoint one member to the five member board. Each participating entity is required to purchase water in accordance with its service agreement with the ARWA. The City's expenses for water purchased for the year ended June 30, 2017 were \$1,910,879. The City does not retain a financial interest in the ARWA.

Complete financial statements for the ARWA can be obtained from the ARWA's office at 21300 Chesdin Road, Petersburg, Virginia 23860.



## CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

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### Note 1—Summary of Significant Accounting Policies: (Continued)

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#### C. Other Related Organizations: (Continued)

##### Jointly Governed Organizations

###### Central Virginia Waste Management Authority

The Central Virginia Waste Management Authority (CVWMA) is considered a jointly governed organization and therefore its operations are not included in the City's financial statements. The Counties of Charles City, Chesterfield, Goochland, Hanover, Henrico, New Kent, Powhatan and Prince George and the Cities of Petersburg, Colonial Heights, Hopewell, and Richmond and the Town of Ashland each appoint at least one member and no more than three members to the twenty member board based on population. The City appoints two of the twenty members to the CVWMA Board. The CVWMA Board has the ability to execute contracts and to budget and expend funds. No locality contributes more than 50 % of the CVWMA's funding.

###### Appomattox Basin Industrial Development Corporation

The Appomattox Basin Industrial Development Corporation (ABIDCO) is considered a jointly governed organization and therefore its operations are not included in the City's financial statements. The Counties of Chesterfield, Dinwiddie and Prince George and the Cities of Petersburg, Colonial Heights, and Hopewell each appoint one member to the six member ABIDCO Board. The ABIDCO Board has the ability to execute contracts and to budget and expend funds. No locality contributes more than 50 % of the ABIDCO's funding.

###### District 19 Community Services Board

The District 19 Community Services Board (Board) is considered a jointly governed organization and therefore its operations are not included in the City's financial statements. The Counties of Greenville, Surry, Sussex and Dinwiddie and the Cities of Petersburg, Colonial Heights, Hopewell and Emporia each appoint a member to the Board. The City cannot impose its will on the Board since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the Board. The Board is fiscally independent and there is no financial benefit or burden relationship with the City.

##### Related Organizations

The City Council is responsible for appointing the members of the Petersburg Redevelopment and Housing Authority (the Housing Authority) and the Petersburg Industrial Development Authority (the Development Authority), but the City Council's financial accountability for these organizations does not extend beyond making these appointments. The Housing Authority provides housing to eligible families for redevelopment and conservation of housing in the City. The Housing Authority performs certain services under contract with the City for community development block grants and downtown redevelopment and conservation projects. 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 develop trade by inducing manufacturing, industrial and commercial enterprises to locate or to remain in the City.

**Note 1—Summary of Significant Accounting Policies: (Continued)**

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

The financial statements of the City of Petersburg, Virginia have been prepared in conformity with accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board and specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia. The more significant of the government's accounting policies are described below.

Financial Statement Presentation

Management's Discussion and Analysis - GAAP require the financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A).

Government-wide and Fund Financial Statements

Government-wide financial statements - The GAAP reporting model includes financial statements prepared using full accrual accounting for all of the City's non-fiduciary activities. This approach includes not just current assets and liabilities but also capital assets and long-term liabilities (such as buildings and general obligation debt).

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its components unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the Primary Government is reported separately from certain legally separate component units for which the Primary Government is financially accountable.

Statement of Net Position - The Statement of Net Position is designed to display financial position of the Primary Government (governmental and business-type activities) and its discretely presented component unit. Governments report all capital assets, in the government-wide Statement of Net Position and report their depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets, 2) restricted; and 3) unrestricted.

Statement of Activities - The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

**Note 1—Summary of Significant Accounting Policies: (Continued)**

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

Reconciliation of Government-wide and Fund Financial Statements - A summary reconciliation of the difference between total fund balances as reflected on the Governmental Funds Balance Sheet and total net position for governmental activities as shown on the government-wide Statement of Net Position is presented in a schedule accompanying the Governmental Funds' Balance Sheet. The asset and liability and the deferred outflows/inflows of resources elements which comprise the reconciliation differences stem from Governmental Funds using the current financial resources measurement focus and the modified accrual basis of accounting while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. A summary reconciliation of the differences between net change in total fund balances as reflected on the Governmental Funds' Statement of Revenues, Expenditures, and Changes in Fund Balances, and the change in net position for governmental activities as shown on the government-wide Statement of Activities, is presented in a schedule accompanying the Governmental Funds' Statement of Revenues, Expenditures, and Changes in Fund Balances. The revenue and expense elements which comprise the reconciliation differences stem from the governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Administrative overhead charges are included in direct expenses. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. As a general rule, the effects of interfund activity have been eliminated from the government-wide financial statements.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. For the governmental funds, the financial statements consist of a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. For the proprietary funds, the financial statements consist of a Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows. For the fiduciary funds, the financial statements consist of a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

**Note 1—Summary of Significant Accounting Policies: (Continued)**

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

Budgetary comparison schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the reporting model, governments provide budgetary comparison information in their annual reports, including the government's original budget and a comparison of final budget and actual results.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported and accounted for using the economic resources measurement focus and the accrual basis of accounting, which include all assets and liabilities associated with governmental and business-type activities. Assets and liabilities associated with fiduciary activities are included in the Statement of Fiduciary Net Position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City either gives or receives value without directly, receiving or giving equal value in exchange, include sales and income taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from sales and income taxes are recognized when the underlying exchange transaction takes place. Property taxes are recognized as revenues in the year for which they are levied. Grants, entitlements and donations are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.), which are otherwise being supported by general government revenues, (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity. The City does not allocate indirect expenses. Operating grants presented include operating specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers non-grant related revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period to the extent they are measurable and available. Reimbursement grants, or expenditure-driven grants, are recognized as revenue when measurable, all eligibility criteria have been

**Note 1—Summary of Significant Accounting Policies: (Continued)**

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

Measurement Focus and Basis of Accounting: (Continued)

met, the related amounts become available, and if received within one year. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences, claims and judgments, and landfill closure liability and post-closure monitoring, are recorded only when payment is due.

In the fund financial statements, financial transactions and accounts of the City are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. GAAP sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a single column in the fund financial statements. Since the governmental fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements' governmental activities column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental activities column of the government-wide financial statements. The City's fund types utilized are as follows:

**1. Governmental Funds**

Governmental Funds are those through which most governmental functions typically are financed. The government reports the following funds.

- a. General Fund - The General Fund is the primary operating fund of the City. This fund is used to account for and report all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income. A significant part of the General Fund's revenues is used principally to finance the operations of the Component Unit School Board. The General Fund is considered a major fund for reporting purposes.
- b. Special Revenue Funds - Special Revenue Funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Special Revenue Funds consist of the Federal and State Projects Fund, Community Development Act and Stormwater Fund. All of these funds are considered nonmajor funds for reporting purposes.
- c. Capital Projects Funds - Capital Projects Funds account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments. The Capital Projects fund is considered a major fund for reporting purposes.

**Note 1—Summary of Significant Accounting Policies: (Continued)**

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

**1. Governmental Funds: (Continued)**

- d. Permanent Funds - Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for the purposes that support the City's programs for the benefit of the government or its citizenry. Permanent funds consist of the Blandford Cemetery Perpetual Care, Clara J. McKenney Memorial, and Library Endowment funds. These funds are considered nonmajor funds for financial reporting purposes.

**2. Proprietary Funds**

Proprietary Funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liability is incurred. City proprietary funds consist of Enterprise Funds.

Enterprise Funds

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services and state and federal grants. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City reports the following major enterprise funds.

Public Utility Fund - to account for the operations of the City's water system.

Mass Transit Fund - to account for the operations of the City's bus system.

Golf Course Fund - to account for the operations of the Dogwood Trace Golf Course.

- 3. Fiduciary Funds (Trust and Agency Funds) - account for assets held by the City in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Private-Purpose Trust Funds and Agency Funds. The Private-Purpose Trust Fund accounts for monies derived from investment earnings to provide hospitalization care for welfare recipients in the City and is named the Hospital Trust Fund. The Agency Funds are custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. Fiduciary funds are not included in the government-wide financial statements. Agency funds include the Special Welfare, Jail Inmate, Drug Seizure and Industrial Development Authority Funds. The City's fiduciary funds are presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

**Note 1—Summary of Significant Accounting Policies: (Continued)**

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**E. Budgets and Budgetary Accounting**

The following procedures are used by the City in establishing the budgetary data reflected in the financial statements:

1. Prior to April 30, the City Manager submits to the City Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Ordinance.
4. The Appropriations Ordinance places legal restrictions of budgetary control at the function level for the General Fund and the fund level for the Special Revenue Funds. City Council must approve any budget revisions at the function level once the appropriation ordinance has been adopted.
5. Capital Projects Funds are budgeted on a project-length basis. Adopted budgets may be amended or superseded by action of City Council.
6. Budgets are also adopted by City Council for the Enterprise Funds. Budget to actual comparisons for these funds are not presented since there is no legal requirement for such presentation.
7. Appropriations, except for encumbrances and committed or assigned fund balances, lapse at year-end.
8. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
9. All budgetary data presented in the accompanying financial statements is the original to the current comparison of the final budget and actual results.

**F. Cash and Cash Equivalents**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. All funds, unless otherwise classified as restricted, are deposited into pooled bank accounts; the major account defined as the General Fund concentration account. As disbursements are made from the payroll, budget, and social services bank accounts, funds from the General Fund concentration account are automatically transferred to those bank accounts to cover those disbursements on a daily basis.

**G. Investments**

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs)) and external investment pools are measured at amortized cost. All other investments are reported at fair value.

## CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

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### Note 1—Summary of Significant Accounting Policies: (Continued)

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#### G. Investments: (Continued)

State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

#### H. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e. the current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles. The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$4,485,026 at June 30, 2017 and is comprised of the following:

Property taxes - General Fund	\$ 1,071,267
Refuse and consumer's utility taxes - General Fund	312,668
Stormwater fees	137,377
Public Utility Accounts	2,963,714
Total	<u>\$ 4,485,026</u>

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Taxes are payable December 5th. The City bills and collects its own property taxes.

#### I. South Central Wastewater Authority Water Capacity Rights

The City participates in the South Central Wastewater Authority joint venture. The SCWA was established when the City transferred its investment in its wastewater treatment assets, net of the related debt of approximately \$19 million, in exchange for 10.5 million gallons of capacity valued at \$1 million per 1 million gallons of capacity and a payment of \$9.5 million. The City maintained 10.5 million gallons of capacity or 52.5% of the plant's total capacity. The joint venture agreement does not state that the City is to share in the profits and losses of SCWA, and there is no explicit, measurable equity interest in SCWA. The City reports the water capacity rights as an intangible capital asset.



## CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

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### Note 1—Summary of Significant Accounting Policies: (Continued)

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#### J. Capital Assets

Capital assets, which include property, plant and equipment, infrastructure, and intangible assets are reported in the applicable governmental or business-type activities columns in the government-wide and proprietary fund financial statements. Capital assets are defined by the City as land, buildings, infrastructure, road registered vehicles, intangible assets and equipment with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life is not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. 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. There was no interest capitalized for the year ended June 30, 2017.

Property, plant and equipment, infrastructure, and intangibles of the primary government, as well as the component unit, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Intangibles	40
Land Improvements	15-20
Buildings	40
Building Improvements	20-40
Buses	12
Machinery and Equipment	5-20
Vehicles	3-10
Infrastructure	30-50

#### K. Compensated Absences

City employees are granted vacation and sick leave in varying amounts. In the event of termination, other than retirement, City employees are reimbursed for accumulated vacation days based on years of service and are not reimbursed for accumulated sick leave. Upon retirement, City employees are reimbursed for accumulated vacation days and accumulated sick leave. A liability for these amounts is reported in governmental funds if they have matured, for example, as a result of employee resignations and retirements.

For City governmental funds, the cost of accumulated vacation and sick leave expected to be paid based on known terminations at year-end is recorded as a fund liability and all other amounts are recorded in the government-wide statements as a liability. For City proprietary funds, the cost of vacation and sick leave is recorded as a liability when earned.

**Note 1—Summary of Significant Accounting Policies: (Continued)**

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**L. Property Taxes**

The City levies real estate and personal property taxes on property within its boundaries, except those specifically exempted by statute. These levies are assessed each year as of July 1 on the estimated market value of the property, at which time a lien in favor of the City is automatically attached to the property. The City follows the practices of reassessing real estate and personal property annually.

Real estate taxes are payable in equal quarterly installments on September 30, December 31, March 31, and June 30. Personal property taxes are payable in full on June 5. Property taxes are levied to finance activities of the fiscal year in which they are due from the taxpayer. The City bills and collects taxes and recognizes such as revenues when measurable and available in the General Fund and when earned in the governmental activities. Property taxes, net of allowance for uncollectible amounts, not collected within 60 days after year end are reflected as unavailable revenue in the governmental fund financial statements. For government-wide reporting, uncollected property taxes, net of allowance for uncollectible amounts, are reported as revenues.

**M. Inventory and Land Held for Resale**

Inventory consists of expendable supplies held for consumption and commercial and residential property held for resale. Inventories are valued at cost or using the first-in, first-out method for the supplies held for consumption. The land parcels held for resale are valued at the lower of cost or market value.

**N. Long-term Obligations**

In the basic financial statements long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond discounts in the government-wide financial statements are deferred and amortized over the term of the bonds using the bonds outstanding method, which approximates the effective interest method. Bond discounts are presented as a reduction of the face amount of bonds payable.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses.

**O. Fund Equity**

The City reports fund balance in accordance with GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;

**Note 1—Summary of Significant Accounting Policies: (Continued)**

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**O. Fund Equity: (Continued)**

- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund.

When fund balance resources are available for a specific purpose in more than one classification, it is the Council policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

The City Council establishes and modifies or rescinds fund balance commitments at year-end by passage of a resolution. The City Council has not delegated this authority to assign amounts to any individual for the fiscal year ending June 30, 2017.

As of June 30, 2017, there was a deficit net position in the Golf Course Fund (\$1,659,279).

**P. Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Q. Internal and Intra-entity Activity**

In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds have been eliminated or reclassified. Eliminations are made in the Statement of Net Position to minimize the “grossing-up” effect on assets and liabilities within the governmental and business-type activities columns of the Primary Government. Amounts reported in the funds as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the government wide financial statements, except for net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Payments from a fund receiving revenue to a fund through which the revenue is to be expended are reported as transfers. Such payments include transfers for debt service and capital construction.

In the government-wide financial statements, resource flows between the Primary Government and the discretely presented Component Unit are reported as if they were external transactions.

**Note 1—Summary of Significant Accounting Policies: (Continued)**

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**R. Restricted Cash**

The City has governmental fund restricted cash amounts in the General Fund and in its Capital Projects Fund, which consists of debt service reserve funds and unexpended bond proceeds, and in Permanent Funds which are restricted of amounts held for cemetery and other purposes.

**S. Net Position**

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

**T. Net Position Flow Assumption**

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

**U. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category. It is comprised of contributions to the pension plan made during the current year and subsequent to the net pension liability measurement date, which will be recognized as a reduction of the net pension asset or liability next fiscal year and the impact of the change in proportionate share of net pension liability. It is also comprised of certain items related to measurement of the net pension liability. These include differences between expected and actual experience, the net difference between projected and actual experience, the net difference between projected and actual earnings on pension plan investments, and changes in proportionate share of employer contributions. For more detailed information on this item, reference the pension note.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items that qualify for reporting in this category. One is the deferred amount of property tax revenue. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior

## CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

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### Note 1—Summary of Significant Accounting Policies: (Continued)

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#### V. Deferred Outflows/Inflows of Resources: (Continued)

to June 30 and amounts prepaid on the 2<sup>nd</sup> half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, amounts prepaid on the 2<sup>nd</sup> half installments are reported as deferred inflows of resources. The other includes differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on this item, reference the pension note.

#### W. Pensions

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

### Note 2—Deposits and Investments:

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#### 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 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 amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

#### Investments

Statutes authorize the City to invest in obligations of the United States or 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, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

#### Custodial Credit Risk (Investments)

The City's investment policy provides that securities purchased for the City shall be held by the City Treasury or by the Treasurer's custodian. If held by a custodian, the securities must be in the City's name or in the custodian's nominee name and identifiable on the custodian's books as belonging to the City. Further, if held by a custodian, the custodian must be a third party, not a counterparty (buyer or seller) to the transaction. At June 30, 2017 all of the City's investments were held in accordance with this policy.

# CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

## Note 2—Deposits and Investments: (Continued)

### Credit Risk of Debt Securities

The City's investment policy is to follow the legal limits set forth in the Code of Virginia, 2.2-45, Investment of Public Funds Act, which describes the types of investments permitted. The City has not established credit risk limits for each category of investment; however, the City has an emphasis on high credit quality and known marketability. The City has contracted with investment advisors to ensure compliance. The City's rated debt investments as of June 30, 2017 were rated by Standard and Poor's and the ratings are presented below using the Standard and Poor's rating scale.

City's Rated Debt Investment Values		
Rated Debt Investments	Fair Quality Ratings	
	AAAm	AA+
Primary Government:		
Local Government Investment Pool	\$ 302,762	\$ -
Virginia State Non-Arbitrage Program (SNAP)	9,164,247	-
U.S. Treasury Money Market Funds	698,034	-
U.S. Agency Securities	-	276,357
Total Primary Government investments	\$ <u>10,165,043</u>	\$ <u>276,357</u>

### Interest Rate Risk

The City does not have a policy regarding interest rate risk.

Investment Type	Investment Maturities (in years)		
	Fair Value	<1 Year	1-5 Years
Primary Government:			
Local Government Investment Pool	\$ 302,762	\$ 302,762	\$ -
Virginia State Non-Arbitrage Program (SNAP)	9,164,247	9,164,247	-
U.S. Agency Securities	276,357	-	276,357
Total Primary Government investments	\$ <u>9,743,366</u>	\$ <u>9,467,009</u>	\$ <u>276,357</u>

### External Investment Pools

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission. In May 2016, the Board voted to convert the SNAP fund to an LGIP structure, which would be managed in conformance with GASB 79. On October 3, 2016, the Prime Series became a government money market fund and the name was changed to Government Select Series. The Government Select Series has a policy of investing at least 99.5% of its assets in cash, U.S. government securities (including securities issued or guaranteed by the U.S. government or its agencies or instrumentalities) and/or repurchase agreements that are collateralized fully.

## CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

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### Note 2—Deposits and Investments: (Continued)

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#### External Investment Pools: (Continued)

The fair values of the positions in the Local Government Investment Pool (LGIP) are the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP and SNAP are amortized cost basis portfolios under the provisions of GASB 79. There are no withdrawal limitations or restrictions imposed on participants.

#### Foreign Currency Risk

The City does not have a policy regarding foreign currency risk and the City does not have any investments in foreign currencies.

#### Concentration of Credit Risk

The City does not have a policy regarding concentration of credit risk.

### Note 3—Due From Other Governmental Units:

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At June 30, 2017 the City has receivables from other governments as follows:

	Primary Government	
	Governmental	Business-type
	Funds	Funds
Commonwealth of Virginia:		
Local sales taxes	\$ 637,797	\$ -
Miscellaneous grants	176,093	-
Shared expenses	156,970	-
Public assistance and welfare administration	253,200	-
Comprehensive services	525,640	-
Mass Transit	-	10,024
PPTRA	2,294,331	-
Communications tax	350,002	-
State special appropriation	420,000	-
Federal Government:		
Public assistance and welfare administration	332,745	-
Miscellaneous grants	205,395	-
Mass Transit	-	21,271
Total due from other governments	\$ 5,352,173	\$ 31,295

**CITY OF PETERSBURG, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2017 (Continued)

**Note 4—Interfund Transfers Due From/To Other Funds/Primary Government/Component Unit:**

Individual fund and interfund receivable and payable balances related to working capital loans at June 30, 2017 are presented below:

<u>Fund</u>	<u>Due from Other Funds/ Component Unit</u>	<u>Due to Other Funds/ Component Unit</u>
Interfund Balances:		
General	\$ 252,904	\$ 2,482,171
Capital projects	2,761,952	-
Enterprise:		
Public Utility	48,165	-
Mass Transit	145,059	-
Golf Course	24,078	279,780
Nonmajor funds:		
Federal and State Projects Fund	-	171,840
Stormwater Fund	-	48,296
Blandford Cemetery Perpetual Care	-	250,071
Total	<u>\$ 3,232,158</u>	<u>\$ 3,232,158</u>
Reporting Entity:		
Primary Government - General Fund	\$ -	\$ 1,665,488
Primary Government - Capital Projects Fund	-	3,070,486
School Board	4,735,974	-
Total	<u>\$ 4,735,974</u>	<u>\$ 4,735,974</u>

Interfund balances have been recorded to cover fund cash deficits; however, it is expected that future revenue streams will enable repayment from the General Fund. As investments mature in the Blandford Cemetery Perpetual Care Fund, funds will be available to reimburse the General Fund.

**Interfund Transfers**

Interfund transfers for the year ended June 30, 2017, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
Major Funds:		
Capital Projects Fund	\$ -	\$ 717,248
Public Utility Fund	394,888	-
Golf Course Fund	322,360	-
Total	<u>\$ 717,248</u>	<u>\$ 717,248</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization and (3) move expenditures paid out of capital projects fund for Enterprise fund projects.



**CITY OF PETERSBURG, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2017 (Continued)

**Note 5—Inventory:**

At June 30, 2017 the City has inventory recorded in the various funds as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Expendable supplies	\$ 10,412	\$ 481,264
Land and building inventory held for resale:		
324 Commercial/residential lots owned in the City	5,150,462	-
8 Commercial buildings owned in Dinwiddie County	<u>32,181</u>	<u>-</u>
Totals	\$ <u>5,193,055</u>	\$ <u>481,264</u>

The following is a summary of changes in inventory held for resale for the fiscal year ended June 30, 2017:

	<u>Balance July 1, 2016</u>	<u>Purchases</u>	<u>Sales</u>	<u>Balance June 30, 2017</u>
Land and building inventory held for resale:				
312 Commercial/residential lots owned in the City	\$ 5,066,481	\$ 83,981	\$ -	\$ 5,150,462
8 Commercial buildings owned in Dinwiddie County	<u>32,181</u>	<u>-</u>	<u>-</u>	<u>32,181</u>
Totals	\$ <u>5,098,662</u>	\$ <u>83,981</u>	\$ <u>-</u>	\$ <u>5,182,643</u>

# CITY OF PETERSBURG, VIRGINIA

## Notes to Financial Statements As of June 30, 2017 (Continued)

### Note 6—Capital Assets:

#### Primary Government:

The following is a summary of changes in governmental capital assets for the fiscal year ended June 30, 2017:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 6,046,998	\$ -	\$ -	\$ 6,046,998
Construction in progress - city projects	2,648,938	1,182,764	596,033	3,235,669
Construction in progress - school projects	1,217,672	715,151	-	1,932,823
Total capital assets not being depreciated	\$ 9,913,608	\$ 1,897,915	\$ 596,033	\$ 11,215,490
Capital assets being depreciated:				
Buildings and improvements	\$ 75,415,624	\$ 384,635	\$ -	\$ 75,800,259
Infrastructure	108,115,971	-	-	108,115,971
Vehicles	12,627,740	208,262	1,371,397	11,464,605
Equipment (other than vehicles)	13,174,355	102,781	-	13,277,136
Total capital assets being depreciated	\$ 209,333,690	\$ 695,678	\$ 1,371,397	\$ 208,657,971
Accumulated depreciation:				
Buildings and improvements	\$ 43,825,969	\$ 1,459,253	\$ -	\$ 45,285,222
Infrastructure	95,756,274	588,831	-	96,345,105
Vehicles	10,841,984	533,526	1,370,897	10,004,613
Equipment (other than vehicles)	10,921,921	431,399	-	11,353,320
Total accumulated depreciation	\$ 161,346,148	\$ 3,013,009	\$ 1,370,897	\$ 162,988,260
Total capital assets being depreciated, net	\$ 47,987,542	\$ (2,317,331)	\$ 500	\$ 45,669,711
Governmental Activities capital assets, net	\$ 57,901,150	\$ (419,416)	\$ 596,533	\$ 56,885,201
Reconciliation of primary government net position net investment in capital assets:				
Net capital assets				\$ 56,885,201
Long-term debt applicable to capital assets:				
General obligation bonds			\$ 30,712,204	
School Literary Fund loan			1,750,000	
School Qualified Zone Academy Bonds (SQZAB's)			6,410,695	
Cash deposited in School Qualified Zone Academy Bonds Funds			(3,437,187)	
Premium on bonds payable			714,323	
Stormwater revenue bond			1,946,532	
Capital lease			1,280,219	\$ 39,376,786
Less-debt proceeds received but not expended on capital assets at year end				(2,725,619)
Net long-term debt, as adjusted				\$ 36,651,167
Net investment in capital assets				\$ 20,234,034

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

**Note 6—Capital Assets: (Continued)**

**Primary Government: (Continued)**

The following is a summary of changes in Public Utility Fund capital assets for the fiscal year ended June 30, 2017:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<b>Business-type Activities:</b>				
<b>Public Utility Fund:</b>				
Capital assets, not being depreciated:				
Land	\$ 173,898	\$ -	\$ -	\$ 173,898
Construction in progress	540,938	394,888	-	935,826
Total capital assets not being depreciated	\$ 714,836	\$ 394,888	\$ -	\$ 1,109,724
Capital assets being depreciated:				
Utility plant in service	\$ 35,338,886	\$ -	\$ -	\$ 35,338,886
Water capacity rights	4,420,000	-	-	4,420,000
Vehicles	1,210,998	-	-	1,210,998
Equipment and machinery	1,364,833	-	-	1,364,833
Total capital assets being depreciated	\$ 42,334,717	\$ -	\$ -	\$ 42,334,717
Accumulated depreciation:				
Utility plant in service	\$ 16,771,214	\$ 891,738	\$ -	\$ 17,662,952
Water capacity rights	2,210,000	110,500	-	2,320,500
Vehicles	1,137,409	22,341	-	1,159,750
Equipment and machinery	1,224,944	33,875	-	1,258,819
Total accumulated depreciation	\$ 21,343,567	\$ 1,058,454	\$ -	\$ 22,402,021
Total capital assets being depreciated, net	\$ 20,991,150	\$ (1,058,454)	\$ -	\$ 19,932,696
Public Utility Fund capital assets, net	\$ 21,705,986	\$ (663,566)	\$ -	\$ 21,042,420
Reconciliation of Public Utility Fund net position net investment in capital				
Net capital assets				\$ 21,042,420
Long-term debt applicable to capital assets:				
General obligation bonds			\$ 7,939,881	
Premium on bonds issued			613,237	
Capital lease			4,772,740	\$ 13,325,858
Less-debt proceeds received but not expended on capital assets at year end				(5,866,877)
Net long-term debt, as adjusted				\$ 7,458,981
Net investment in capital assets				\$ 13,583,439

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

**Note 6—Capital Assets: (Continued)**

**Primary Government: (Continued)**

The following is a summary of changes in Mass Transit Fund capital assets for the fiscal year ended June 30, 2017:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<b>Business-type Activities:</b>				
<b>Mass Transit Fund:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,566,994	\$ -	\$ -	\$ 1,566,994
Total capital assets not being depreciated	\$ 1,566,994	\$ -	\$ -	\$ 1,566,994
Capital assets being depreciated:				
Buildings and improvements	\$ 25,457,648	\$ -	\$ -	\$ 25,457,648
Vehicles	5,486,993	729,415	-	6,216,408
Equipment and machinery	848,953	100,630	-	949,583
Total capital assets being depreciated	\$ 31,793,594	\$ 830,045	\$ -	\$ 32,623,639
Accumulated depreciation:				
Buildings and improvements	\$ 5,687,492	\$ 662,580	\$ -	\$ 6,350,072
Vehicles	3,737,716	344,373	-	4,082,089
Equipment and machinery	691,374	102,173	-	793,547
Total accumulated depreciation	\$ 10,116,582	\$ 1,109,126	\$ -	\$ 11,225,708
Total capital assets being depreciated, net	\$ 21,677,012	\$ (279,081)	\$ -	\$ 21,397,931
Mass Transit Fund capital assets, net	\$ 23,244,006	\$ (279,081)	\$ -	\$ 22,964,925

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

**Note 6—Capital Assets: (Continued)**

**Primary Government: (Continued)**

The following is a summary of changes in Golf Course Fund capital assets for the fiscal year ended June 30, 2017:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<b>Business-type Activities:</b>				
<b>Golf Course</b>				
Capital assets, not being depreciated:				
Land	\$ 3,383,047	\$ -	\$ -	\$ 3,383,047
Total capital assets not being depreciated	\$ 3,383,047	\$ -	\$ -	\$ 3,383,047
Capital assets being depreciated:				
Land improvements	\$ 1,040,599	\$ -	\$ -	\$ 1,040,599
Buildings and improvements	976,131	-	-	976,131
Equipment and machinery	37,874	363,185	-	401,059
Total capital assets being depreciated	\$ 2,054,604	\$ 363,185	\$ -	\$ 2,417,789
Accumulated depreciation:				
Land improvements	\$ 546,109	\$ 69,106	\$ -	\$ 615,215
Buildings and improvements	34,203	25,803	-	60,006
Equipment and machinery	3,787	21,947	-	25,734
Total accumulated depreciation	\$ 584,099	\$ 116,856	\$ -	\$ 700,955
Total capital assets being depreciated, net	\$ 1,470,505	\$ 246,329	\$ -	\$ 1,716,834
Golf Course Fund capital assets, net	\$ 4,853,552	\$ 246,329	\$ -	\$ 5,099,881
Reconciliation of Golf Course Fund net position net investment in capital assets:				
Net capital assets				\$ 5,099,881
Long-term debt applicable to capital assets:				
General obligation bonds			\$ 4,096,128	\$ 4,096,128
Net long-term debt, as adjusted				\$ 4,096,128
Net investment in capital assets				\$ 1,003,753
Total Business-type Activities capital assets, net	\$ 49,803,544	\$ (696,318)	\$ -	\$ 49,107,226

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

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**Note 6—Capital Assets: (Continued)**

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**Primary Government: (Continued)**

Depreciation expense was charged to the functions/programs of the Primary Government as follows:

Governmental activities:

General government administration	\$	69,321
Judicial administration		165,771
Public safety		827,916
Public works		970,282
Health and welfare		177,309
Education		521,164
Parks, recreation and cultural		225,987
Community development		<u>55,259</u>

Total Governmental activities	\$	<u><u>3,013,009</u></u>
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Business-type activities:

Public Utility Fund	\$	1,058,454
Mass Transit Fund		1,109,126
Golf Course Fund		<u>116,856</u>

Total Business-type activities	\$	<u><u>2,284,436</u></u>
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**CITY OF PETERSBURG, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2017 (Continued)

**Note 7—Long-Term Obligations:**

**Primary Government**

**Governmental Activities**

The following is a summary of governmental long-term obligation transactions of the City for the year ended June 30, 2017:

Description	Balance July 1, 2016	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2017	Amounts Due Within One Year
Long-term obligation transactions:					
General obligation bonds	\$ 32,676,492	\$ -	\$ 1,964,288	\$ 30,712,204	\$ 2,037,552
Stormwater revenue bonds	2,575,863	-	629,331	1,946,532	546,791
School Literary Fund loans	2,175,000	-	425,000	1,750,000	425,000
School Qualified Zone Academy Bonds	7,395,695	-	985,000	6,410,695	200,000
Capital leases	1,958,003	-	677,784	1,280,219	656,575
Premium on bonds payable	751,919	-	37,596	714,323	37,596
Net pension liability	21,897,244	13,252,722	10,725,878	24,424,088	-
Net OPEB obligation	693,000	148,000	116,000	725,000	-
Compensated absences	2,288,040	218,804	707,992	1,798,852	179,885
Total Governmental Activities long-term obligations	\$ 72,411,256	\$ 13,619,526	\$ 16,268,869	\$ 69,761,913	\$ 4,083,399
Short-term obligation transactions:					
Anticipation notes	-	6,500,000	-	6,500,000	6,500,000
Total Governmental Activities obligations	\$ 72,411,256	\$ 20,119,526	\$ 16,268,869	\$ 76,261,913	\$ 10,583,399
Reconciliation to Exhibit 1:					
Long-term liabilities due within one year:				\$ 10,583,399	
Long-term liabilities due in more than one year:				65,678,514	
Total long-term obligations				\$ 76,261,913	

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Governmental Activities: (Continued)

Annual requirements to amortize governmental activities obligations outstanding as of June 30, 2017 are as follows:

Year Ending June 30,	General Obligation Bonds		Literary Loans		Stormwater Revenue Bonds		Qualified Zone Academy Bonds	Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2018	\$ 2,037,552	\$ 1,088,499	\$ 425,000	\$ 35,000	\$ 546,791	\$ 41,274	\$ 200,000	\$ 656,575	\$ 27,583
2019	2,042,791	1,040,052	425,000	26,500	611,827	29,698	2,342,167	380,922	14,543
2020	2,115,444	988,270	425,000	18,000	628,239	13,286	200,000	242,722	9,470
2021	2,503,997	925,814	425,000	9,500	159,675	2,465	1,736,671	-	-
2022	2,574,051	852,819	50,000	1,000	-	-	200,000	-	-
2023	2,609,092	776,434	-	-	-	-	1,316,857	-	-
2024	1,646,424	714,583	-	-	-	-	200,000	-	-
2025	1,691,804	666,504	-	-	-	-	215,000	-	-
2026	1,738,386	616,288	-	-	-	-	-	-	-
2027	1,793,060	563,665	-	-	-	-	-	-	-
2028	1,329,321	508,943	-	-	-	-	-	-	-
2029	866,396	457,218	-	-	-	-	-	-	-
2030	903,106	420,936	-	-	-	-	-	-	-
2031	939,701	350,422	-	-	-	-	-	-	-
2032	873,690	276,075	-	-	-	-	-	-	-
2033	910,046	232,979	-	-	-	-	-	-	-
2034	949,150	187,519	-	-	-	-	-	-	-
2035	811,346	145,573	-	-	-	-	-	-	-
2036	437,000	115,763	-	-	-	-	-	-	-
2037	453,250	92,549	-	-	-	-	-	-	-
2038	481,000	68,373	-	-	-	-	-	-	-
2039	500,500	42,801	-	-	-	-	-	-	-
2040	505,097	16,182	-	-	-	-	-	-	-
Total	\$ <u>30,712,204</u>	\$ <u>11,148,261</u>	\$ <u>1,750,000</u>	\$ <u>90,000</u>	\$ <u>1,946,532</u>	\$ <u>86,723</u>	\$ <u>6,410,695</u>	\$ <u>1,280,219</u>	\$ <u>51,596</u>



CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

**Note 7—Long-Term Obligations: (Continued)**

**Primary Government: (Continued)**

**Governmental Activities: (Continued)**

Details of long-term obligations as of June 30, 2017 are as follows:

Original Amount	Description	Outstanding Amount at June 30, 2017
	<b>General Obligation Bonds:</b>	
\$ 396,000	Series 2010 general obligation bonds due in semi-annual installments of \$13,401 through October 2031, interest at 2.93%	\$ 314,192
2,686,689	Series 2010 general obligation refunding bonds due various semi-annual installments of principal and interest through December 2017, interest at 2.45% (\$2,689,689 of original issue allocated to governmental; \$878,311 allocated to proprietary)	351,757
6,155,000	Series 2004 refunding general obligation bonds due in annual installments of \$75,000 to \$620,000 through July 2019, interest at 2.5% to 4.125%	215,000
4,368,000	Series 2012A taxable general obligation refunding bond due in various annual installments of \$15,000 to \$1,179,000 through July 15, 2022, interest at 3.24% (\$2,501,000 of original issue allocated to governmental; \$1,867,000 to business-type)	3,683,113
7,360,000	Series 2009A general obligation bonds due in various annual installments through 2040, interest at various rates (\$7,360,000 of original issue allocated to governmental; \$4,000,000 to business-type)	6,467,095
7,285,000	Qualified School Construction Bonds issued November 13, 2009, due in various annual installments ranging from \$135,000 to \$515,000 through February 15, 2040 interest free as a federal tax credit is provided to bondholders	5,645,000
5,000,000	Series 2013B taxable general obligation and refunding bond due in various annual installments through April 2028, interest at 3.87%	4,520,270
1,530,000	Qualified School Construction Bonds issued December 1, 2011, due in various annual installments ranging from \$52,000 to \$122,700 through December 1, 2030 interest free as a federal tax credit is provided to bondholders	1,374,000
5,440,000	Series 2014 VRA general obligation bonds due in various annual installments through 2035, interest at 3.398144% (\$5,292,000 of original issue allocated to governmental; \$148,000 to business-type)	4,956,387
2,330,000	Series 2013 general obligation bonds due in various annual installments through 2034, interest at various rates (\$2,330,000 of original issue allocated to governmental; \$490,000 to business-type)	2,090,390
1,275,000	VML / VACO Recovery Act Bonds issued November 13, 2009, due in various annual installments ranging from \$30,000 to \$70,000 through March 15, 2040	1,095,000
	Total general obligation bonds	\$ 30,712,204

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

**Note 7—Long-Term Obligations: (Continued)**

**Primary Government: (Continued)**

**Governmental Activities: (Continued)**

Original Amount	Description	Outstanding Amount at June 30, 2017
	<b>State Literary Fund Loans:</b>	
\$ 7,500,000	State Literary Fund Loan issued December 13, 1999, due in annual installments of \$375,000 through December 15, 2021, interest at 2%	\$ 1,500,000
1,000,000	State Literary Fund Loan issued March 15, 2002, due in annual installments of \$50,000 through March 15, 2022 interest at 2%	<u>250,000</u>
	Total State Literary Fund Loans	<u>\$ 1,750,000</u>
	<b>Qualified Zone Academy Bonds:</b>	
2,142,167	(3) Series 2003 issued December 29, 2003, due in annual installments of \$107,700 through December 29, 2017, final payment of \$182,500 due December 29, 2018	\$ 2,142,167
1,536,671	(4) Series 2004 issued December 30, 2004, due in annual installments of \$78,329 through December 30, 2019, final payment of \$153,667 due December 30, 2020	1,536,671
1,116,857	(5) Series 2006 issued October 31, 2006, due in annual installments of \$54,300 through October 31, 2022, final payment of \$111,686 due October 31, 2022	1,116,857
2,000,000	Series 2014 issued October 14, 2014, due in various annual installments through December 1, 2024, final payment of \$215,000 due December 1, 2024	<u>1,615,000</u>
	Total Qualified Zone Academy Bonds	<u>\$ 6,410,695</u>

# CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

## Note 7—Long-Term Obligations: (Continued)

### Primary Government: (Continued)

#### Governmental Activities: (Continued)

Original Amount	Description	Outstanding Amount at June 30, 2017
	<b>Stormwater Revenue Bond:</b>	
\$ 3,000,000	Series 2015 issued August 26, 2015, due in monthly installments of principal and interest of \$53,460 through September 1, 2020, interest at 2.65%	\$ 1,946,532
	Total Stormwater Revenue Bond	\$ 1,946,532
	<b>Other Long-term Obligations:</b>	
	Capital leases	1,280,219
	Premium on bonds payable	714,323
	Net pension liability	24,424,088
	Net OPEB obligation	725,000
	Compensated absences	1,798,852
	Total governmental activities long-term obligations	\$ 69,761,913

- (2) Annual payments are made to a sinking fund. Interest is earned yearly on sinking fund deposits. Upon payment of each sinking fund deposit, an amount equal to the deposit plus interest earned to date at 3.40% shall be deemed to be defeased. Upon maturity, the balance of the sinking fund will fully redeem the principal balance of \$600,000.
- (3) Annual payments are made to a sinking fund. Interest is earned yearly on sinking fund deposits. Upon payment of each sinking fund deposit, an amount equal to the deposit plus interest earned to date at 3.40% shall be deemed to be defeased. Upon maturity, the balance of the sinking fund will fully redeem the principal balance of \$2,142,167.
- (4) Annual payments are made to a sinking fund. Interest is earned yearly on sinking fund deposits. Upon payment of each sinking fund deposit, an amount equal to the deposit plus interest earned to date at 2.0% shall be deemed to be defeased. Upon maturity, the balance of the sinking fund will fully redeem the principal balance of \$1,536,671.
- (5) Annual payments are made to a sinking fund. Interest is earned yearly on sinking fund deposits. Upon payment of each sinking fund deposit, an amount equal to the deposit plus interest earned to date at 2.57% shall be deemed to be defeased. Upon maturity, the balance of the sinking fund will fully redeem the principal balance of \$1,116,857.

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

**Note 7—Long-Term Obligations: (Continued)**

**Primary Government: (Continued)**

Qualified Zone Academy Bonds (QZABs) are zero interest loans. Annually, payments are made into a sinking fund that is irrevocably pledged to the bank that issued the bonds. The sinking funds are held by the bank in custody and in escrow for the benefit of the bank and any future owners of the QZAB and are irrevocably pledged to secure the payment of the principal of the QZAB. The annual payments are deposited and invested in qualified governmental investments and accrue interest during the life of the bond. The interest inures to the benefit of the bank, just as the annual deposit. Due to the irrevocable nature of the sinking fund, the annual deposits made thereto and the interest earned to date are considered defeasance of debt. Instead of interest, the bondholder receives a tax credit.

**Business-type Activities**

The following is a summary of proprietary long-term obligation transactions of the City for the year ended June 30, 2017:

	Balance July 1, 2016	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2017	Amounts Due Within One Year
<b>Public Utility Fund:</b>					
General obligation bonds	\$ 8,229,730	\$ -	\$ 289,849	\$ 7,939,881	\$ 289,226
Capital leases	5,053,027	-	280,287	4,772,740	295,809
Premium on bonds issued	637,849	-	24,612	613,237	24,612
Net pension liability	1,039,445	568,113	560,572	1,046,986	-
Compensated absences	62,635	6,264	25,413	43,486	4,349
<b>Total Public Utility fund</b>	<b>\$ 15,022,686</b>	<b>\$ 574,377</b>	<b>\$ 1,180,733</b>	<b>\$ 14,416,330</b>	<b>\$ 613,996</b>
<b>Mass Transit Fund:</b>					
Net pension liability	\$ 1,044,859	\$ 993,062	\$ 616,425	\$ 1,421,496	\$ -
Compensated absences	90,437	7,844	31,155	67,126	6,713
<b>Total Mass Transit fund</b>	<b>\$ 1,135,296</b>	<b>\$ 1,000,906</b>	<b>\$ 647,580</b>	<b>\$ 1,488,622</b>	<b>\$ 6,713</b>
<b>Golf Course Fund:</b>					
General obligation bonds	\$ 4,197,015	\$ -	\$ 100,887	\$ 4,096,128	\$ 106,273
Capital leases	5,871	-	5,871	-	-
Net pension liability	107,219	96,326	61,568	141,977	-
Compensated absences	27,973	2,607	2,797	27,783	2,778
<b>Total Golf Course fund</b>	<b>\$ 4,338,078</b>	<b>\$ 98,933</b>	<b>\$ 171,123</b>	<b>\$ 4,265,888</b>	<b>\$ 109,051</b>
<b>Total Business-type Activities</b>	<b>\$ 20,496,060</b>	<b>\$ 1,674,216</b>	<b>\$ 1,999,436</b>	<b>\$ 20,170,840</b>	<b>\$ 729,760</b>

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

Note 7—Long-Term Obligations: (Continued)

**Primary Government: (Continued)**

**Business-type Activities: (Continued)**

Details of long-term obligations transactions as of June 30, 2017:

Original Amount	Description	Outstanding Amount at June 30, 2017
	<b>Public Utility Fund:</b>	
	General Obligation Bonds:	
\$ 7,380,000	Series 2015A general obligation bonds due in various semi-annual installments of principal and interest through April 2041, interest at 3.79%	\$ 7,220,000
878,311	Series 2010 general obligation refunding bonds due in various semi-annual installments of principal and interest through December 2017, interest at 2.45% (\$3,686,689 allocated to governmental; \$878,311 allocated to business-type)	114,994
4,368,000	Series 2012A taxable general obligation refunding bond due in various annual installments of \$15,000 to \$1,179,000 through July 15, 2022, interest at 3.24% (\$2,501,000 of original issue allocated to governmental; \$1,867,000 to business-type)	604,887
	Total general obligation bonds	\$ 7,939,881
	Capital Leases	4,772,740
	Bond premium	613,237
	Net pension liability	1,046,986
	Compensated absences	43,486
	Total Public Utility Fund	\$ 14,416,330
	<b>Mass Transit Fund:</b>	
	Net pension liability	\$ 1,421,496
	Compensated absences	67,126
	Total Mass Transit Fund	\$ 1,488,622
	<b>Golf Course Fund:</b>	
	General Obligation Bonds:	
4,000,000	Series 2009A general obligation bonds due in various annual installments through 2040, interest at various rates (\$7,360,000 of original issue allocated to governmental; \$4,000,000 to business-type)	\$ 3,517,905
5,440,000	Series 2014 VRA general obligation bonds due in various annual installments through 2035, interest at 3.3981% (\$5,292,000 of original issue allocated to governmental; \$148,000 to business-type)	138,613
490,000	Series 2013 general obligation bonds due in various annual installments through 2034, interest at various rates (\$2,330,000 of original issue allocated to governmental; \$490,000 to business-type)	439,610
	Total general obligation bonds	\$ 4,096,128
	Net pension liability	141,977
	Compensated absences	27,783
	Total Golf Course Fund	\$ 4,265,888
	Total business-type activities	\$ 20,170,840

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Annual requirements to amortize business-type activities obligations outstanding as of June 30, 2017 are as follows:

Year Ending June 30,	General Obligation Bonds				Capital Leases	
	Public Utility Fund		Golf Course Fund		Public Utility Fund	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 289,226	\$ 339,351	\$ 106,273	\$ 195,168	\$ 295,809	\$ 157,743
2019	231,426	328,694	110,914	189,989	230,230	147,959
2020	246,363	318,811	117,305	184,449	253,594	141,292
2021	350,736	306,806	123,696	178,459	362,780	130,147
2022	365,814	291,428	130,086	172,193	375,309	117,618
2023	381,316	275,366	136,477	165,678	388,270	104,657
2024	225,000	261,397	143,004	158,859	401,679	91,248
2025	235,000	249,609	150,264	151,735	415,550	77,376
2026	250,000	237,181	156,791	144,277	429,902	63,025
2027	265,000	223,984	165,936	136,359	444,748	48,179
2028	275,000	212,897	174,213	128,038	460,107	32,820
2029	285,000	201,297	182,490	119,363	473,338	16,949
2030	300,000	189,063	191,500	110,467	241,424	2,400
2031	310,000	178,844	200,645	101,265	-	-
2032	320,000	168,038	208,922	91,557	-	-
2033	335,000	154,434	219,954	81,385	-	-
2034	345,000	140,031	230,850	70,641	-	-
2035	360,000	125,144	203,654	60,278	-	-
2036	380,000	107,525	203,000	50,415	-	-
2037	400,000	88,975	211,750	40,150	-	-
2038	415,000	69,622	224,000	29,367	-	-
2039	440,000	49,169	234,500	18,018	-	-
2040	460,000	29,081	269,904	6,106	-	-
2041	475,000	9,797	-	-	-	-
Total	\$ 7,939,881	\$ 4,556,544	\$ 4,096,128	\$ 2,584,216	\$ 4,772,740	\$ 1,131,413

**CITY OF PETERSBURG, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2017 (Continued)

**Note 7—Long-Term Obligations: (Continued)**

**Primary Government: (Continued)**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Capital Leases:</b>			
\$103,578 issued September 11, 2013 for the purchase of three Ford vehicles and four snow plows and other equipment; payable in semi-annual installments of \$10,901 through September, 2018; interest at 1.88%	\$ 32,097	\$ -	\$ 32,097
\$115,452 issued April 9, 2014 for the purchase of four Ford F350 trucks; payable in semi-annual installments of \$12,115 through October, 2018; interest at 1.77%	35,710	-	35,710
\$797,000 issued December 31, 2014 for the purchase of a Radio system upgrade; payable in annual installments of \$174,491 through January 1, 2020; interest at 3.09%	492,714	-	492,714
\$485,948 issued July 21, 2014 for the purchase of 2014 Firetruck; payable in semi-annual installments of \$51,252 through July 21, 2019; interest at 1.96%	248,897	-	248,897
\$265,738 issued May 7, 2013, for the purchase of eleven Dodge chargers; payable in semi-annual installments of \$27,750 beginning November 7, 2013 through May 7, 2018; interest at 1.59%	54,844	-	54,844
\$765,009 issued June 28, 2013, for the purchase of six school buses, two GMC Savanas, and six Ford trucks; payable in semi-annual installments of \$80,295 beginning June 28, 2013 through June 28, 2018; interest at 1.78%	158,472	-	158,472

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

**Note 7—Long-Term Obligations: (Continued)**

**Primary Government: (Continued)**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Capital Leases: (Continued)</b>			
\$5,289,403 issued January 8, 2014 proceeds to be used for installation of water meters for the Public Utility Fund; payable in various monthly installments of through December 2029; interest at 3.10%. At June 30, 2015 \$5,259,403 has been received of this obligation.	\$ -	\$ 4,772,740	\$ 4,772,740
 \$339,218 issued August 7, 2013 for the purchase of fourteen police vehicles, and two vans for public works ; payable in semi-annual installments of \$35,585 through August 2018; interest at 1.76%	 104,905	 -	 104,905
 \$177,016 issued December 16, 2014 for the purchase of six vehicles; payable in semi-annual installments of \$18,670 through December 16, 2019; interest at 2.00%	 90,710	 	 90,710
 \$41,303 issued December 30, 2014 for the purchase of a 2015 Ford truck; payable in semi-annual installments of \$4,243 through December 30, 2019; interest at 2.08%	 20,570	 -	 20,570
 \$133,662 issued November 15, 2013 for the purchase of two Ford F550 trucks and one Ford Sedan; payable in semi-annual installments of \$14,003 through November 2018; interest at 1.71%	 41,300	 -	 41,300
<b>Total capital leases</b>	<b>\$ 1,280,219</b>	<b>\$ 4,772,740</b>	<b>\$ 6,052,959</b>
Total equipment cost of assets acquired through capital lease	\$ 6,703,792	\$ 6,310,244	\$ 13,014,036
Total accumulated depreciation on assets acquired through capital lease	(5,440,604)	(1,159,220)	(6,599,824)
Net remaining book value	\$ 1,263,188	\$ 5,151,024	\$ 6,414,212

	<u>Date Issued</u>	<u>Balance July 1, 2016</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance June 30, 2017</u>
Tax revenue anticipation note	12/8/2016	\$ -	\$ 6,500,000	\$ -	\$ 6,500,000
		\$ -	\$ 6,500,000	\$ -	\$ 6,500,000

General fund will be used to pay its governmental compensated absences as well as any net pension obligation and other postemployment benefits.



CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

**Note 7—Long-Term Obligations: (Continued)**

**Primary Government: (Continued)**

**Business-type Activities**

The general obligation bonds payable totaling \$7,939,881 in the Public Utility Fund are secured by the full faith and credit of the City are expected to be paid from water utility fund service revenues and general obligation bonds payable totaling \$4,096,128 are expected to be paid from the operating revenues of the Golf Course.

**Economic Development Authority**

The following is a summary of Economic Development Authority-term obligation transactions for the year ending June 30, 2017:

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017	Amounts Due Within One Year
General obligation bonds	\$ 2,500,000	\$ -	\$ 222,860	\$ 2,277,140	\$ 469,544

Annual requirements to amortize Economic Development Authority obligations outstanding as of June 30, 2017 are as follows:

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2018	\$ 469,544	\$ 92,353
2019	489,664	72,063
2020	510,645	50,524
2021	532,526	28,837
2022	274,761	5,824
Total	\$ 2,277,140	\$ 249,601

Description	Outstanding Amount at June 30, 2017
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**Economic Development Authority**

\$2,500,000 Revenue Note Series 2011 issued as of August 1, 2011 due in various semi-annual installments of principal beginning February 29, 2017 through August 31, 2021 interest payable beginning February 28, 2012 through August 31, 2021, interest at 4.24%

\$ 2,277,140

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

**Note 8—Unearned/Deferred/Unavailable Revenue:**

The following is a summary of unearned/deferred/unavailable revenue for the year ended June 30, 2017:

Description	Governmental Funds			
	Unavailable General Fund	Unearned Federal and State Projects Fund	Total Governmental Funds	Governmental Activities
VA Center of Policing Innovation Grant	\$ -	\$ 79,500	\$ 79,500	\$ 79,500
CIT Assessment	-	108,766	108,766	108,766
Other grants	-	85,681	85,681	85,681
Courthouse construction	-	144,606	144,606	144,606
Prepaid property taxes	13,383	-	13,383	13,383
Local delinquent real and personal property taxes	6,168,900	-	6,168,900	-
	<u>\$ 6,182,283</u>	<u>\$ 418,553</u>	<u>\$ 6,600,836</u>	<u>\$ 431,936</u>

**Note 9—Commitments and Contingencies:**

There were matters of noncompliance that were disclosed by audit. In addition, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

The City had the following commitments at year-end:

Project	Authorized Commitment	Expended/ Expensed as of June 30, 2017	Remaining Commitment
Rehabilitation of Poor Creek Pump Station	\$ 176,530	\$ 102,205	\$ 74,325
Clock Tower Rehabilitation	987,683	458,325	529,358
Southside Depot Phase 1	791,906	740,177	51,729
Purchase of Fire Trucks	2,145,000	-	2,145,000
Total	<u>\$ 4,101,119</u>	<u>\$ 1,300,707</u>	<u>\$ 2,800,412</u>

## CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

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### **Note 10—Risk Management:**

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The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City joined together with other local governments in Virginia to form the Virginia Municipal Group Self Insurance Association, a public entity risk pool currently operating as a common risk management and insurance program for participating local governments. The City pays an annual premium to the association for its workers compensation insurance.

In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The City continues to carry commercial insurance for all other risks of loss, including general liability and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### **Note 11—Litigation:**

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At June 30, 2016, the City had the following matters of Litigation that have been settled or still pending:

Lawsuit against the City for unpaid overtime to City police officers. This case has been settled and the plaintiffs were awarded \$1,350,000 in unpaid overtime. The City's insurance carrier will cover \$550,000 of this amount. The remaining \$800,000 will be paid by the City over a three year period as follows; \$300,000 in FY 2017, \$300,000 in FY 2018, and \$200,000 in FY 2019. In addition, the plaintiffs were awarded \$100,000 in additional compensatory time. These amounts have been recorded as liabilities in the government-wide financial statements.

Threatened litigation against the City for the payment of three fire trucks in the amount of \$2,145,000. These fire trucks were not ready to be delivered until FY 2017. The City is planning on issuing a \$3,000,000 bond to be able to pay this claim. The City believes this matter will be settled without a lawsuit being filed.

Lawsuit filed against the City for breach of a lease agreement. The claim against the City involves an unexecuted \$3,050,225 lease agreement. The claim also includes \$480,000, which represents the unpaid balance of the purchase price. The City is vigorously defending these claims.

The City has had several other lawsuits brought against it. Most of this litigation is covered by insurance or settled through subsequent agreements.

**Note 12—Pension Plan:***Plan Description*

All full-time, salaried permanent employees of the City are automatically covered by VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. 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 different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>About Plan 1</b> 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.</p>	<p><b>About Plan 2</b> 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.</p>	<p><b>About the Hybrid Retirement Plan</b> 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. (see "Eligible Members")</p> <ul style="list-style-type: none"> <li>• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</li> <li>• 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.</li> </ul>

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

Note 12—Pension Plan: (Continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
		<ul style="list-style-type: none"> <li>• 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.</li> </ul>
<p><b>Eligible Members</b> Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b> 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.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p><b>Eligible Members</b> Employees are in 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.</p> <p><b>Hybrid Opt-In Election</b> 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.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p><b>Eligible Members</b> Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees*</li> <li>• Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.</li> </ul> <p><b>*Non-Eligible Members</b> Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.</li> </ul>

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

**Note 12—Pension Plan: (Continued)**

*Plan Description (continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Hybrid Opt-In Election (Cont.)</b> 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.</p>	<p><b>Hybrid Opt-In Election (Cont.)</b> 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.</p>	<p><b>*Non-Eligible Members (Cont.)</b> 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.</p>
<p><b>Retirement Contributions</b> Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p><b>Retirement Contributions</b> Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2016.</p>	<p><b>Retirement Contributions</b> 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.</p>

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

Note 12—Pension Plan: (Continued)

*Plan Description (continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Creditable Service</b> 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.</p>	<p><b>Creditable Service</b> Same as Plan 1.</p>	<p><b>Creditable Service</b> <b><u>Defined Benefit Component:</u></b> 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.</p> <p><b><u>Defined Contributions Component:</u></b> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

Note 12—Pension Plan: (Continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Vesting</b> 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.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p><b>Vesting</b> Same as Plan 1.</p>	<p><b>Vesting</b> <b><u>Defined Benefit Component:</u></b> 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.</p> <p><b><u>Defined Contributions Component:</u></b> 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.</p> <p>Members are always 100% vested in the contributions that they make.</p>



**Note 12—Pension Plan: (Continued)***Plan Description (continued)*

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<b>Vesting (Cont.)</b>	<b>Vesting (Cont.)</b>	<b>Vesting (Cont.)</b> <u><b>Defined Contributions Component: (Cont.)</b></u> 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. <ul style="list-style-type: none"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> Distribution is not required by law until age 70½.
<b>Calculating the Benefit</b> 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.	<b>Calculating the Benefit</b> See definition under Plan 1.	<b>Calculating the Benefit</b> <u><b>Defined Benefit Component:</b></u> See definition under Plan 1  <u><b>Defined Contribution Component:</b></u> 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.

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

Note 12—Pension Plan: (Continued)

*Plan Description (continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<b>Average Final Compensation</b> A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	<b>Average Final Compensation</b> A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	<b>Average Final Compensation</b> Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
<b>Service Retirement Multiplier</b> <b>VRS:</b> 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%.  <b>Sheriffs and regional jail superintendents:</b> The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.  <b>Political subdivision hazardous duty employees:</b> 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.	<b>Service Retirement Multiplier</b> <b>VRS:</b> 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.  <b>Sheriffs and regional jail superintendents:</b> Same as Plan 1.  <b>Political subdivision hazardous duty employees:</b> Same as Plan 1.	<b>Service Retirement Multiplier</b> <u><b>Defined Benefit Component:</b></u> <b>VRS:</b> 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.  <b>Sheriffs and regional jail superintendents:</b> Not applicable.  <b>Political subdivision hazardous duty employees:</b> Not applicable.  <b>Defined Contribution Component:</b> Not applicable.
<b>Normal Retirement Age</b> <b>VRS:</b> Age 65.  <b>Political subdivisions hazardous duty employees:</b> Age 60.	<b>Normal Retirement Age</b> <b>VRS:</b> Normal Social Security retirement age.  <b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.	<b>Normal Retirement Age</b> <u><b>Defined Benefit Component:</b></u> <b>VRS:</b> Same as Plan 2.  <b>Political subdivisions hazardous duty employees:</b> Not applicable.  <u><b>Defined Contribution Component:</b></u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

Note 12—Pension Plan: (Continued)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Earliest Unreduced Retirement Eligibility</b>  <b>VRS:</b> Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p><b>Political subdivisions hazardous duty employees:</b> Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b>  <b>VRS:</b> Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b>  <b>Defined Benefit Component:</b>  <b>VRS:</b> Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><b>Defined Contribution Component:</b>  Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Reduced Retirement Eligibility</b>  <b>VRS:</b> Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p> <p><b>Political subdivisions hazardous duty employees:</b> 50 with at least five years of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility</b>  <b>VRS:</b> Age 60 with at least five years (60 months) of creditable service.</p> <p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Earliest Reduced Retirement Eligibility</b>  <b>Defined Benefit Component:</b>  <b>VRS:</b> Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><b>Defined Contribution Component:</b>  Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><b><u>Eligibility:</u></b> 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.</p> <p>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.</p> <p><b><u>Exceptions to COLA Effective Dates:</u></b> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> </ul>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><b><u>Eligibility:</u></b> Same as Plan 1.</p> <p><b><u>Exceptions to COLA Effective Dates:</u></b> Same as Plan 1.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b> <b><u>Defined Benefit Component:</u></b> Same as Plan 2.</p> <p><b><u>Defined Contribution Component:</u></b> Not applicable.</p> <p><b><u>Eligibility:</u></b> Same as Plan 1 and Plan 2.</p> <p><b><u>Exceptions to COLA Effective Dates:</u></b> Same as Plan 1 and Plan 2.</p>

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

**Note 12—Pension Plan: (Continued)**

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b></p> <ul style="list-style-type: none"> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> <li>• 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.</li> <li>• 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.</li> </ul>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b></p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</b></p>
<p><b>Disability Coverage</b> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p><b>Disability Coverage</b> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p><b>Disability Coverage</b> 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.</p> <p>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.</p>

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

Note 12—Pension Plan: (Continued)

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Purchase of Prior Service</b> 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. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p><b>Purchase of Prior Service</b> Same as Plan 1.</p>	<p><b>Purchase of Prior Service</b> <b><u>Defined Benefit Component:</u></b> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> <li>• Hybrid Retirement Plan members are ineligible for ported service.</li> <li>• The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.</li> <li>• Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost.</li> </ul> <p><b><u>Defined Contribution Component:</u></b> Not applicable.</p>

*Pension Plan Data*

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

## CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

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### Note 12—Pension Plan: (Continued)

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#### *Employees Covered by Benefit Terms*

As of the June 30, 2015 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	705
Inactive members:	
Vested inactive members	152
Non-vested inactive members	143
Inactive members active elsewhere in VRS	<u>507</u>
Total inactive members	802
Active members	<u>601</u>
Total covered employees	<u><u>2,108</u></u>

#### *Contributions*

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. 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% 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 City's contractually required contribution rate for the year ended June 30, 2017 was 12.01% 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 City were \$2,371,484 and \$3,708,507 for the years ended June 30, 2017 and June 30, 2016, respectively.

#### *Net Pension Liability*

The City's net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

#### *Actuarial Assumptions - General Employees*

The total pension liability for General Employees in the City's Retirement Plan was based on an actuarial valuation as of June 30, 2015, 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, 2016.

## CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

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### Note 12—Pension Plan: (Continued)

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#### *Actuarial Assumptions - General Employees (Continued)*

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, 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 return 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: 14% of deaths are assumed to be service related

#### Largest 10 - Non-LEOS:

##### Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

##### Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

##### Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

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

##### Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

##### Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

##### Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

#### Largest 10 - Non-LEOS:

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



# CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

## Note 12—Pension Plan: (Continued)

### Actuarial Assumptions - General Employees (Continued)

All Others (Non 10 Largest) - Non-LEOS:

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

### Long-Term Expected Rate of Return

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

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

\* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

**Note 12—Pension Plan: (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, 2018, the rate contributed by the employer for the City's Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

*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, 2015	\$ 169,807,438	\$ 145,718,669	\$ 24,088,769
Changes for the year:			
Service cost	\$ 3,036,014	\$ -	\$ 3,036,014
Interest	11,539,850	-	11,539,850
Differences between expected and actual experience	(4,369,974)	-	(4,369,974)
Contributions - employer	-	3,709,379	(3,709,379)
Contributions - employee	-	1,210,165	(1,210,165)
Net investment income	-	2,433,881	(2,433,881)
Benefit payments, including refunds of employee contributions	(9,904,881)	(9,904,881)	-
Administrative expenses	-	(92,264)	92,264
Other changes	-	(1,051)	1,051
Net changes	\$ 301,009	\$ (2,644,771)	\$ 2,945,780
Balances at June 30, 2016	\$ 170,108,447	\$ 143,073,898	\$ 27,034,549

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

**Note 12—Pension Plan: (Continued)**

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

The following presents the net pension asset of the City using the discount rate of 7.00%, as well as what the City'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:

	Rate		
	(6.00%)	(7.00%)	(8.00%)
Authority			
Net Pension Liability	47,309,950	27,034,549	10,072,347

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

For the year ended June 30, 2017, the City recognized pension expense of \$1,624,753. At June 30, 2017, the City 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	\$ -	\$ 2,703,713
Change in proportionate share	351,002	351,002
Net difference between projected and actual earnings on pension plan investments	3,697,854	-
Employer contributions subsequent to the measurement date	2,371,484	-
Total	\$ 6,420,340	\$ 3,054,715

\$2,371,484 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a component of the Net Pension Asset in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	
2018	\$ (1,798,316)
2019	(925,501)
2020	2,200,227
2021	1,517,733
Thereafter	-

## CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

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### Note 13—Landfill Closure and Postclosure Care Costs:

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The City entered into a purchase and sale agreement dated August 31, 2009 in which the City's property including the sanitary landfill currently operating under Virginia Solid Waste Facility Permit No. 228 was sold to an independent contractor. In addition the City and independent contractor entered into a Financial Assurance and Indemnity Agreement dated April 2011. The contractor, upon taking possession of the Landfill, has obtained a Permit from DEQ to operate the facility and pursuant to the agreement assumed all liabilities and duties for compliance with applicable laws and regulations, with the Permit and with all subsequent amendments to include maintenance of financial assurance, monitoring, corrective action, closure, and post-closure care as of January 1, 2014. As a result of these courses of actions the City's liability for closure and post-closure care was removed from the City's long-term obligations.

### Note 14—Expenditures and Appropriations:

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Expenditures exceeded appropriations at June 30, 2017 as follows:

<u>Function</u>	<u>Appropriation</u>	<u>Expenditures</u>	<u>Amount</u>
General government administration	\$ 6,353,743	\$ 6,895,282	\$ 541,539
Public safety	17,647,878	17,745,235	97,357
Community development	4,717,180	4,861,404	144,224
Debt Service	5,442,129	5,789,805	347,676

### Note 15—Other Postemployment Benefits—Health Insurance:

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#### A. Plan Description

The City Post-Retirement Medical Plan is a multiple-employer defined benefit healthcare plan which offers health insurance for retired employees. The plan is administered by the City. Retired employees, who were enrolled in the City group health insurance plan for the 24 month prior to retirement date, who were employed by City with at least 20 years of service and who retire under the VRS plan are eligible to elect post-retirement coverage in the plan. The plan has no separate financial report.

#### B. Funding Policy

The City establishes employer contribution rates for plan participants as part of the budgetary process each year. The City also determines how the plan will be funded each year whether it will partially fund the plan or fully fund the plan. Again this is determined annually as part of the budgetary process. For participating retirees the City contributed zero per month towards the monthly premium and the retiree contributes all remaining funds towards the monthly premium. Retirees pay 100 % of spousal premiums. Coverage ceases when retirees reach the age of 65. Surviving spouses are not allowed access to the plan.

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

**Note 15—Other Postemployment Benefits—Health Insurance: (Continued)**

**C. Annual OPEB Cost and Net OPEB Obligation**

In accordance with GASB Statement No. 45, an actuarial study was performed calculating the postemployment healthcare costs as of June 30, 2017. The actuarial valuation estimated the Unfunded Actuarial Accrued Liability (“UAAL”) at \$1,917,000 and an Annual Required Contribution (“ARC”) of \$148,000. The annual cost of other post employment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC. The City paid \$116,000 towards the estimated pay as you go cost for OPEB benefits in fiscal year 2017. The City elected to pre-fund OPEB liabilities. The City is required to contribute the annual required contribution of the employer (ARC) an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

**Annual OPEB Cost**

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years ending June 30, 2017, 2016 and 2015 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2017	\$ 148,000	78%	\$ 725,000
June 30, 2016	208,000	103%	693,000
June 30, 2015	207,000	99%	700,000

For 2017, the City’s cash payments of \$116,000 was less than the annual OPEB costs. The City’s annual OPEB cost, the contributions made, and the increase in net OPEB obligation as well as the net OPEB obligation for 2017 is as follows:

	<u>City</u>
Annual required contribution	\$ 148,000
Interest on net OPEB obligation	28,000
Adjustment to annual required contribution	(28,000)
Annual OPEB cost (expense)	\$ 148,000
Contributions made	116,000
Increase (decrease) in net OPEB obligation	\$ 32,000
Net OPEB obligation - beginning of year	693,000
Net OPEB obligation - end of year	<u><u>\$ 725,000</u></u>

## CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

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### Note 15—Other Postemployment Benefits—Health Insurance: (Continued)

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#### D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2017 is as follows:

Actuarial accrued liability (AAL)	\$	1,917,000
Actuarial value of plan assets		-
Unfunded actuarial accrued liability		1,917,000
Funded ratio (actuarial value of plan assets / AAL)		0%
Covered payroll (active plan members)		19,792,000
UAAL as a percentage of covered payroll		9.69%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

#### E. Actuarial Methods and Assumptions

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

##### Cost Method

In the June 30, 2017 (most recent) actuarial valuation report, the entry age actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 7.5 percent initially, reduced by decrements to an ultimate rate of 5 percent after ten years. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2017 was thirty years.

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

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**Note 15—Other Postemployment Benefits—Health Insurance: (Continued)**

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**E. Actuarial Methods and Assumptions**

Interest Assumptions

	<u>Funded</u>
Discount rate	4.0%
Payroll growth	N/A
Inflation rate	2.5%
Health cost trend rate	7.5%

**Note 16—City of Petersburg and Petersburg Library Foundation Lease Financing Arrangement:**

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The City of Petersburg and the Petersburg Library Foundation have entered into a sublease financing arrangement dated April 11, 2013. The City will be making lease payments to the Petersburg Library Foundation in the amounts of \$147,000 beginning in FY 2013 through FY 2018, \$134,000 in FY 2019, and \$640,000 in FY 2020 through FY2032. These payments are subject to annual appropriation by the City.

**Note 17—Restatement of Fund Balance/Net Position**

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Fund Balance/Net Position at June 30, 2016 was restated as follows:

	<u>Public Utility Fund</u>	<u>Business- type Activities</u>
Fund Balance/Net position, as previously reported	\$ 13,727,202	\$ 31,503,567
Adjustment for:		
Inventory error	\$ (156,164)	\$ (156,164)
Accounts Receivable	<u>(250,629)</u>	<u>(250,629)</u>
Total adjustments	\$ <u>(406,793)</u>	\$ <u>(406,793)</u>
Fund Balance/Net position, as restated	\$ <u><u>13,320,409</u></u>	\$ <u><u>31,096,774</u></u>

**Note 18—Adoption of Accounting Principles:**

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Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*. The City implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. The Statement generally requires investments to be measured at fair value. The Statement requires the City to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach. The Statement establishes a hierarchy of inputs used to measure fair value. All required disclosures are located in Note 20.

Governmental Accounting Standards Board Statement No. 79, *Certain External Investment Pools and Pool Participants*

The City implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. There was no material impact on the City's financial statement as a result of the implementation of Statement No. 79. All required disclosures are located in Note 2.

Governmental Accounting Standards Board Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*

The City early implemented provisions of the above Statement during the fiscal year ended June 30, 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. No restatement was required as a result of this implementation.

**Note 19—Upcoming Pronouncements:**

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Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016.



**Note 19—Upcoming Pronouncements: (Continued)**

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Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017.

Statement No. 77, *Tax Abatement Disclosures*, will increase the disclosure of tax abatement agreements to disclose information about the agreements. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015.

Statement No. 81, *Irrevocable Split-Interest Agreements*, improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

**Note 20—Fair Value Measurements:**

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Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The City maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1. Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date
- Level 2. Directly or indirectly observable inputs for the asset or liability other than quoted prices
- Level 3. Unobservable inputs that are supported by little or no market activity for the asset or liability

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk.

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2017 (Continued)

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**Note 20—Fair Value Measurements: (Continued)**

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The City has the following recurring fair value measurements as of June 30, 2017:

Investment	Fair Value Measurements Using			
	6/30/2017	Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Government Securities	\$ 698,034	\$ 698,034	\$ -	\$ -
Total	\$ 698,034	\$ 698,034	\$ -	\$ -

**Note 21—Subsequent Events:**

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On August 17, 2017, the City issued \$10,895,000 General Obligation and Refunding Bonds Series 2017A and \$17,150,000 General Obligation Refunding Bonds, Series 2017B with interest rates of 4.735% and 4.172% respectively. The Note matures on October 1, 2017 with an interest rate of 4.50%.

### **REQUIRED SUPPLEMENTARY INFORMATION**

Note to Required Supplementary Information:

Presented budgets were prepared in accordance with accounting principles generally accepted in the United States of America.

Schedule of Revenues, Expenditures and Changes in Fund Balances --  
 Budget and Actual -- General Fund  
 Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Revenues:				
General property taxes	\$ 33,506,808	\$ 31,908,958	\$ 33,735,254	\$ 1,826,296
Other local taxes	12,701,233	12,579,202	13,486,416	907,214
Permits, privilege fees and regulatory licenses	672,765	465,666	514,189	48,523
Fines and forfeitures	812,836	474,403	765,982	291,579
Revenue from use of money and property	366,756	144,524	133,102	(11,422)
Charges for services	2,932,073	2,908,030	3,610,716	702,686
Miscellaneous	219,145	209,170	321,341	112,171
Recovered costs	299,442	190,445	866,150	675,705
Intergovernmental:				
Commonwealth	14,325,041	13,812,511	15,222,229	1,409,718
Federal	4,679,415	4,443,766	4,414,465	(29,301)
Total revenues	\$ 70,515,514	\$ 67,136,675	\$ 73,069,844	\$ 5,933,169
Expenditures:				
Current:				
General government administration	\$ 5,632,424	\$ 6,353,743	\$ 6,895,282	\$ (541,539)
Judicial administration	2,208,063	2,010,761	1,972,605	38,156
Public safety	19,426,580	17,647,878	17,745,235	(97,357)
Public works	4,748,692	4,545,808	3,875,562	670,246
Health and welfare	11,916,886	13,270,912	12,405,235	865,677
Education	11,900,262	8,474,762	8,254,730	220,032
Parks, recreation, and cultural	2,000,347	1,651,099	1,400,330	250,769
Community development	5,644,194	4,717,180	4,861,404	(144,224)
Debt service:				
Principal retirement	3,564,914	4,063,566	4,052,071	11,495
Interest and other fiscal charges	1,282,563	1,378,563	1,737,734	(359,171)
Nondepartmental	1,822,638	4,234,053	2,660,937	1,573,116
Total expenditures	\$ 70,147,563	\$ 68,348,325	\$ 65,861,125	\$ 2,487,200
Excess (deficiency) of revenues over (under) expenditures	\$ 367,951	\$ (1,211,650)	\$ 7,208,719	\$ 8,420,369
Other financing sources (uses):				
Transfers (out)	\$ (432,567)	\$ (88,350)	\$ -	\$ 88,350
Total other financing sources (uses)	\$ (432,567)	\$ (88,350)	\$ -	\$ 88,350
Changes in fund balance	\$ (64,616)	\$ (1,300,000)	\$ 7,208,719	\$ 8,508,719
Fund balances at beginning of year	64,616	1,300,000	1,530,495	230,495
Fund balances at end of year	\$ -	\$ -	\$ 8,739,214	\$ 8,739,214

## Schedule of Changes in Net Pension Liability and Related Ratios

Years Ended June 30, 2015 through June 30, 2017

	2016	2015	2014
<b>Total pension liability</b>			
Service cost	\$ 3,036,014	\$ 3,356,539	\$ 3,390,570
Interest	11,539,850	11,204,390	10,849,513
Difference between expected and actual experience	(4,369,974)	(209,785)	-
Benefit payments, including refunds of employee contributions	(9,904,881)	(9,212,842)	(9,127,979)
<b>Net change in total pension liability</b>	\$ 301,009	\$ 5,138,302	\$ 5,112,104
<b>Total pension liability - beginning</b>	169,807,438	164,669,136	159,557,032
<b>Total pension liability - ending (a)</b>	<u>\$ 170,108,447</u>	<u>\$ 169,807,438</u>	<u>\$ 164,669,136</u>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 3,709,379	\$ 4,137,457	\$ 3,913,309
Contributions - employee	1,210,165	1,351,478	1,353,263
Net investment income	2,433,881	6,468,611	19,817,721
Benefit payments, including refunds of employee contributions	(9,904,881)	(9,212,842)	(9,127,979)
Administrative expense	(92,264)	(90,934)	(108,941)
Other	(1,051)	(1,359)	1,045
<b>Net change in plan fiduciary net position</b>	\$ (2,644,771)	\$ 2,652,411	\$ 15,848,418
<b>Plan fiduciary net position - beginning</b>	145,718,669	143,066,258	127,217,840
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 143,073,898</u>	<u>\$ 145,718,669</u>	<u>\$ 143,066,258</u>
<b>Political subdivision's net pension liability - ending (a) - (b)</b>	\$ 27,034,549	\$ 24,088,769	\$ 21,602,878
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	84.11%	85.81%	86.88%
<b>Covered payroll</b>	\$ 24,318,079	\$ 26,986,626	\$ 26,328,270
<b>Political subdivision's net pension liability as a percentage of covered payroll</b>	111.17%	89.26%	82.05%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

## Schedule of Employer Contributions

Years Ended June 30, 2008 through June 30, 2017

Date	Contributions in Relation to					Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)		
2017	\$ 2,371,484	\$ 2,371,484	\$ -	\$ 19,745,912		12.01%
2016	3,708,507	3,708,507	-	24,318,079		15.25%
2015	4,065,367	4,065,367	-	26,986,626		15.25%
2014	3,915,014	3,915,014	-	26,328,270		14.87%
2013	3,853,122	3,853,122	-	25,912,053		14.87%
2012	2,349,174	2,349,174	-	24,938,155		9.42%
2011	2,339,884	2,339,884	-	24,839,537		9.42%
2010	1,833,951	1,833,951	-	25,088,254		7.31%
2009	1,814,828	1,814,828	-	24,826,655		7.31%
2008	1,894,650	1,894,650	-	23,624,068		8.02%

Current year contributions are from City of Petersburg's records and prior year contributions are from the VRS actuarial valuation performed each year.

## Schedule of OPEB Funding Progress

Last Three Fiscal Years

## Other Postemployment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (c) (b) - (a)	Funded Ratio (d) (a) / (b)	Covered Payroll (e)	UAAL as % of Payroll (f) (c) / (e)
6/30/2016	\$ -	\$ 1,917,000	\$ 1,917,000	0.00%	\$ 19,792,000	9.69%
6/30/2015	-	3,008,000	3,008,000	0.00%	24,219,000	12.42%
6/30/2014	-	2,400,000	2,400,000	0.00%	25,667,000	9.35%

Notes to Required Supplementary Information  
Year Ended June 30, 2017

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**Changes of benefit terms** - There have been no actuarially material changes to the 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 is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 is not material.

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

Largest 10 - Non-LEOS:

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

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - Non-LEOS:

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

All Others (Non 10 Largest) - LEOS:

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



**OTHER SUPPLEMENTARY INFORMATION**

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## **Combining and Individual Fund Statements and Schedules**

Nonmajor Governmental Funds  
Combining Balance Sheet  
At June 30, 2017

	Special Revenue Funds			Permanent Funds			
	Federal and State Projects Fund	Community Development Act Fund	Stormwater Fund	Blandford Cemetery Perpetual Care	Clara J. McKenney Memorial	Library Endowment Fund	Total
<b>ASSETS</b>							
Cash and cash equivalents	\$ 3,629,228	\$ 583,384	\$ 540,015	\$ 250,071	\$ -	\$ -	\$ 5,002,698
Restricted cash	-	-	-	1,872,712	8,538	2,000	1,883,250
Receivables (Net of allowance for uncollectibles) Accounts	-	-	267,498	-	-	-	267,498
Due from other governments	185,192	20,203	-	-	-	-	205,395
Total assets	<u>\$ 3,814,420</u>	<u>\$ 603,587</u>	<u>\$ 807,513</u>	<u>\$ 2,122,783</u>	<u>\$ 8,538</u>	<u>\$ 2,000</u>	<u>\$ 7,358,841</u>
<b>LIABILITIES</b>							
Accounts payable	\$ 606,752	\$ 6,246	\$ 4,738	\$ -	\$ -	\$ -	\$ 617,736
Accrued salaries payable	33,650	-	3,466	-	-	-	37,116
Unearned revenue	418,553	-	-	-	-	-	418,553
Due to other funds	171,840	-	48,296	250,071	-	-	470,207
Total liabilities	<u>\$ 1,230,795</u>	<u>\$ 6,246</u>	<u>\$ 56,500</u>	<u>\$ 250,071</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,543,612</u>
<b>FUND BALANCES</b>							
Nonspendable:							
Cemetery Perpetual care	\$ -	\$ -	\$ -	\$ 1,872,712	\$ -	\$ -	\$ 1,872,712
McKenney scholarships	-	-	-	-	8,538	-	8,538
Library	-	-	-	-	-	2,000	2,000
Restricted:							
Grants	2,583,625	597,341	-	-	-	-	3,180,966
Committed:							
Stormwater	-	-	751,013	-	-	-	751,013
Total fund balances	<u>\$ 2,583,625</u>	<u>\$ 597,341</u>	<u>\$ 751,013</u>	<u>\$ 1,872,712</u>	<u>\$ 8,538</u>	<u>\$ 2,000</u>	<u>\$ 5,815,229</u>
Total liabilities and fund balances	<u>\$ 3,814,420</u>	<u>\$ 603,587</u>	<u>\$ 807,513</u>	<u>\$ 2,122,783</u>	<u>\$ 8,538</u>	<u>\$ 2,000</u>	<u>\$ 7,358,841</u>

## Nonmajor Governmental Funds

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended June 30, 2017

	Special Revenue Funds			Permanent Funds			
	Federal and State Projects Fund	Community Development Act Fund	Stormwater Fund	Blandford Cemetery Perpetual Care	Clara J. McKenney Memorial	Library Endowment Fund	Total
<b>Revenues:</b>							
Permits, privilege fees and regulatory licenses	\$ 30,910	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,910
Revenue from use of money and property	40,428	-	24	5,319	2	-	45,773
Charges for services	-	-	1,336,918	3,400	-	-	1,340,318
Miscellaneous	32,202	-	31	-	-	-	32,233
Recovered costs	39,916	-	-	-	-	-	39,916
Intergovernmental:							
Commonwealth	4,046,727	-	-	-	-	-	4,046,727
Federal	1,106,241	852,535	-	-	-	-	1,958,776
<b>Total revenues</b>	<b>\$ 5,296,424</b>	<b>\$ 852,535</b>	<b>\$ 1,336,973</b>	<b>\$ 8,719</b>	<b>\$ 2</b>	<b>\$ -</b>	<b>\$ 7,494,653</b>
<b>Expenditures:</b>							
Judicial administration	\$ 46,329	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 46,329
Public safety	1,258,416	-	-	-	-	-	1,258,416
Public works	1,746,542	-	191,849	-	-	-	1,938,391
Health and welfare	876,037	-	-	-	-	-	876,037
Parks, recreation and cultural	2,581	-	-	-	-	-	2,581
Community development	307,674	830,261	-	-	-	-	1,137,935
Debt service:							
Principal retirement	-	-	629,332	-	-	-	629,332
Interest and other fiscal charges	-	-	65,653	-	-	-	65,653
<b>Total expenditures</b>	<b>\$ 4,237,579</b>	<b>\$ 830,261</b>	<b>\$ 886,834</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,954,674</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>\$ 1,058,845</b>	<b>\$ 22,274</b>	<b>\$ 450,139</b>	<b>\$ 8,719</b>	<b>\$ 2</b>	<b>\$ -</b>	<b>\$ 1,539,979</b>
<b>Changes in fund balances</b>	<b>\$ 1,058,845</b>	<b>\$ 22,274</b>	<b>\$ 450,139</b>	<b>\$ 8,719</b>	<b>\$ 2</b>	<b>\$ -</b>	<b>\$ 1,539,979</b>
<b>Fund balances at beginning of year</b>	<b>1,524,780</b>	<b>575,067</b>	<b>300,874</b>	<b>1,863,993</b>	<b>8,536</b>	<b>2,000</b>	<b>4,275,250</b>
<b>Fund balances at end of year</b>	<b>\$ 2,583,625</b>	<b>\$ 597,341</b>	<b>\$ 751,013</b>	<b>\$ 1,872,712</b>	<b>\$ 8,538</b>	<b>\$ 2,000</b>	<b>\$ 5,815,229</b>

## CITY OF PETERSBURG, VIRGINIA

## Nonmajor Governmental Funds

## Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

## Special Revenue Funds

Year Ended June 30, 2017

Federal and State Projects Fund				
	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Revenues:				
Permits, privilege fees and regulatory licenses	\$ -	\$ 125,132	\$ 30,910	\$ (94,222)
Revenue from use of money and property	-	76,000	40,428	(35,572)
Charges for services	-	-	-	-
Miscellaneous	-	499,850	32,202	(467,648)
Recovered costs	-	40,185	39,916	(269)
Intergovernmental:				
Commonwealth	-	7,307,783	4,046,727	(3,261,056)
Federal	-	2,536,130	1,106,241	(1,429,889)
Total revenues	\$ -	\$ 10,585,080	\$ 5,296,424	\$ (5,288,656)
Expenditures:				
Current:				
Judicial administration	\$ -	\$ 294,006	\$ 46,329	\$ 247,677
Public safety	-	2,685,988	1,258,416	1,427,572
Public works	-	6,296,001	1,746,542	4,549,459
Health and welfare	-	86,100	876,037	(789,937)
Parks, recreation and cultural	-	-	2,581	(2,581)
Community development	-	1,176,395	307,674	868,721
Debt service:				
Principal retirement	-	-	-	-
Interest and other fiscal charges	-	-	-	-
Total expenditures	\$ -	\$ 10,538,490	\$ 4,237,579	\$ 6,300,911
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ 46,590	\$ 1,058,845	\$ 1,012,255
Changes in fund balances	\$ -	\$ 46,590	\$ 1,058,845	\$ 1,012,255
Fund balance at beginning of the year	-	(46,590)	1,524,780	1,571,370
Fund balance at end of the year	\$ -	\$ -	\$ 2,583,625	\$ 2,583,625

Community Development Act Fund				Stormwater Fund			
Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	24	24
-	-	-	-	-	1,181,967	1,336,918	154,951
-	-	-	-	-	-	31	31
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
596,163	1,339,150	852,535	(486,615)	-	-	-	-
\$ 596,163	\$ 1,339,150	\$ 852,535	\$ (486,615)	\$ -	\$ 1,181,967	\$ 1,336,973	\$ 155,006
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	523,491	191,849	331,642
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
596,163	1,339,150	830,261	508,889	-	-	-	-
-	-	-	-	-	658,476	629,332	29,144
-	-	-	-	-	-	65,653	(65,653)
\$ 596,163	\$ 1,339,150	\$ 830,261	\$ 508,889	\$ -	\$ 1,181,967	\$ 886,834	\$ 295,133
\$ -	\$ -	\$ 22,274	\$ 22,274	\$ -	\$ -	\$ 450,139	\$ 450,139
\$ -	\$ -	\$ 22,274	\$ 22,274	\$ -	\$ -	\$ 450,139	\$ 450,139
-	-	575,067	575,067	-	-	300,874	300,874
\$ -	\$ -	\$ 597,341	\$ 597,341	\$ -	\$ -	\$ 751,013	\$ 751,013

Combining Statement of Fiduciary Net Position - Agency Funds  
At June 30, 2017

	<u>Special Welfare</u>	<u>Jail Inmate</u>	<u>Drug Seizure</u>	<u>Industrial Development Authority</u>	<u>Total</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 60,235	\$ 63,705	\$ 61,738	\$ 63,336	\$ 249,014
Land held for resale	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,500,000</u>	<u>2,500,000</u>
Total assets	<u>\$ 60,235</u>	<u>\$ 63,705</u>	<u>\$ 61,738</u>	<u>\$ 2,563,336</u>	<u>\$ 2,749,014</u>
<b>LIABILITIES</b>					
Amounts held for others	\$ 60,235	\$ 63,705	\$ 61,738	\$ 286,196	\$ 471,874
Note payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,277,140</u>	<u>2,277,140</u>
Total liabilities	<u>\$ 60,235</u>	<u>\$ 63,705</u>	<u>\$ 61,738</u>	<u>\$ 2,563,336</u>	<u>\$ 2,749,014</u>



Agency Funds  
Combining Statement of Changes in Assets and Liabilities  
Year Ended June 30, 2017

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<b>Special Welfare Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 54,719	\$ 27,687	\$ 22,171	\$ 60,235
Total assets	<u>\$ 54,719</u>	<u>\$ 27,687</u>	<u>\$ 22,171</u>	<u>\$ 60,235</u>
Liabilities:				
Amounts held for others	\$ 54,719	\$ 27,687	\$ 22,171	\$ 60,235
Total liabilities	<u>\$ 54,719</u>	<u>\$ 27,687</u>	<u>\$ 22,171</u>	<u>\$ 60,235</u>
<b>Jail Inmate Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 63,269	\$ 436	\$ -	\$ 63,705
Total assets	<u>\$ 63,269</u>	<u>\$ 436</u>	<u>\$ -</u>	<u>\$ 63,705</u>
Liabilities:				
Amounts held for others	\$ 63,269	\$ 436	\$ -	\$ 63,705
Total liabilities	<u>\$ 63,269</u>	<u>\$ 436</u>	<u>\$ -</u>	<u>\$ 63,705</u>
<b>Industrial Development Authority:</b>				
Assets:				
Cash and cash equivalents	\$ 69,653	\$ 330,772	\$ 337,089	\$ 63,336
Land held for resale	2,500,000	-	-	2,500,000
Total assets	<u>\$ 2,569,653</u>	<u>\$ 330,772</u>	<u>\$ 337,089</u>	<u>\$ 2,563,336</u>
Liabilities:				
Amounts held for others	\$ 69,653	\$ 330,772	\$ 114,229	\$ 286,196
Note payable	2,500,000	-	222,860	2,277,140
Total liabilities	<u>\$ 2,569,653</u>	<u>\$ 330,772</u>	<u>\$ 337,089</u>	<u>\$ 2,563,336</u>
<b>Drug Seizure Fund:</b>				
Assets:				
Cash and cash equivalents	\$ 70,497	\$ 57,350	\$ 66,109	\$ 61,738
Total assets	<u>\$ 70,497</u>	<u>\$ 57,350</u>	<u>\$ 66,109</u>	<u>\$ 61,738</u>
Liabilities:				
Amounts held for others	\$ 70,497	\$ 57,350	\$ 66,109	\$ 61,738
Total liabilities	<u>\$ 70,497</u>	<u>\$ 57,350</u>	<u>\$ 66,109</u>	<u>\$ 61,738</u>
<b>Total -- All Agency Funds</b>				
Assets:				
Cash and cash equivalents	\$ 222,084	\$ 416,245	\$ 425,369	\$ 249,014
Land held for resale	2,500,000	-	-	2,500,000
Total assets	<u>\$ 2,722,084</u>	<u>\$ 416,245</u>	<u>\$ 425,369</u>	<u>\$ 2,749,014</u>
Liabilities:				
Amounts held for others	\$ 222,084	\$ 416,245	\$ 202,509	\$ 471,874
Note payable	2,500,000	-	222,860	2,277,140
Total liabilities	<u>\$ 2,722,084</u>	<u>\$ 416,245</u>	<u>\$ 425,369</u>	<u>\$ 2,749,014</u>

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## **Supporting Schedules**

Governmental Funds  
Schedule of Revenues -- Budget and Actual  
Year Ended June 30, 2017

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
<b>Primary Government:</b>				
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 24,152,977	\$ 22,315,928	\$ 23,842,124	\$ 1,526,196
Real and personal public service corporation property taxes	1,638,001	1,722,866	1,706,074	(16,792)
Personal property taxes	4,331,832	5,340,328	5,611,399	271,071
Mobile home taxes	17,251	9,000	17,101	8,101
Machinery and tools taxes	2,500,000	1,470,836	1,298,334	(172,502)
Penalties	866,747	450,000	551,631	101,631
Interest	-	600,000	708,591	108,591
Total general property taxes	\$ 33,506,808	\$ 31,908,958	\$ 33,735,254	\$ 1,826,296
Other local taxes:				
Local sales and use taxes	\$ 3,685,105	\$ 3,368,106	\$ 3,663,381	\$ 295,275
Consumer utility taxes	2,139,109	1,902,358	1,758,638	(143,720)
Business license taxes	2,833,197	2,650,000	2,912,639	262,639
Bank stock taxes	175,275	193,150	185,959	(7,191)
Motor vehicle licenses	480,345	390,000	372,125	(17,875)
Taxes on recordation and wills	194,861	115,095	250,616	135,521
Cigarette taxes	213,007	860,000	1,056,029	196,029
Admission and amusement taxes	6,655	7,000	7,189	189
Lodging taxes	273,297	384,021	436,032	52,011
Meals taxes	2,700,382	2,709,472	2,843,808	134,336
Total other local taxes	\$ 12,701,233	\$ 12,579,202	\$ 13,486,416	\$ 907,214
Permits, privilege fees and regulatory licenses:				
Animal licenses	\$ 6,319	\$ 3,660	\$ 2,656	\$ (1,004)
Other permits and licenses	666,446	462,006	511,533	49,527
Total permits, privilege fees and regulatory licenses	\$ 672,765	\$ 465,666	\$ 514,189	\$ 48,523
Fines and Forfeitures:				
Court fines and forfeitures	\$ 449,145	\$ 295,527	\$ 458,091	\$ 162,564
Other fines and forfeitures	363,691	178,876	307,891	129,015
Total fines and forfeitures	\$ 812,836	\$ 474,403	\$ 765,982	\$ 291,579
Revenue from use of money and property:				
Revenue from use of money	\$ 112,848	\$ -	\$ 250	\$ 250
Revenue from use of property	253,908	144,524	132,852	(11,672)
Total revenue from use of money and property	\$ 366,756	\$ 144,524	\$ 133,102	\$ (11,422)

Governmental Funds  
 Schedule of Revenues -- Budget and Actual  
 Year Ended June 30, 2017 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
<b>Primary Government: (Continued)</b>				
<b>General Fund: (Continued)</b>				
Revenue from local sources: (Continued)				
Charges for services:				
EMS transportation fees	\$ 54,541	\$ 208,678	\$ 165,278	\$ (43,400)
Court costs	171,059	161,322	158,715	(2,607)
Commonwealth attorney fees	5,174	6,510	5,118	(1,392)
Sheriff fees	22,653	40,353	12,400	(27,953)
Fire protection services	1,083	-	420	420
Other protection	2,876	2,800	2,709	(91)
Sanitation and waste removal	2,421,988	2,191,928	2,776,460	584,532
Sports complex fees	25,000	25,000	5,699	(19,301)
Recreation fees	24,652	36,145	41,225	5,080
Tourism charges	31,151	20,375	12,123	(8,252)
Treasurer's fees	55,046	76,530	335,797	259,267
Other services rendered	90,504	106,389	54,891	(51,498)
Library fees	26,346	32,000	39,881	7,881
Total charges for services	\$ 2,932,073	\$ 2,908,030	\$ 3,610,716	\$ 702,686
Miscellaneous:				
Payment in lieu of tax	\$ 155,485	\$ 31,971	\$ 35,498	\$ 3,527
Other miscellaneous revenue	63,660	177,199	285,843	108,644
Total miscellaneous	\$ 219,145	\$ 209,170	\$ 321,341	\$ 112,171
Recovered costs:				
Recoveries and rebates	\$ 269,919	\$ 154,945	\$ 791,304	\$ 636,359
Gasoline and other items	29,523	35,500	74,846	39,346
Total recovered costs	\$ 299,442	\$ 190,445	\$ 866,150	\$ 675,705
Total revenue from local sources	\$ 51,511,058	\$ 48,880,398	\$ 53,433,150	\$ 4,552,752
Intergovernmental:				
Commonwealth:				
Noncategorical aid:				
Mobile home titling taxes	\$ 1,628	\$ 465	\$ 750	\$ 285
Tax on deeds	58,066	80,000	52,748	(27,252)
Rolling stock tax	88,135	75,000	76,382	1,382
Auto rental tax	120,066	130,526	117,806	(12,720)
Communications tax	1,886,695	1,341,519	1,735,558	394,039
Special appropriation	-	-	420,000	420,000
PPTRA	2,726,040	2,726,040	2,726,040	-
Total noncategorical aid	\$ 4,880,630	\$ 4,353,550	\$ 5,129,284	\$ 775,734

Governmental Funds  
 Schedule of Revenues -- Budget and Actual  
 Year Ended June 30, 2017 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
<b>Primary Government: (Continued)</b>				
<b>General Fund: (Continued)</b>				
Intergovernmental (Continued):				
Revenue from Commonwealth: (Continued)				
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 718,917	\$ 663,000	\$ 722,941	\$ 59,941
Sheriff	553,000	537,000	609,972	72,972
Commissioner of the Revenue	144,317	131,000	143,779	12,779
Treasurer	110,519	103,000	112,848	9,848
Registrar/electoral board	45,071	72,037	45,546	(26,491)
Clerk of the Circuit Court	334,555	307,000	324,659	17,659
Total shared expenses	\$ 1,906,379	\$ 1,813,037	\$ 1,959,745	\$ 146,708
Other categorical aid:				
Public assistance and welfare administration	\$ 3,043,447	\$ 2,623,964	\$ 2,994,236	\$ 370,272
Comprehensive services act grant	1,917,382	2,327,000	2,359,837	32,837
Law enforcement	2,022,317	2,022,236	2,087,344	65,108
Library	142,172	144,386	148,257	3,871
Adult confinement	-	3,070	-	(3,070)
E911 wireless program	-	337,742	380,343	42,601
Other state funds	412,714	187,526	163,183	(24,343)
Total other categorical aid	\$ 7,538,032	\$ 7,645,924	\$ 8,133,200	\$ 487,276
Total categorical aid	\$ 9,444,411	\$ 9,458,961	\$ 10,092,945	\$ 633,984
Total Commonwealth	\$ 14,325,041	\$ 13,812,511	\$ 15,222,229	\$ 1,409,718
Federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 4,663,290	\$ 4,438,566	\$ 4,414,465	\$ (24,101)
Other federal grants	16,125	5,200	-	(5,200)
Total federal government	\$ 4,679,415	\$ 4,443,766	\$ 4,414,465	\$ (29,301)
<b>Total General Fund</b>	<b>\$ 70,515,514</b>	<b>\$ 67,136,675</b>	<b>\$ 73,069,844</b>	<b>\$ 5,933,169</b>
<b>Capital Projects Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 74,303	\$ 74,303
Miscellaneous:				
Miscellaneous	\$ -	\$ -	\$ 10,442	\$ 10,442
Sale of property	-	-	4,275	4,275
Total miscellaneous	\$ -	\$ -	\$ 14,717	\$ 14,717
Total revenue from local sources	\$ -	\$ -	\$ 89,020	\$ 89,020

Governmental Funds  
Schedule of Revenues -- Budget and Actual  
Year Ended June 30, 2017 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
<b>Primary Government: (Continued)</b>				
<b>Capital Projects Fund: (Continued)</b>				
Intergovernmental:				
Revenue from Commonwealth:				
Categorical aid:				
Department of Transportation	\$ -	\$ -	\$ 4,858	\$ 4,858
Total Commonwealth	\$ -	\$ -	\$ 4,858	\$ 4,858
Federal government:				
Categorical aid:				
Federal urban highway funds	\$ -	\$ -	\$ 19,432	\$ 19,432
Total federal government	\$ -	\$ -	\$ 19,432	\$ 19,432
<b>Total Capital Projects Fund</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 113,310</b>	<b>\$ 113,310</b>
<b>Special Revenue Funds:</b>				
<b>Federal and State Projects Fund:</b>				
Revenue from local sources:				
Permits, privilege fees and regulatory licenses:				
Other permits and licenses	\$ -	\$ 125,132	\$ 30,910	\$ (94,222)
Revenue from use of money and property:				
Revenue from use of property	-	76,000	40,428	(35,572)
Miscellaneous:				
Miscellaneous	-	499,850	32,202	(467,648)
Recovered costs:				
Rebates and recoveries	-	40,185	39,916	(269)
Total revenue from local sources	\$ -	\$ 741,167	\$ 143,456	\$ (597,711)
Intergovernmental:				
Commonwealth:				
Other categorical aid:				
Criminal justice corrections grants	\$ -	\$ 358,257	\$ 316,216	\$ (42,041)
Victim witness grants	-	283,505	70,876	(212,629)
VJCCCA grant	-	191,051	84,000	(107,051)
Street maintenance	-	5,282,075	2,559,923	(2,722,152)
VDOT revenue sharing	-	-	647,570	647,570
Fire program grant	-	250,000	105,207	(144,793)
Asset forfeiture - police	-	15,000	67,931	52,931
Other state revenue	-	927,895	195,004	(732,891)
Total Commonwealth	\$ -	\$ 7,307,783	\$ 4,046,727	\$ (3,261,056)
Federal government:				
Categorical aid:				
POWER program	\$ -	\$ 1,278,424	\$ -	\$ (1,278,424)
WIA passthrough grant	-	-	849,090	849,090
Other federal grants	-	1,257,706	257,151	(1,000,555)
Total Federal Government	\$ -	\$ 2,536,130	\$ 1,106,241	\$ (1,429,889)
<b>Total Federal and State Projects Fund</b>	<b>\$ -</b>	<b>\$ 10,585,080</b>	<b>\$ 5,296,424</b>	<b>\$ (5,288,656)</b>

Governmental Funds  
 Schedule of Revenues -- Budget and Actual  
 Year Ended June 30, 2017 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
<b>Primary Government: (Continued)</b>				
<b>Community Development Act Fund:</b>				
Intergovernmental:				
Federal government:				
Categorical aid:				
Community development block grant	\$ 596,163	\$ 1,339,150	\$ 852,535	\$ (486,615)
Total Federal Government	\$ 596,163	\$ 1,339,150	\$ 852,535	\$ (486,615)
<b>Total Community Development Act Fund</b>	<b>\$ 596,163</b>	<b>\$ 1,339,150</b>	<b>\$ 852,535</b>	<b>\$ (486,615)</b>
<b>Stormwater Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 24	\$ 24
Charges for services:				
Stormwater charges	-	1,181,967	1,336,918	154,951
Miscellaneous revenue:				
Miscellaneous	-	-	31	31
<b>Total Stormwater Fund</b>	<b>\$ -</b>	<b>\$ 1,181,967</b>	<b>\$ 1,336,973</b>	<b>\$ 155,006</b>
<b>Blandford Cemetery Perpetual Care Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 5,319	\$ 5,319
Total revenue from use of money and property	\$ -	\$ -	\$ 5,319	\$ 5,319
Charges for services:				
Sale of lots	\$ -	\$ -	\$ 3,400	\$ 3,400
Total charges for services	\$ -	\$ -	\$ 3,400	\$ 3,400
<b>Total Blandford Cemetery Perpetual Care Fund</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,719</b>	<b>\$ 8,719</b>
<b>Clara J. McKenney Memorial Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 2	\$ 2
Total revenue from use of money and property	\$ -	\$ -	\$ 2	\$ 2
<b>Total Clara J. McKenney Memorial Fund</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2</b>	<b>\$ 2</b>
<b>Total Nonmajor Funds</b>	<b>\$ 596,163</b>	<b>\$ 13,106,197</b>	<b>\$ 7,494,653</b>	<b>\$ (5,611,544)</b>
<b>Total Primary Government</b>	<b>\$ 71,111,677</b>	<b>\$ 80,242,872</b>	<b>\$ 80,677,807</b>	<b>\$ 434,935</b>



## Governmental Funds

## Schedule of Expenditures -- Budget and Actual

Year Ended June 30, 2017

Fund, Function, Activity, Element	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
<b>Primary Government:</b>				
<b>General Fund:</b>				
General government administration:				
Legislative:				
City Council	\$ 296,050	\$ 178,811	\$ 172,401	\$ 6,410
General and financial administration:				
City Manager	\$ 566,578	\$ 852,600	\$ 867,051	\$ (14,451)
Hispanic liason	106,414	47,885	59,037	(11,152)
Legal services	320,762	392,892	580,133	(187,241)
Personnel	299,156	354,011	383,531	(29,520)
Commissioner of the Revenue	426,044	349,726	352,566	(2,840)
Assessor	471,141	376,325	361,074	15,251
Treasurer	420,536	389,263	394,374	(5,111)
Finance Director	586,573	522,029	816,602	(294,573)
Purchasing and general services	287,677	276,872	327,723	(50,851)
Information systems	870,654	732,191	1,012,649	(280,458)
Central garage - motor vehicle repair	547,522	1,527,531	1,152,182	375,349
Insurance - financial	91,428	82,135	79,052	3,083
Virginia Municipal League	12,280	-	-	-
National League of Cities	3,388	0	-	-
Virginia Institute of Government	1,500	0	-	-
Total general and financial administration	\$ 5,011,653	\$ 5,903,460	\$ 6,385,974	\$ (482,514)
Board of Elections:				
Electoral board and officials	\$ -	\$ -	\$ 9,766	\$ (9,766)
Registrar	324,721	271,472	327,141	(55,669)
Total board of elections	\$ 324,721	\$ 271,472	\$ 336,907	\$ (65,435)
Total general government administration	\$ 5,632,424	\$ 6,353,743	\$ 6,895,282	\$ (541,539)
Judicial administration:				
Courts:				
Circuit court	\$ 104,639	\$ 102,939	\$ 96,309	\$ 6,630
General district court	40,700	40,700	21,252	19,448
Magistrates	41,584	42,730	38,852	3,878
Juvenile justice	88,636	92,236	99,485	(7,249)
District J & D relations court	12,000	7,750	2,592	5,158
Clerk of the Circuit Court	677,650	653,383	662,633	(9,250)
Juvenile court services	157,607	30,493	34,166	(3,673)
Total courts	\$ 1,122,816	\$ 970,231	\$ 955,289	\$ 14,942
Commonwealth's attorney:				
Commonwealth's attorney	\$ 1,085,247	\$ 1,040,530	\$ 1,017,316	\$ 23,214
Total judicial administration	\$ 2,208,063	\$ 2,010,761	\$ 1,972,605	\$ 38,156
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 8,341,393	\$ 7,327,217	\$ 7,563,585	\$ (236,368)
Emergency communications	1,705,549	1,597,481	1,501,587	95,894
Code compliance	783,598	390,675	374,517	16,158
Criminal justice academy	62,957	62,957	-	62,957
Total law enforcement and traffic control	\$ 10,893,497	\$ 9,378,330	\$ 9,439,689	\$ (61,359)

Governmental Funds  
Schedule of Expenditures -- Budget and Actual  
Year Ended June 30, 2017 (Continued)

Fund, Function, Activity, Element	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
<b>Primary Government: (Continued)</b>				
<b>General Fund: (Continued)</b>				
Public safety: (Continued)				
Fire and rescue services:				
Fire department	\$ 6,143,589	\$ 5,877,870	\$ 5,919,286	\$ (41,416)
Contribution to Southside VA Emergency Crew	183,000	183,000	183,000	-
Total fire and rescue services	\$ 6,326,589	\$ 6,060,870	\$ 6,102,286	\$ (41,416)
Correction and detention:				
City jail	\$ 1,409,323	\$ 1,438,611	\$ 1,418,384	\$ 20,227
Juvenile detention home	498,231	498,231	541,392	(43,161)
Total correction and detention	\$ 1,907,554	\$ 1,936,842	\$ 1,959,776	\$ (22,934)
Other protection:				
Animal control	\$ 298,940	\$ 271,836	\$ 243,484	\$ 28,352
Total other protection	\$ 298,940	\$ 271,836	\$ 243,484	\$ 28,352
Total public safety	\$ 19,426,580	\$ 17,647,878	\$ 17,745,235	\$ (97,357)
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Engineering	\$ 212,978	\$ 175,899	\$ 173,737	\$ 2,162
Street maintenance	-	-	1,641	(1,641)
Total highways, streets, bridges and sidewalks	\$ 212,978	\$ 175,899	\$ 175,378	\$ 521
Sanitation and waste removal:				
Refuse collection	\$ 1,519,960	\$ 1,915,310	\$ 1,356,916	\$ 558,394
Total sanitation and waste removal	\$ 1,519,960	\$ 1,915,310	\$ 1,356,916	\$ 558,394
Maintenance of general buildings and grounds:				
Building maintenance	\$ 2,873,181	\$ 2,351,745	\$ 2,261,707	\$ 90,038
Cemeteries maintenance	142,573	102,854	81,561	21,293
Total maintenance of general buildings and grounds	\$ 3,015,754	\$ 2,454,599	\$ 2,343,268	\$ 111,331
Total public works	\$ 4,748,692	\$ 4,545,808	\$ 3,875,562	\$ 670,246
Health and welfare:				
Health:				
Health department	\$ 562,206	\$ 562,206	\$ 414,573	\$ 147,633
Total health	\$ 562,206	\$ 562,206	\$ 414,573	\$ 147,633
Mental health and mental retardation:				
Community Services Board - District 19	\$ 209,185	\$ 209,185	\$ 209,185	\$ -

Governmental Funds  
Schedule of Expenditures -- Budget and Actual  
Year Ended June 30, 2017 (Continued)

Fund, Function, Activity, Element	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
<b>Primary Government: (Continued)</b>				
<b>General Fund: (Continued)</b>				
Welfare:				
Social services	\$ 8,108,111	\$ 8,808,112	\$ 7,618,973	\$ 1,189,139
Comprehensive services	2,976,259	3,689,484	4,158,437	(468,953)
Legal aid	59,200	-	4,067	(4,067)
Crater District Area Agency on Aging	1,925	1,925	-	1,925
Total welfare	\$ 11,145,495	\$ 12,499,521	\$ 11,781,477	\$ 718,044
Total health and welfare	\$ 11,916,886	\$ 13,270,912	\$ 12,405,235	\$ 865,677
Education:				
Contributions to community colleges	\$ 4,500	\$ -	\$ -	\$ -
Contributions to Component Unit - School Board	11,895,762	8,474,762	8,254,730	220,032
Total education	\$ 11,900,262	\$ 8,474,762	\$ 8,254,730	\$ 220,032
Parks, recreation and cultural:				
Parks and recreation:				
Parks and leisure services	\$ 994,358	\$ 806,441	\$ 676,644	\$ 129,797
Cultural:				
Library	\$ 1,005,989	\$ 844,658	\$ 723,686	\$ 120,972
Total cultural	\$ 1,005,989	\$ 844,658	\$ 723,686	\$ 120,972
Total parks, recreation and cultural	\$ 2,000,347	\$ 1,651,099	\$ 1,400,330	\$ 250,769
Community development:				
Planning and community development:				
Planning	\$ 382,898	\$ -	\$ 246,307	\$ (246,307)
Economic development	641,323	575,006	542,569	32,437
Tourist promotion program	672,386	261,925	239,143	22,782
Other community development	114,537	155,817	112,291	43,526
Contributions to other community organizations	3,833,050	3,724,432	3,721,094	3,338
Total planning and community development	\$ 5,644,194	\$ 4,717,180	\$ 4,861,404	\$ (144,224)
Total community development	\$ 5,644,194	\$ 4,717,180	\$ 4,861,404	\$ (144,224)
Nondepartmental:				
Insurance	\$ 1,555,961	\$ 1,560,863	\$ 2,277,820	\$ (716,957)
Other nondepartmental	230,000	1,717,639	381,356	1,336,283
Contingencies - other	36,677	955,551	1,761	953,790
Total nondepartmental	\$ 1,822,638	\$ 4,234,053	\$ 2,660,937	\$ 1,573,116
Debt service:				
Principal retirement	\$ 3,564,914	\$ 4,063,566	\$ 4,052,071	\$ 11,495
Interest and fiscal charges	1,282,563	1,378,563	1,737,734	(359,171)
Total debt service	\$ 4,847,477	\$ 5,442,129	\$ 5,789,805	\$ (347,676)
<b>Total General Fund</b>	<b>\$ 70,147,563</b>	<b>\$ 68,348,325</b>	<b>\$ 65,861,125</b>	<b>\$ 2,487,200</b>

## Governmental Funds

## Schedule of Expenditures -- Budget and Actual

Year Ended June 30, 2017 (Continued)

Fund, Function, Activity, Element	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
<b>Primary Government: (Continued)</b>				
<b>Capital Projects Fund:</b>				
Capital outlays / projects:				
General government administration:				
Farmers Market plan design renovation	\$ -	\$ 55,864	\$ 87,823	\$ (31,959)
Acquisition of property	-	-	10,889	(10,889)
Technology assessment	-	500,000	-	500,000
Total general government administration	\$ -	\$ 555,864	98,712	\$ 457,152
Judicial administration:				
Husting court - roof replacement	\$ -	\$ 1,211,544	\$ 522,045	\$ 689,499
District court - building addition	-	258,097	5,313	252,784
Circuit court - interior renovations	-	51,855	2,962	48,893
Commonwealth Attorney - roof replacement	-	56,011	56,423	(412)
Total judicial administration	\$ -	\$ 1,577,507	\$ 586,743	\$ 990,764
Public safety:				
Ambulance purchase	\$ -	\$ 143,000	\$ 142,938	\$ 62
Total public safety	\$ -	\$ 143,000	\$ 142,938	\$ 62
Public works:				
Public works facility	\$ -	\$ 166,570	\$ -	\$ 166,570
New equipment	-	-	71,008	(71,008)
SCADA control system	-	110,170	-	110,170
Southside depot restoration	-	190,000	-	190,000
Check valve replacement	-	188,366	-	188,366
Pipe line replacement	-	508,584	-	508,584
Water tank assessment	-	184,000	-	184,000
Stormwater projects	-	500,000	483,735	16,265
Total public works	\$ -	\$ 1,847,690	\$ 554,743	\$ 1,292,947
Education:				
Various capital projects	\$ -	-	\$ 715,151	\$ (715,151)
Total education	\$ -	-	\$ 715,151	\$ (715,151)
Parks, recreation and cultural:				
Gateway exit 52 park improvements	\$ -	\$ 561,000	\$ 26,875	\$ 534,125
Total parks, recreation and cultural	\$ -	\$ 561,000	\$ 26,875	\$ 534,125
<b>Total Capital Projects Fund</b>	<b>\$ -</b>	<b>\$ 4,685,061</b>	<b>\$ 2,125,162</b>	<b>\$ 2,559,899</b>
<b>Special Revenue Funds:</b>				
<b>Federal and State Projects Fund:</b>				
Judicial administration:				
Courts:				
Courthouse construction	\$ -	\$ 177,939	\$ 398	\$ 177,541
Law library	-	100,000	38,188	61,812
Asset forfeiture Commonwealth Attorney	-	16,067	7,743	8,324
Total judicial administration	\$ -	\$ 294,006	\$ 46,329	\$ 247,677

## Governmental Funds

## Schedule of Expenditures -- Budget and Actual

Year Ended June 30, 2017 (Continued)

Fund, Function, Activity, Element	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
<b>Primary Government: (Continued)</b>				
<b>Special Revenue Funds: (Continued)</b>				
<b>Federal and State Projects Fund (Continued):</b>				
Public Safety:				
Law Enforcement and Traffic Control:				
City Police asset forfeiture program	\$ -	\$ -	(22)	\$ 22
Permit issuance fees	-	30,132	4,480	25,652
PPEA projects	-	45,000	-	45,000
Asset forfeiture police state	-	-	25,262	(25,262)
DMV mini grant	-	56,370	64,668	(8,298)
Victim witness	-	283,505	235,889	47,616
Va. Juvenile community crime control	-	191,051	145,886	45,165
POWER youth program employment	-	1,278,424	-	1,278,424
Community corrections	-	358,257	294,763	63,494
Fire LEMPG Grant	-	-	10,409	(10,409)
Triad	-	2,500	-	2,500
CIT assessment	-	-	12,672	(12,672)
Four for life - fire	-	25,000	(3,864)	28,864
Fire purchase of life support	-	142,938	-	142,938
Fire state program	-	255,811	113	255,698
Edward Byrne S.T.E.P.S.	-	12,000	1,750	10,250
Fire purchase of life support	-	-	65,633	(65,633)
Assistant to fire fighters grant	-	-	396,502	(396,502)
Federal asset forfeiture treasury fund	-	5,000	4,275	725
Total public safety	\$ -	\$ 2,685,988	\$ 1,258,416	\$ 1,427,572
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Area signal coordination	\$ -	\$ 200,050	\$ -	\$ 200,050
Southside depot restoration	-	163,876	475	163,401
VDOT street operation	-	5,282,075	1,661,026	3,621,049
E Washington street paving	-	600,000	25,581	574,419
W Washington street paving	-	-	27,823	(27,823)
Route 460 paving project	-	40,000	-	40,000
Total maintenance of general buildings and grounds	\$ -	\$ 6,286,001	\$ 1,714,905	\$ 4,571,096
Sanitation and waste removal:				
Litter control	\$ -	\$ 10,000	\$ 6,650	\$ 3,350
Stormwater management program	-	-	24,987	(24,987)
Total sanitation and waste removal	\$ -	\$ 10,000	\$ 31,637	\$ (21,637)
Total public works	\$ -	\$ 6,296,001	\$ 1,746,542	\$ 4,549,459

## Governmental Funds

## Schedule of Expenditures -- Budget and Actual

Year Ended June 30, 2017 (Continued)

Fund, Function, Activity, Element	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
<b>Primary Government: (Continued)</b>				
<b>Federal and State Projects Fund: (Continued)</b>				
Health and welfare:				
Healthy living grant	\$ -	\$ 70,000	\$ 26,247	\$ 43,753
WIA passthrough grant	-	-	849,090	(849,090)
Office on youth	-	-	700	(700)
Mental health - cameron	-	16,100	-	16,100
Total health and welfare	\$ -	\$ 86,100	\$ 876,037	\$ (789,937)
Parks, recreation and cultural:				
Library - early literacy united way	\$ -	\$ -	\$ 2,057	\$ (2,057)
Library donations	-	-	524	(524)
Total parks, recreation and cultural	\$ -	\$ -	\$ 2,581	\$ (2,581)
Community Development:				
A1 Gateway adoption	\$ -	\$ 700,000	\$ -	\$ 700,000
Center Hill mansion	-	9,270	-	9,270
Freedom House	-	76,000	220,106	(144,106)
Economic development incentive	-	200,000	-	200,000
Afro american adoption contribution	-	109,500	62,180	47,320
Economic development - AGR and consumer grant	-	50,000	-	50,000
RCAPP - Office on Youth	-	31,625	25,388	6,237
Total community development	\$ -	\$ 1,176,395	\$ 307,674	\$ 868,721
<b>Total Federal and State Projects Fund</b>	<b>\$ -</b>	<b>\$ 10,538,490</b>	<b>\$ 4,237,579</b>	<b>\$ 6,300,911</b>
<b>Community Development Act Fund:</b>				
Community Development:				
Other community development expenditures	\$ 596,163	\$ 1,339,150	\$ 830,261	\$ 508,889
Total community development	\$ 596,163	\$ 1,339,150	\$ 830,261	\$ 508,889
<b>Total Community Development Act Fund</b>	<b>\$ 596,163</b>	<b>\$ 1,339,150</b>	<b>\$ 830,261</b>	<b>\$ 508,889</b>
<b>Stormwater Fund:</b>				
Public works:				
Sanitation and waste removal:				
Stormwater management program	\$ -	\$ 523,491	\$ 191,849	\$ 331,642
Debt service:				
Principal retirement	\$ -	\$ 658,476	\$ 629,332	\$ 29,144
Interest and fiscal charges	-	-	65,653	(65,653)
Total debt service	\$ -	\$ 658,476	\$ 694,985	\$ (36,509)
<b>Total Stormwater Fund</b>	<b>\$ -</b>	<b>\$ 1,181,967</b>	<b>\$ 886,834</b>	<b>\$ 295,133</b>
<b>Total Nonmajor Funds</b>	<b>\$ 596,163</b>	<b>\$ 13,059,607</b>	<b>\$ 5,954,674</b>	<b>\$ 7,104,933</b>
<b>Total Primary Government</b>	<b>\$ 70,743,726</b>	<b>\$ 86,092,993</b>	<b>\$ 73,940,961</b>	<b>\$ 12,152,032</b>

## CITY OF PETERSBURG, VIRGINIA

### Statistical Tables

<u>Section / Table #</u>	<u>Description of Section / Tables</u>
<b>Financial Trends</b>	These tables contain trend information to help the reader understand how the the City's financial performance and well-being have changed over time.
1	Net Position by Component
2	Changes in Net Position
3	Governmental Activities Tax Revenues by Source (Accrual Basis of Accounting)
4	Fund Balances of Governmental Funds
5	Changes in Fund Balances of Governmental Funds
6	Governmental Activities Tax Revenues by Source (Modified Accrual Basis of Accounting)
<b>Revenue Capacity</b>	These tables contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.
7	Assessed and Estimated Valuation of All Taxable Property
8	Property Tax Rates
9	Principal Business Taxpayers
10	Property Tax Levies and Collections
<b>Debt Capacity</b>	These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue debt in the future.
11	Ratios of Outstanding Debt by Type
12	Ratio of Net General Bonded Obligation Bonded Debt to Assessed Value and Net Obligation Bonded Debt per Capita
13	Computation of Direct and Overlapping Bonded Debt and Legal debt Margin
14	Revenue Coverage
<b>Demographic and Economic Information</b>	This table offers demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.
15	Demographic, Economic and Census Statistics
<b>Operating Information</b>	These tables 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	Major Private Employers
17	Full-time Equivalent City Government Employees by Function
18	Operating Indicators by Function
19	Capital Asset Statistics by Function

*Sources:* Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year.

CITY OF PETERSBURG, VIRGINIA

Net Position by Component  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)

	2008	2009	2010	2011
Governmental activities:				
Net investment in capital assets	\$ 16,802,876	\$ 16,440,386	\$ 17,879,326	\$ 15,534,169
Restricted	2,086,098	1,898,698	1,894,824	4,459,923
Unrestricted	9,695,632	16,616,660	19,403,458	19,465,464
Total governmental activities	<u>\$ 28,584,606</u>	<u>\$ 34,955,744</u>	<u>\$ 39,177,608</u>	<u>\$ 39,459,556</u>
Business-type activities:				
Net investment in capital assets	\$ 25,697,774	\$ 36,423,288	\$ 37,420,508	\$ 38,529,251
Restricted	5,151,624	4,568,423	3,861,693	3,049,996
Unrestricted	(3,826,030)	(5,529,579)	(5,648,711)	(7,843,351)
Total business-type activities	<u>\$ 27,023,368</u>	<u>\$ 35,462,132</u>	<u>\$ 35,633,490</u>	<u>\$ 33,735,896</u>
Primary government				
Net investment in capital assets	\$ 42,500,650	\$ 52,863,674	\$ 55,299,834	\$ 54,063,420
Restricted	7,237,722	6,467,121	5,756,517	7,509,919
Unrestricted	5,869,602	11,087,081	13,754,747	11,622,113
Total primary government	<u>\$ 55,607,974</u>	<u>\$ 70,417,876</u>	<u>\$ 74,811,098</u>	<u>\$ 73,195,452</u>



Table 1

2012	2013	2014	2015	2016	2017
\$ 23,120,077	\$ 18,479,417	\$ 22,461,507	\$ 20,896,406	\$ 20,071,779	\$ 20,234,034
8,371,649	8,699,721	3,149,244	3,011,799	4,275,250	5,064,216
4,144,437	1,133,991	7,091,332	(18,593,137)	(20,842,395)	(9,320,682)
<u>\$ 35,636,163</u>	<u>\$ 28,313,129</u>	<u>\$ 32,702,083</u>	<u>\$ 5,315,068</u>	<u>\$ 3,504,634</u>	<u>\$ 15,977,568</u>
\$ 41,540,929	\$ 40,518,560	\$ 41,072,153	\$ 39,271,737	\$ 38,557,116	\$ 37,552,117
2,198,555	1,334,606	465,941	489,434	489,434	491,191
(2,045,948)	(2,029,523)	(1,368,263)	(4,270,209)	(7,542,983)	(5,953,216)
<u>\$ 41,693,536</u>	<u>\$ 39,823,643</u>	<u>\$ 40,169,831</u>	<u>\$ 35,490,962</u>	<u>\$ 31,503,567</u>	<u>\$ 32,090,092</u>
\$ 64,661,006	\$ 58,997,977	\$ 63,533,660	\$ 60,168,143	\$ 58,628,895	\$ 57,786,151
10,570,204	10,034,327	3,615,185	3,501,233	4,764,684	5,555,407
2,098,489	(895,532)	5,723,069	(22,863,346)	(28,385,378)	(15,273,898)
<u>\$ 77,329,699</u>	<u>\$ 68,136,772</u>	<u>\$ 72,871,914</u>	<u>\$ 40,806,030</u>	<u>\$ 35,008,201</u>	<u>\$ 48,067,660</u>

Changes in Net Position  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)

	2008	2009	2010	2010	2012	2013	2014	2015	2016	2017
<b>Expenses:</b>										
Governmental activities:										
General government administration	\$ 4,409,342	\$ 4,476,479	\$ 3,953,282	\$ 3,953,282	\$ 4,689,240	\$ 5,024,964	\$ 6,124,429	\$ 7,085,421	\$ 7,000,032	\$ 6,987,157
Judicial administration	2,209,742	2,384,990	2,170,832	2,170,832	2,166,314	2,329,886	2,409,720	2,392,925	2,324,844	2,424,147
Public safety	26,424,002	28,266,556	29,031,529	29,031,529	31,073,384	29,534,876	27,624,108	26,840,786	23,666,410	18,589,827
Public works	12,120,847	14,737,685	13,225,076	13,225,076	15,391,709	13,624,539	12,902,451	12,992,788	11,605,106	7,303,967
Health and welfare	16,441,259	15,835,032	14,887,566	14,887,566	13,193,886	12,472,778	13,358,082	13,703,670	13,488,320	13,891,867
Education	9,461,387	10,789,591	11,160,050	11,160,050	9,157,346	11,476,574	10,289,525	12,048,813	11,673,961	8,775,894
Parks, recreation, and cultural	3,862,492	2,453,245	2,443,712	2,443,712	2,547,419	7,557,488	2,819,867	2,445,593	2,216,162	1,642,337
Community development	2,206,472	2,238,970	3,607,676	3,607,676	3,304,525	3,277,237	3,855,151	6,152,338	6,286,581	6,324,991
Interest and other fiscal charges	1,187,375	1,186,876	1,590,337	1,590,337	1,127,482	1,228,991	1,016,546	1,541,463	1,648,599	1,768,995
Total governmental activities expenses	\$ 78,322,918	\$ 82,369,424	\$ 82,070,060	\$ 82,070,060	\$ 82,651,305	\$ 86,527,333	\$ 80,399,879	\$ 85,203,797	\$ 79,910,015	\$ 67,709,182
Business-type activities:										
Public Utility	\$ 8,393,991	\$ 8,514,037	\$ 9,127,023	\$ 9,127,023	\$ 9,292,960	\$ 9,490,563	\$ 9,095,733	\$ 10,141,929	\$ 10,248,093	\$ 10,639,774
Mass transit	3,021,131	2,919,251	3,545,881	3,545,881	4,442,057	4,233,740	4,343,710	4,429,192	5,133,570	4,359,362
Golf Course	622,377	1,176,452	1,182,589	1,182,589	1,151,540	1,110,021	1,203,286	1,256,939	1,186,181	969,240
Total business-type activities expenses	\$ 12,037,499	\$ 12,609,740	\$ 13,855,493	\$ 13,855,493	\$ 14,886,557	\$ 14,834,324	\$ 14,642,729	\$ 15,828,060	\$ 16,567,844	\$ 15,968,376
Total primary government expenses	\$ 90,360,417	\$ 94,979,164	\$ 95,925,553	\$ 95,925,553	\$ 97,537,862	\$ 101,361,657	\$ 95,042,608	\$ 101,031,857	\$ 96,477,859	\$ 83,677,558
<b>Program revenues:</b>										
Governmental activities:										
Charges for services:										
General government administration	\$ -	\$ 15,442	\$ -	\$ -	\$ -	\$ 350,714	\$ 228,416	\$ 177,548	\$ 108,845	\$ 390,688
Judicial administration	1,112,344	562,801	860,011	860,011	1,000,340	615,372	680,649	562,613	458,825	929,815
Public safety	967,272	799,041	461,872	461,872	619,311	461,406	536,074	723,770	973,578	725,906
Public works	2,116,599	2,068,003	1,878,941	1,878,941	1,581,645	2,125,662	3,042,325	3,155,209	3,394,087	4,116,778
Health and welfare	-	-	-	-	-	-	6,665	-	-	-
Parks, recreation, and cultural	131,968	176,435	101,789	101,789	82,202	98,246	80,473	144,757	91,383	86,805
Community development	188,335	1,347	32,105	32,105	35,081	307,123	209,969	473,614	18,999	12,123
Operating grants and contributions:										
General government administration	373,318	344,481	302,633	302,633	305,189	291,559	305,503	299,039	335,426	302,173
Judicial administration	1,209,709	1,292,166	964,332	964,332	993,434	962,643	1,051,708	1,183,964	1,271,503	1,047,600
Public safety	8,763,661	7,490,017	8,143,893	8,143,893	7,504,260	7,096,135	7,682,641	7,280,645	4,722,327	3,885,072
Public works	4,468,129	4,620,981	4,565,451	4,565,451	4,907,577	5,001,123	5,167,493	5,400,118	6,887,122	3,683,938
Health and welfare	11,737,712	11,693,590	11,128,359	11,128,359	9,757,395	8,845,264	9,667,570	9,704,194	10,212,459	10,617,628
Education	-	-	-	-	-	-	-	-	-	-
Parks, recreation, and cultural	602,572	185,700	195,188	195,188	141,719	274,093	145,774	145,622	181,506	148,257
Community development	392,080	748,388	534,970	534,970	505,493	1,081,150	850,812	444,873	438,227	852,535
Capital grants and contributions:										
Public works	3,070,207	1,311,316	2,082,199	2,082,199	763,981	1,014,283	6,312,018	3,154	26,804	-
Education	-	4,430,000	3,000,000	3,000,000	-	-	-	-	-	-
Parks, recreation, and cultural	-	-	90,000	90,000	-	-	-	-	-	-
Community development	-	500,000	-	-	-	-	19,920	-	-	-
Total governmental activities program revenues	\$ 35,133,906	\$ 36,239,708	\$ 34,341,743	\$ 34,341,743	\$ 28,197,627	\$ 28,524,773	\$ 35,988,010	\$ 29,699,120	\$ 29,121,091	\$ 26,799,318

Changes in Net Position  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Program revenues: (Continued)</b>										
Business-type activities:										
Charges for services:										
Public Utility	\$ 7,037,608	\$ 7,123,929	\$ 9,419,189	\$ 9,419,189	\$ 9,539,367	\$ 9,130,177	\$ 9,107,233	\$ 8,758,140	\$ 7,180,519	\$ 12,334,213
Mass Transit	512,960	437,138	413,822	413,822	474,125	536,463	528,470	579,124	617,774	990,242
Golf course	188,080	565,943	599,448	599,448	683,792	709,000	701,000	694,111	693,901	703,735
Operating grants and contributions:										
Mass Transit	1,415,667	1,751,172	971,920	971,920	1,089,908	1,403,671	1,768,821	3,144,068	2,091,584	2,194,278
Capital grants and contributions										
Public Utility	2,210,427	1,597,206	-	-	558,422	-	-	-	-	-
Mass Transit	7,360,969	9,396,245	2,315,371	2,315,371	1,156,832	376,333	2,003,498	158,355	784,525	18,616
Total business-type activities program revenues	\$ 18,725,711	\$ 20,871,633	\$ 13,719,750	\$ 13,719,750	\$ 13,502,446	\$ 12,155,644	\$ 14,109,022	\$ 13,333,798	\$ 11,368,303	\$ 16,241,084
Total primary government program revenues	\$ 53,859,617	\$ 57,111,341	\$ 48,061,493	\$ 48,061,493	\$ 41,700,073	\$ 40,680,417	\$ 50,097,032	\$ 43,032,918	\$ 40,489,394	\$ 43,040,402
Net (expense) / revenue										
Governmental activities	\$ (43,189,012)	\$ (46,129,714)	\$ (47,728,317)	\$ (47,728,317)	\$ (54,453,678)	\$ (58,002,560)	\$ (44,411,869)	\$ (55,504,677)	\$ (50,788,924)	\$ (40,909,864)
Business-type activities	6,688,212	8,261,893	(135,743)	(135,743)	(1,384,111)	(2,678,680)	(533,707)	(2,494,262)	(5,199,541)	272,708
Total primary government net expense	\$ (36,500,800)	\$ (37,867,821)	\$ (47,864,060)	\$ (47,864,060)	\$ (55,837,789)	\$ (60,681,240)	\$ (44,945,576)	\$ (57,998,939)	\$ (55,988,465)	\$ (40,637,156)
<b>General Revenues and Other</b>										
<b>Change in Net Position</b>										
Governmental activities:										
General property taxes	\$ 28,860,512	\$ 33,090,055	\$ 35,991,155	\$ 35,991,155	\$ 34,093,970	\$ 33,726,929	\$ 34,394,416	\$ 33,418,636	\$ 31,963,589	\$ 34,862,878
Local sales and use taxes	3,995,564	3,796,848	3,396,411	3,396,411	3,755,828	3,738,656	3,530,101	3,715,835	3,528,238	3,663,381
Consumer utility taxes	1,578,832	1,778,414	1,678,216	1,678,216	1,658,993	1,761,728	1,638,787	1,715,224	1,918,122	1,758,638
Business license taxes	2,747,595	3,144,714	2,553,424	2,553,424	2,931,183	2,876,387	2,727,728	2,797,490	2,659,030	2,912,639
Motor Vehicle license taxes	595,329	533,365	491,904	491,904	511,083	502,714	487,391	420,192	389,349	372,125
Lodging taxes	470,393	435,520	375,201	375,201	294,194	273,899	268,575	256,522	320,486	436,032
Meals tax	1,459,964	1,316,975	1,361,103	1,361,103	1,559,147	2,211,886	2,423,433	2,571,793	2,948,184	2,843,808
Other local taxes	839,751	561,595	664,274	664,274	571,077	566,682	618,970	602,467	578,287	1,499,793
Unrestricted revenues from use of money and property	507,218	371,424	367,179	367,179	383,397	397,947	487,382	231,452	490,012	253,178
Miscellaneous	114,854	2,224,312	348,002	348,002	472,304	1,285,606	861,739	1,104,557	640,843	368,291
Grants and contributions not restricted to specific programs	5,079,475	4,417,059	4,867,141	4,867,141	4,761,896	4,835,521	4,936,135	4,828,315	4,749,525	5,129,284
Gain/(Loss) on sale of assets	(66,671)	-	-	-	-	-	-	-	-	-
Transfers (net)	-	109,928	(143,830)	(143,830)	(499,618)	(802,736)	(878,560)	-	(1,207,175)	(717,248)
Total governmental activities	\$ 46,182,816	\$ 51,780,209	\$ 51,950,180	\$ 51,950,180	\$ 50,493,454	\$ 51,375,219	\$ 51,496,097	\$ 51,662,483	\$ 48,978,490	\$ 53,382,799
Business-type activities:										
Unrestricted revenues from use of money and property	\$ 50,284	\$ -	\$ 163,271	\$ 163,271	\$ -	\$ 6,051	\$ 1,335	\$ 1,181	\$ 4,971	\$ 3,362
Miscellaneous	-	286,799	-	-	-	-	-	-	-	-
Transfers	-	(109,928)	143,830	143,830	499,618	802,736	878,560	-	1,207,175	717,248
Total business-type activities	\$ 50,284	\$ 176,871	\$ 307,101	\$ 307,101	\$ 499,618	\$ 808,787	\$ 879,895	\$ 1,181	\$ 1,212,146	\$ 720,610
Total primary government	\$ 46,233,100	\$ 51,957,080	\$ 52,257,281	\$ 52,257,281	\$ 50,993,072	\$ 52,184,006	\$ 52,375,992	\$ 51,663,664	\$ 50,190,636	\$ 54,103,409
<b>Change in Net Position</b>										
Governmental activities	\$ 2,993,804	\$ 5,650,495	\$ 4,221,863	\$ 4,221,863	\$ (3,960,224)	\$ (6,627,341)	\$ 7,084,228	\$ (3,842,194)	\$ (1,810,434)	\$ 12,472,935
Business-type activities	6,738,496	8,438,764	171,358	171,358	(884,493)	(1,869,893)	346,188	(2,493,081)	(3,987,395)	993,318
Total primary government	\$ 9,732,300	\$ 14,089,259	\$ 4,393,221	\$ 4,393,221	\$ (4,844,717)	\$ (8,497,234)	\$ 7,430,416	\$ (6,335,275)	\$ (5,797,829)	\$ 13,466,253

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Governmental Activities Tax Revenues by Source  
 Last Ten Fiscal Years  
 (Accrual Basis of Accounting)

Fiscal Year	General Property Taxes	Local Sales and Use Taxes	Consumer Utility Taxes	Business License Taxes	Motor Vehicle License Taxes	Lodging Taxes	Meals Taxes	Other Local Taxes	Total
2008	\$ 28,860,512	\$ 3,995,564	\$ 1,578,832	\$ 2,747,595	\$ 595,329	\$ 470,393	\$ 1,459,964	\$ 839,751	\$ 40,547,940
2009	33,090,055	3,796,848	1,778,414	3,144,714	533,365	435,520	1,316,975	561,595	44,657,486
2010	35,991,155	3,396,411	1,678,216	2,553,424	491,904	375,201	1,361,103	664,273	46,511,687
2011	34,691,569	3,667,579	1,691,546	2,489,284	493,869	340,894	1,376,528	627,076	45,378,345
2012	34,093,970	3,755,828	1,658,993	2,931,183	511,083	294,194	1,559,147	571,077	45,375,475
2013	33,726,929	3,738,656	1,761,728	2,876,387	502,714	273,899	2,211,886	566,682	45,658,881
2014	34,394,416	3,530,101	1,638,787	2,727,728	487,391	268,575	2,423,433	618,970	46,089,401
2015	33,418,636	3,715,835	1,715,224	2,797,490	420,192	256,522	2,571,793	602,467	45,498,159
2016	31,963,589	3,528,238	1,918,122	2,659,030	389,349	320,486	2,948,184	578,287	44,305,285
2017	34,862,878	3,663,381	1,758,638	2,912,639	372,125	436,032	2,843,808	1,499,793	48,349,294

## CITY OF PETERSBURG, VIRGINIA

## Fund Balances of Governmental Funds

## Last Ten Fiscal Years

## (Modified Accrual Basis of Accounting)

	2008	2009	2010	2011	2012
General fund					
Nonspendable:					
Inventory and land held for resale	\$ -	\$ -	\$ -	\$ 5,015,776	\$ 4,891,455
Interfund loans	-	-	-	8,225,957	250,071
Restricted:					
Debt service	-	-	-	2,631,120	3,080,364
Grants	-	-	-	-	172,560
Committed:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Parks, recreation and cultural	-	-	-	-	-
Community development	-	-	-	-	-
Land acquisition	-	-	-	225,000	-
Rives Road widening	-	-	-	10,000	-
Walnut Hill Elementary School	-	-	-	121,000	-
Employee bonuses	-	-	-	750,000	-
Petersburg Public School Operations Center	-	-	-	100,000	-
Health and welfare	-	-	-	63,000	-
Assigned:					
General government	-	-	-	3,658	-
Police Department	-	-	-	75,190	-
Fire Department	-	-	-	8,080	-
Jail	-	-	-	23,595	-
Engineering	-	-	-	14,080	-
Street maintenance	-	-	-	459,944	-
Building maintenance	-	-	-	44,800	-
Library	-	-	-	2,710	-
Tourism	-	-	-	1,828	-
Other purposes	-	-	-	4,525	-
Unassigned	-	-	-	6,402,849	4,615,214
Reserved:					
Inventory	4,652,161	4,900,400	4,990,308	-	-
Asset forfeiture	194,000	-	-	-	-
Capital Projects	-	-	-	-	-
Debt Service	-	-	-	-	-
Landfill closure/post-closure monitoring	1,750,000	-	-	-	-
Encumbrances	1,470,314	517,929	-	-	-
Unreserved, undesignated	11,935,086	14,837,698	15,403,526	-	-
Total general fund	\$ 20,001,561	\$ 20,256,027	\$ 20,393,834	\$ 24,183,112	\$ 13,009,664
All other governmental funds					
Nonspendable:					
Interfund loans - capital projects	\$ -	\$ -	\$ -	\$ 279,781	\$ 279,781
Cemetery Perpetual care and library	-	-	-	1,828,803	1,773,666
Prepaid items	-	-	-	-	-
McKenney scholarships	-	-	-	19,001	19,009
Restricted:					
Grants	-	-	-	448,435	462,609
Capital projects	-	-	-	-	2,863,440
Committed:					
Stormwater	-	-	-	-	-
Assigned to:					
LT Run Watershed Study - stream restoration	-	-	-	638,400	-
Centre Hill drainage improvement	-	-	-	57,518	-
Passenger train station	-	-	-	164,000	-
Prince George PPEA project	-	-	-	499,540	-
Poor Creek Pump Station	-	-	-	2,368,980	-
Health Department	-	-	-	335,575	-
School projects	-	-	-	22,130	-
Other purposes	-	-	-	1,215,436	-
Reserved:					
Capital projects	1,804,898	2,252,155	3,989,903	-	-
Special revenue funds	122,035	136,851	277,931	-	-
Permanent funds	1,892,098	1,898,698	1,894,824	-	-
Unreserved, reported in:					
Non-major:					
Special revenue funds (deficit)	(74,801)	105,620	342,777	-	-
Capital projects fund	(5,305,826)	-	-	-	-
Permanent funds	-	-	-	-	-
Total all other governmental funds	\$ (1,561,596)	\$ 4,393,324	\$ 6,505,435	\$ 7,877,599	\$ 5,398,505
Total fund balances	\$ 18,439,965	\$ 24,649,351	\$ 26,899,269	\$ 32,060,711	\$ 18,408,169

The City implemented GASB 54 in FY 11 and has elected not to reclassify fund balance amounts for the previous five fiscal years.

Table 4

[illegible]

CITY OF PETERSBURG, VIRGINIA

Changes in Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting)

	2008	2009	2010	2011	2012
Revenues:					
General property taxes	\$ 28,104,541	\$ 32,299,130	\$ 34,703,935	\$ 34,039,946	\$ 33,388,519
Other local taxes	13,797,559	13,484,673	12,445,767	12,602,485	11,281,505
Permits, privilege fees and regulatory licenses	656,809	660,299	483,718	426,106	559,870
Fines and forfeitures	1,071,755	468,464	684,907	673,606	786,925
Revenue from use of money and property	507,218	371,424	367,179	346,203	383,397
Charges for services	2,787,954	2,494,305	2,166,093	1,980,201	1,971,784
Miscellaneous	2,474,098	6,654,314	3,838,002	3,928,274	472,304
Recovered costs	466,502	378,789	315,212	638,918	35,966
Intergovernmental:					
Commonwealth	24,218,725	22,958,947	23,278,884	21,417,443	23,474,260
Federal	7,099,686	7,727,510	7,180,048	6,567,302	6,166,684
Total revenues	\$ 81,184,847	\$ 87,497,855	\$ 85,463,745	\$ 82,620,484	\$ 78,521,214
Expenditures:					
General government administration	\$ 4,116,450	\$ 4,360,569	\$ 3,826,456	\$ 4,098,854	\$ 4,623,610
Judicial administration	2,139,494	2,184,145	1,973,393	1,967,127	1,942,608
Public safety	26,459,229	26,566,138	27,441,826	28,443,133	29,063,421
Public works	17,240,364	14,156,676	11,689,667	10,264,734	13,148,715
Health and welfare	16,225,483	15,499,383	14,668,974	14,086,084	13,035,375
Education	14,302,941	13,502,674	10,474,051	13,016,373	10,270,452
Parks, recreation, and cultural	4,153,537	2,659,418	2,431,519	2,470,427	2,366,214
Community development	2,840,006	2,192,083	3,574,257	3,497,736	3,422,572
Nondepartmental	803,240	959,214	1,149,019	1,247,187	1,968,166
Debt service:					
Principal retirement	2,960,058	6,248,664	6,270,000	5,998,607	3,520,535
Interest and other fiscal charges	1,449,801	1,497,372	2,400,439	1,337,602	1,108,836
Total expenditures	\$ 92,690,603	\$ 89,826,336	\$ 85,899,601	\$ 86,427,864	\$ 84,470,504
Excess (deficiency) of revenues over expenditures	\$ (11,505,756)	\$ (2,328,481)	\$ (435,856)	\$ (3,807,380)	\$ (5,949,290)
Other financing sources (uses):					
Transfers in	\$ 1,014,136	\$ 1,357,056	\$ 178,538	\$ 451,234	\$ 493,471
Transfers (out)	(1,014,136)	(1,247,128)	(322,368)	(704,170)	(993,090)
Proceeds from capital leases	232,996	782,997	62,106	379,650	165,000
Sale of assets	-	-	350,000	-	-
Issuance of debt	9,100,000	7,360,000	8,560,000	396,000	1,530,000
Premium on debt issued	-	284,941	3,035	-	-
Proceeds from refunding bonds	-	-	-	2,686,689	-
Payment to refunded bond escrow agent	-	-	-	(2,596,254)	-
Total other financing sources (uses)	\$ 9,332,996	\$ 8,537,866	\$ 8,831,311	\$ 613,149	\$ 1,195,381
Net changes in fund balances	\$ (2,172,760)	\$ 6,209,385	\$ 8,395,455	\$ (3,194,231)	\$ (4,753,909)
Debt service as a percentage of noncapital expenditures	4.79%	9.41%	11.06%	8.77%	5.89%



Table 5

	2013	2014	2015	2016	2017
\$	33,787,723	\$ 33,299,800	\$ 32,558,767	\$ 34,495,560	\$ 33,735,254
	11,931,952	11,694,985	12,079,523	12,341,696	13,486,416
	589,836	570,939	686,551	496,899	545,099
	784,879	714,870	765,358	407,471	765,982
	397,947	487,382	231,452	489,754	253,178
	2,583,808	3,498,762	3,785,602	4,141,347	4,951,034
	1,285,606	861,739	1,104,557	641,101	368,291
	1,153,960	1,189,699	312,402	416,380	906,066
	23,044,851	23,487,926	23,548,977	22,492,191	19,273,814
	6,356,920	6,444,971	5,740,947	6,332,708	6,392,673
\$	<u>81,917,482</u>	<u>\$ 82,251,073</u>	<u>\$ 80,814,136</u>	<u>\$ 82,255,107</u>	<u>\$ 80,677,807</u>
\$	5,754,005	\$ 7,163,426	\$ 7,524,695	\$ 7,442,109	\$ 6,993,994
	2,179,386	2,491,818	2,463,424	2,382,411	2,605,677
	28,748,274	27,484,115	27,606,870	23,060,160	19,146,589
	11,822,628	11,417,788	10,981,210	12,285,985	6,368,696
	12,077,260	12,943,794	13,680,829	13,319,206	13,281,272
	12,464,698	10,858,309	12,162,407	12,071,503	8,969,881
	7,711,017	2,968,898	2,410,228	2,155,546	1,429,786
	3,210,767	3,845,518	6,173,516	6,177,866	5,999,339
	1,583,016	1,740,834	1,499,907	1,316,723	2,660,937
	4,422,975	2,350,820	1,274,446	4,741,043	4,681,403
	1,309,349	1,306,617	2,603,645	1,715,407	1,803,387
\$	<u>91,283,375</u>	<u>\$ 84,571,937</u>	<u>\$ 88,381,177</u>	<u>\$ 86,667,959</u>	<u>\$ 73,940,961</u>
\$	<u>(9,365,893)</u>	<u>\$ (2,320,864)</u>	<u>\$ (7,567,041)</u>	<u>\$ (4,412,852)</u>	<u>\$ 6,736,846</u>
\$	1,291,148	\$ 870,061	\$ 235,078	\$ 719,040	\$ -
	(2,093,885)	(1,748,621)	(235,078)	(1,926,215)	(717,248)
	1,030,747	691,910	703,067	-	-
	-	-	-	-	-
	5,000,000	2,330,000	7,292,000	3,000,000	-
	-	234,035	789,515	-	-
	3,751,828	-	-	-	-
	(1,831,338)	-	-	-	-
\$	<u>7,148,500</u>	<u>\$ 2,377,385</u>	<u>\$ 8,784,582</u>	<u>\$ 1,792,825</u>	<u>\$ (717,248)</u>
\$	<u>(2,217,393)</u>	<u>\$ 56,521</u>	<u>\$ 1,217,541</u>	<u>\$ (2,620,027)</u>	<u>\$ 6,019,598</u>
	<u>6.63%</u>	<u>4.58%</u>	<u>4.49%</u>	<u>7.81%</u>	<u>9.01%</u>

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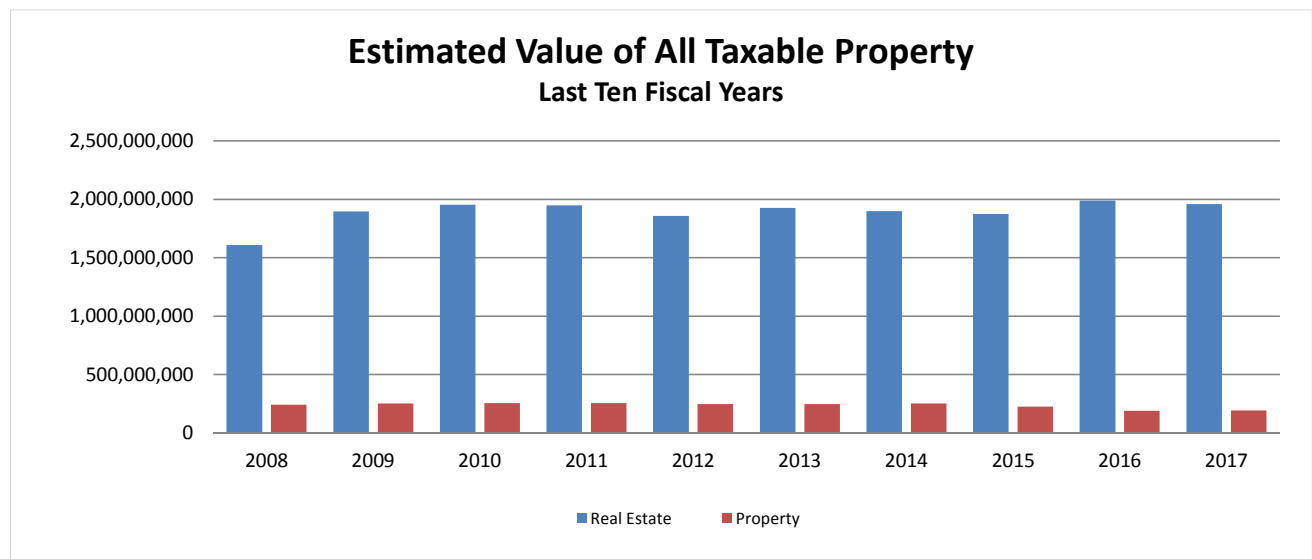
Governmental Activities Tax Revenues by Source  
 Last Ten Fiscal Years  
 (Modified Accrual Basis of Accounting)

Fiscal Year	General Property Taxes	Local Sales and Use Taxes	Consumer Utility Taxes	Business License Taxes	Motor Vehicle License Taxes	Lodging Taxes	Meals Taxes	Other Local Taxes	Total
2008	\$ 28,104,541	\$ 3,995,564	\$ 1,578,832	\$ 2,747,595	\$ 595,329	\$ 470,393	\$ 1,459,964	\$ 839,751	\$ 39,791,969
2009	32,299,130	3,796,848	1,778,414	3,144,714	533,365	435,520	1,316,975	561,596	43,866,562
2010	34,703,935	3,396,411	1,678,216	2,553,424	491,904	375,201	1,361,103	664,274	47,149,702
2011	34,039,946	3,667,579	1,691,546	2,489,284	493,869	340,894	1,376,528	627,076	46,642,431
2012	33,388,519	3,755,828	1,658,993	2,931,183	511,083	294,194	1,559,147	571,077	44,670,024
2013	33,787,723	3,738,656	1,761,728	2,876,387	502,714	273,899	2,211,886	566,682	45,719,675
2014	33,299,800	3,530,101	1,638,787	2,727,728	487,391	268,575	2,423,433	618,970	44,994,785
2015	32,558,767	3,715,835	1,715,224	2,797,490	420,192	256,522	2,571,793	602,467	44,638,290
2016	34,495,560	3,528,238	1,918,122	2,659,030	389,349	320,486	2,948,184	578,287	46,837,256

Assessed and Estimated Valuation of All Taxable Property  
Last Ten Fiscal Years

Fiscal Years Ending June 30,	Real Estate	Personal Property	Total	Total Direct Tax Rate (2)
2008	\$ 1,606,004,199	\$ 239,757,045	\$ 1,845,761,244	\$ 1.54
2009	1,894,736,243	251,183,757	2,145,920,000	1.56
2010	1,951,398,974	252,407,922	2,203,806,896	1.56
2011	1,947,667,364	254,240,653	2,201,908,017	1.55
2012	1,857,317,235	246,651,794	2,103,969,029	1.55
2013	1,926,214,795	246,783,150	2,172,997,945	1.53
2014	1,897,715,161	251,007,184	2,148,722,345	1.54
2015	1,873,395,296	223,450,973	2,096,846,269	1.51
2016	1,987,471,782	187,871,989	2,175,343,771	1.46
2017	1,956,730,916	190,415,656	2,147,146,572	1.50

Source: Commissioner of the Revenue



(2) The total direct tax rate is calculated using the weighted average method.

Property Tax Rates  
Last Ten Fiscal Years

<b>Fiscal Years Ending June 30,</b>	<b>Real Estate</b>	<b>Business and Individuals</b>	<b>Machinery and Tools</b>	<b>Mobile Homes</b>	<b>Total Direct Tax Rate (1)</b>
2008	\$ 1.35	\$ 4.40	\$ 3.80	\$ 1.35	1.54
2009	1.35	4.40	3.80	1.35	1.56
2010	1.35	4.40	3.80	1.35	1.56
2011	1.35	4.40	3.80	1.35	1.55
2012	1.35	4.40	3.80	1.35	1.55
2013	1.35	4.40	3.80	1.35	1.53
2014	1.35	4.40	3.80	1.35	1.54
2015	1.35	4.40	3.80	1.35	1.51
2016	1.35	4.40	3.80	1.35	1.46
2017	1.35	4.90	3.80	1.35	1.50

Source - Commissioner of the Revenue

(1) The total direct tax rate is calculated using the weighted average method.

# CITY OF PETERSBURG, VIRGINIA

Principal Business Taxpayers  
Current Year and Nine Years Ago

Taxpayer	2017			Rank	Percentage of Total Assessed Valuation
	Real Property Valuation	Personal Property Valuation	Total Valuation		
Petersburg Hospital(SRMC)	\$ 100,070,100	\$ 11,707,747	\$ 111,777,847	1	5.14%
Virginia Electric	14,777,443	77,268,368	92,045,811	2	4.23%
Addison @ Crater Woods	35,287,100	0	35,287,100	3	1.62%
Amsted/Brenco	18,399,891	14,386,133	32,786,024	4	1.51%
AMPAC Chemicals	28,564,600	3,975	28,568,575	5	1.31%
1200 Acqua LLC	27,110,000	-	27,110,000	6	1.25%
Norfolk & Western Railway	18,477,586	-	18,477,586	7	0.85%
Columbia Gas (SCC)	677,780	15,292,001	15,969,781	8	0.73%
GeorgeTown Square	15,371,000	-	15,371,000	9	0.71%
Verizon Virginia(SCC)	1,365,226	12,499,864	13,865,090	10	0.64%
South Crater Square	13,614,800	-	13,614,800	11	0.63%
Boar's Head	7,989,400	4,354,408	12,343,808	12	0.57%
MPT Petersburg/Healthsouth	11,241,300	996,962	12,238,262	13	0.56%
Walmart	10,118,300	462,170	10,580,470	14	0.49%
Infra-Metals	7,757,800	1,274,641	9,032,441	15	0.42%
Inland Container (TIN INC)	5,267,200	4,535,035	9,802,235	16	0.45%
B. I. Chemicals	-	-	-		0.00%
CNL Retirement DAS Petersburg VA LP	-	-	-		0.00%
Total	<u>\$ 316,089,526</u>	<u>\$ 142,781,304</u>	<u>\$ 458,870,830</u>		<u>21.09%</u>

Source: Commissioner of the Revenue

Table 9

2008				
Real Property Valuation	Personal Property Valuation	Total Valuation	Rank	Percentage of Total Assessed Valuation
\$ 106,822,000	\$ 6,456,938	\$ 113,278,938	1	7.55%
38,710,441	71,962	38,782,403	3	2.58%
18,383,100	12,182,545	30,565,645	4	2.04%
-	-	-		0.00%
-	-	-		0.00%
-	-	-		0.00%
-	-	-		0.00%
9,854,791	3,196	9,857,987	10	0.66%
15,386,000	13,737	15,399,737	5	1.03%
15,223,145	3,632	15,226,777	6	1.01%
-	-	-		0.00%
-	-	-		0.00%
-	-	-		0.00%
9,587,800	2,422,287	12,010,087	7	0.80%
-	-	-		0.00%
6,095,600	4,455,889	10,551,489	8	0.70%
29,751,900	65,760,462	95,512,362	2	6.36%
9,494,900	622,503	10,117,403	9	0.67%
-	-	-		
<u>\$ 259,309,677</u>	<u>\$ 91,993,151</u>	<u>\$ 351,302,828</u>		<u>23.40%</u>

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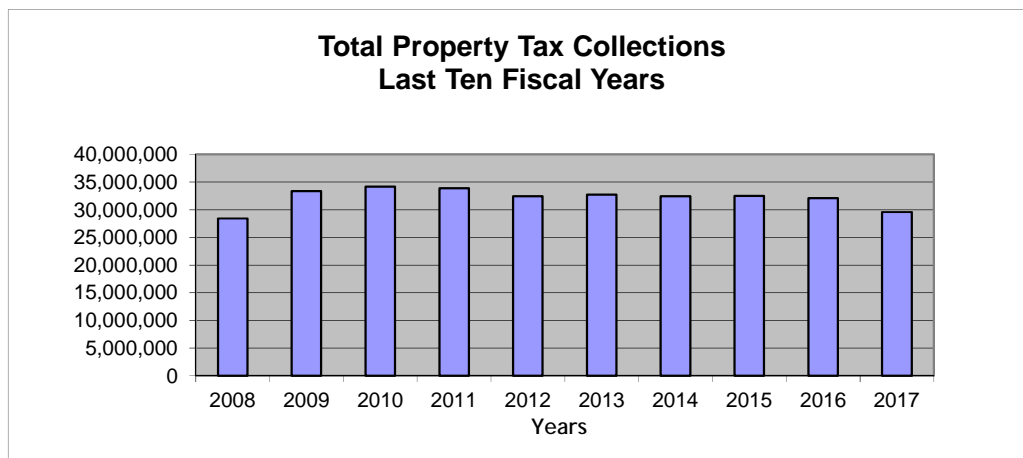


Property Tax Levies and Collections  
Last Ten Fiscal Years

Fiscal Year Ending June 30,	Total (1) Tax Levy	Current Tax (1) Collections	Percent of Levy Collected	Tax Collections		As Percent of Current Levy	Outstanding Delinquent	
				Delinquent Computed Amount	Total Amount		At End of Fiscal Year (2)	As Percent of Current Levy
2008	\$ 28,468,895	\$ 26,388,079	92.69%	\$ 2,025,570	\$ 28,413,649	99.81%	\$ 55,246	0.19%
2009	33,415,398	31,253,720	93.53%	2,062,184	33,315,904	99.70%	99,494	0.30%
2010	34,297,170	32,267,620	94.08%	1,884,467	34,152,087	99.58%	145,083	0.42%
2011	34,058,168	31,830,367	93.46%	2,027,929	33,858,296	99.41%	199,872	0.59%
2012	32,693,624	30,092,517	92.04%	2,320,329	32,412,846	99.14%	280,778	0.86%
2013	33,280,733	31,079,168	93.38%	1,609,707	32,688,875	98.22%	591,858	1.78%
2014	33,169,073	30,643,027	92.38%	1,787,743	32,430,770	97.77%	738,303	2.23%
2015	31,769,767	30,122,272	94.81%	2,321,579	32,443,851	102.12%	1,156,951	3.64%
2016	31,753,778	30,451,031	95.90%	1,624,443	32,075,474	101.01%	4,157,381	13.09%
2017	32,108,130	29,588,251	92.15%	-	29,588,251	92.15%	2,245,236	6.99%

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.



CITY OF PETERSBURG, VIRGINIA

Ratios of Outstanding Obligations by Type  
Last Ten Fiscal Years

Fiscal Year	Governmental Activities						School Qualified Zone Academy Bonds
	General Obligation Bonds (3)	Stormwater Revenue Bonds	State Literary Loans	Capital Leases	Notes Payable		
2008	\$ 12,694,013	\$ -	\$ 5,575,000	\$ 1,277,585	\$ 13,861,087	\$	6,795,695
2009	18,604,067	-	5,150,000	1,691,239	10,246,855		6,795,695
2010	25,667,417	-	4,725,000	1,292,389	6,761,672		6,795,695
2011	24,538,328	-	4,300,000	1,320,235	3,155,393		6,795,695
2012	23,940,398	-	3,875,000	1,098,460	2,574,563		6,795,695
2013	27,807,281	-	3,450,000	1,788,320	1,971,081		6,795,695
2014	29,432,511	-	3,025,000	1,883,854	1,346,407		6,795,695
2015	33,873,564	-	2,600,000	2,707,695	694,935		8,795,695
2016	32,676,492	2,575,863	2,175,000	1,958,003	-		7,395,695
2017	30,712,204	1,946,532	1,750,000	1,280,219	-		6,410,695

(1) Table 15

(2) United States Department of Commerce, Economic and Statistics Administration, Bureau of Economic Analysis  
(Dinwiddie + Colonial Heights + Petersburg)

(3) General Bond Debt

N/A - Data not available

Table 11

Business-Type Activities						
General Obligation Bonds (3)	Notes Payable	Capital Leases	Total Primary Government	Population (1)	Percentage of Personal Income (2)	Net Obligations per Capita
\$ 3,600,988	\$ 4,000,000	\$ 650,086	\$ 48,454,454	31,810	2.03%	1,523
6,860,933	-	423,488	49,772,277	32,381	N/A	1,537
6,097,584	-	395,649	51,735,406	32,399	N/A	1,597
5,707,673	-	281,978	46,099,302	32,420	N/A	1,422
5,310,603	-	247,334	43,842,053	32,948	N/A	1,331
5,031,261	-	155,832	46,999,470	33,112	N/A	1,419
5,333,060	-	4,321,572	52,138,099	33,112	N/A	1,575
12,650,371	-	5,276,761	66,599,021	32,421	N/A	2,054
12,426,745	-	5,058,898	64,266,696	32,421	N/A	1,982
12,036,009	-	4,772,740	58,908,399	32,420	N/A	1,817

Ratio of Net General Obligation Bonded Debt to Assessed Value  
And Net Obligation Bonded Debt Per Capita  
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Population (1)	Assessed Value (in thousands) (2)	General Bonded Debt	Net Bonded Debt	Percentage of Net General Obligation Debt to Assessed Value	Net General Bonded Debt per Capita
2008	31,810	\$ 1,845,761,244	\$ 16,295,001	\$ 16,295,001	0.88%	\$ 512
2009	32,381	2,145,920,000	25,465,000	25,465,000	1.19%	786
2010	32,399	2,203,806,896	31,765,001	31,765,001	1.44%	980
2011	32,420	2,201,908,017	30,246,001	30,246,001	1.37%	933
2012	32,948	2,103,969,029	29,251,001	29,251,001	1.39%	888
2013	33,112	2,172,997,945	32,838,542	32,838,542	1.51%	992
2014	33,112	2,148,722,345	34,765,571	34,765,571	1.62%	1,050
2015	32,421	2,096,846,269	46,523,935	46,523,935	2.22%	1,435
2016	32,421	2,175,343,771	45,103,237	45,103,237	2.07%	1,391
2017	32,420	2,147,146,572	42,748,213	42,748,213	1.99%	1,319

(1) United States Census

(2) From Table 7

Computation of Direct and Overlapping Bonded Debt and Legal Debt Margin  
 Fiscal Year Ended June 30, 2017

	<u>Total Direct Debt (1)</u>	<u>Percentage Applicable to Government</u>	<u>Amount Applicable to Government</u>
City of Petersburg	\$ 42,099,650	100%	\$ 42,099,650
Total assessed value of real estate			\$ <u>1,956,730,916</u>
10% legal debt limit			\$ <u>195,673,092</u>

(1) Total direct debt includes the following governmental activities (no business activities are included in this computation):

General Obligation Bonds	\$ 30,712,204
Stormwater Revenue Bonds	1,946,532
State Literary Fund Loans	1,750,000
Capital leases	1,280,219
School Qualified Zone Academy Bonds	<u>6,410,695</u>
Total	\$ <u>42,099,650</u>

The City of Petersburg has no overlapping debt.

Per the Code of Virginia, the City's legal debt margin is equal to ten percent of its total assessed value of real estate.

Revenue Coverage  
Last Ten Fiscal Years

Fiscal Year	Revenues and Other Charges	Less: Operating Expenses	Net Revenue Available For Debt Service	Debt Service Requirements			Percent Coverage
				Principal	Interest	Total	
Public Utility Fund:							
2008	\$ 9,248,035	\$ 7,025,763	\$ 2,222,272	\$ 491,580	\$ 213,459	\$ 705,039	3.15
2009	8,721,135	6,867,004	1,854,131	740,054	167,451	907,505	2.04
2010	9,419,189	7,564,587	1,854,602	763,349	116,092	879,441	2.11
2011	8,125,447	6,827,933	1,297,514	351,353	88,617	439,970	2.95
2012	9,539,367	7,764,599	1,774,768	378,836	69,882	448,718	3.96
2013	9,136,228	7,975,742	1,160,486	352,804	42,689	395,493	2.93
2014	9,108,568	7,497,926	1,610,642	119,539	35,715	155,254	10.37
2015	8,759,321	8,216,426	542,895	122,433	31,147	153,580	3.53
2016	7,180,524	9,854,218	(2,673,694)	126,810	324,367	451,177	-5.93
2017	12,334,213	10,147,800	2,186,413	570,136	491,974	1,062,110	2.06
Golf Course Fund:							
2008	\$ 188,080	\$ 441,306	\$ (253,226)	\$ -	\$ 150,819	\$ 150,819	-1.68
2009	565,943	939,026	(373,083)	-	176,254	176,254	-2.12
2010	599,448	911,324	(311,876)	-	169,802	169,802	-1.84
2011	565,626	872,469	(306,843)	59,859	194,507	254,366	-1.21
2012	683,792	898,701	(214,909)	63,000	190,595	253,595	-0.85
2013	709,000	858,007	(149,007)	64,750	187,372	252,122	-0.59
2014	701,000	930,327	(229,327)	68,250	201,053	269,303	-0.85
2015	694,111	978,731	(284,620)	88,257	201,813	290,070	-0.98
2016	693,901	999,056	(305,155)	96,816	204,472	301,288	-1.01
2017	703,735	771,228	(67,493)	106,758	198,012	304,770	-0.22

Note: Details regarding the government's outstanding debt can be found in the notes to the financial statements.

Water charges and other includes investment earnings and other nonoperating revenues. Operating expenses do not include interest or depreciation and amortization.

Demographic, Economic and Census Statistics  
Last Ten Fiscal Years & Last Six Censuses

Demographic Statistics

Fiscal Year	Registered Voters	School Enrollment	Unemployment Rate	Population (1)
2008	18,403	4,592	7.70%	31,810
2009	19,147	4,375	14.60%	32,381
2010	20,649	4,374	12.04%	32,399
2011	20,785	4,278	11.80%	32,420
2012	22,513	4,121	10.10%	32,948
2013	22,508	4,478	10.70%	33,112
2014	21,477	4,557	10.20%	33,112
2015	21,185	4,318	9.30%	32,421
2016	22,693	4,231	7.60%	32,421
2017	21,758	3,863	6.70%	32,420

Census Statistics

	Population			Per Capita Income	Median Household Income
	Age Distribution		Total		
	Under 18	18 & over			
1960	13,013	23,737	36,750	\$ 1,469	\$ 5,510
1970	12,548	23,555	36,103	2,544	7,815
1980	11,432	26,623	38,055	7,490	13,940
1990	8,938	29,447	38,385	10,547	21,309
2000	8,469	25,271	33,740	15,989	28,851
2010	6,711	25,709	32,420	19,142	36,449

(1) Weldon Cooper Center for Public Service.

Major Private Employers  
Fiscal Year Ended June 30, 2017

Company	Description of Business	Approximate Employment	
		Current	Percentage of Total City Employment
Southside Regional Medical Center	Hospital medical services	1000+	7.19%
Amsted Rail Company, Inc.	Roller bearings	250-499	2.52%
Horizon Mental Health Management, Inc.	Medical services	250-499	2.52%
Wal-Mart	Retail sales	250-499	2.52%
Quality Plus Service	Engineering/Construction	250-499	2.52%
Beverly Home Care	Medical services	100-249	1.08%
Virginia Linen	Linen processing	100-249	1.08%
Rehabilitation Hospital, Inc	Medical services	100-249	1.08%
District 19 Mental Health and Retardation Services	Medical services	100-249	1.08%
McDonald's	Food Services	100-249	1.32%

Source: Virginia Employment Commission-LMI-Labor Market Information

Total Virginia Employment Commission, Quarterly Census of Employment and Wages (QCEW), 2017

People who live and work in the area	2,598
In-commuters	10,400
Total City employment	12,998
In-commuters	7,786
Total City employment	20,784

Data for the previous ninth year is unavailable at publication.



Full-time Equivalent Government Employees by Function  
Last Ten Fiscal Years

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
City:										
Salaried	695	704	772	789	770	773	770	608	351	497
Part-time temporary	252	299	299	332	320	322	300	229	154	119
Public safety										
Police protection	130	145	160	160	160	160	166	152	92	104
Fire protection	96	95	97	97	100	98	98	98	65	75
Jail facilities	91	89	88	88	94	94	95	95	0	0
School Board										
Administrative personnel	38	38	37.5	33.5	37	37	37	37	37	43
Instructional personnel	465	447	557	529.5	617	617	617	617	592	564
All other personnel	291	287	173.5	167.5	183	183	183	183	164	144
Totals *	<u>1,741</u>	<u>1,775</u>	<u>1,839</u>	<u>1,852</u>	<u>1,927</u>	<u>1,932</u>	<u>1,907</u>	<u>1,674</u>	<u>1,298</u>	<u>1,367</u>

Source: Human Resources and School Board

\* Does not include public safety employees as they are included in the City salaried and part-time temporary categories.

CITY OF PETERSBURG, VIRGINIA

Operating Indicators by Function  
Last Ten Fiscal Years

	2008	2009	2010	2011	2012
<b>Police protection:</b>					
Law violations	9,666	n/a	n/a	n/a	n/a
Traffic violations	8,866	n/a	n/a	11,011	11,194
Arrests reported:					
Adults	3,433	n/a	n/a	2,679	3,727
Juveniles	232	n/a	n/a	105	111
Calls for service	53,023	n/a	n/a	70,564	70,892
<b>Jail facility inmates:</b>					
Jail	213	202	202	184	140
Jail annex	21	48	227	30	25
Riverside Regional	61	128	124	132	115
<b>Community Development:</b>					
Building permits:					
Number issued	1,444	1,249	1,021	925	1,084
Valuation	\$ 88,818,121	\$ 42,719,115	\$ 38,289,390	\$ 60,225,074	\$ 30,400,872
<b>Public Utilities:</b>					
Number of active consumers	11,028	10,467	11,247	11,165	11,165
Water purchased (annually)-gallons	1.64 billion	1.654 billion	1.750 billion	1.900 billion	1.800 billion

n/a = not available at publication

Source: Individual City departments

Table 18

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2013	2014	2015	2016	2017
6,776	6,165	6,022	6,027	6,215
8,390	6,429	6,005	5,762	5,904
3,194	2,626	2,252	2,088	1,911
95	77	45	23	75
37,572	44,550	49,485	47,561	47,961
191	178	n/a	n/a	n/a
26	30	n/a	n/a	n/a
86	100	n/a	n/a	n/a
904	865	771	208	716
38,993,367	16,068,316	31,578,787	13,906,675	28,853,709
11,388	12,297	12,297	11,896	11,986
1.73 billion	1.6 billion	1.6 billion	1.8 billion	1.72 billion

Capital Asset Statistics by Function  
Last Ten Fiscal Years

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Fire protection:</b>										
Number of stations	4	4	4	4	4	4	3	3	4	4
<b>Public works:</b>										
Streets and sidewalks:										
Streets - primary - miles	107	107	107	107	107	107	107	107	107	104
Streets - secondary - miles	281	281	281	281	281	281	281	281	281	291
Sidewalks - miles	72	72	72	72	72	72	72	72	72	72
Street lights	3,090	3,090	3,090	3,090	3,090	3,090	3,335	3,335	3,335	3,540
Traffic signals:										
Signalized intersections	57	57	57	57	58	58	62	62	47	47
Lights	1,430	1,430	1,430	1,430	1,450	1,450	1,450	1,450	1,330	1,330
Heads	467	467	467	467	464	464	464	464	455	455
Curbs	39	39	39	39	39	39	39	39	39	39
School signals (flashing lights)	11	11	11	11	18	18	18	18	18	20
Other signals (flashing lights)	4	4	4	4	7	7	7	7	7	7
Caution flashing lights	17	17	17	17	14	14	14	14	14	0
Pedestrian signals	54	54	54	54	112	112	112	112	112	112
<b>Sewers:</b>										
Storm - miles	19	19	19	19	19	19	19	19	19	19
Sanitary - miles	191	191	191	191	211	211	211	211	211	211
<b>Public Utilities:</b>										
Water mains - miles	254	254	254	254	275	275	275	275	275	260
Number of hydrants	1,230	1,230	1,230	1,230	1,378	1,378	1,378	1,378	1,375	1,378
Ground level water storage tanks:										
5.6 million gallons	1	1	1	1	1	1	1	1	1	1
1.3 million gallons	1	1	1	1	1	1	1	1	1	1
Elevated water storage tanks:										
.5 million gallons	1	1	1	1	1	1	1	1	1	1
1.0 million gallons	2	2	2	2	2	2	2	2	2	2
1.9 million gallons	1	1	1	1	1	1	1	1	1	1
<b>Culture and recreation</b>										
Parks and recreation:										
Fishing and picnic area (350 acres)	1	1	1	1	1	1	1	1	2	2
Downtown (12.3 acres)	1	1	1	1	1	1	1	1	1	1
Playground (52.8 acres)	12	12	12	12	12	12	12	12	12	12
Golf course	1	1	1	1	1	1	1	1	1	1
Swimming pools	2	2	2	2	1	1	1	1	1	1
Tennis courts (lighted)	14	14	14	14	14	14	14	14	9	9
Recreation centers	3	3	3	3	3	3	3	3	1	1
Ballfields	4	4	4	4	4	4	4	4	4	4
Sports complex	1	1	1	1	1	1	1	1	1	1
<b>Education:</b>										
Schools:										
Senior high school grades 9-12	1	1	1	1	1	1	1	1	1	1
Junior high school grade 8	-	-	1	1	1	1	1	1	1	1
Middle school grades 6-7	2	2	1	1	1	1	1	1	1	1
Elementary schools K-5	7	7	4	4	4	4	4	4	4	4
Early childhood center	-	-	1	1	1	1	1	1	1	1

Source: Individual City departments

# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## Independent Auditors' 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*

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To the Honorable Members of the City Council  
City of Petersburg, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Petersburg, Virginia as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Petersburg, Virginia's basic financial statements and have issued our report thereon dated November 27, 2017.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Petersburg, Virginia'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 of Petersburg, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Petersburg, Virginia's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses (2017-001, 2017-002, 2017-003, 2017-004, 2017-005, 2017-006, 2017-007, 2017-008, 2017-009, 2017-010, 2017-011, 2017-012).

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Petersburg, Virginia's financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2017-013, 2017-014, 2017-015, 2017-016, 2017-017, 2017-018, 2017-019, 2017-020, and 2017-021.

### City of Petersburg, Virginia's Response to Findings

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

### Purpose of this Report

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

*Robinson, Farnell, Cox Associates*

Charlottesville, Virginia  
November 27, 2017

# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the City Council  
City of Petersburg, Virginia

### Report on Compliance for Each Major Federal Program

We have audited the City of Petersburg, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Petersburg, Virginia's major federal programs for the year ended June 30, 2017. City of Petersburg, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

#### *Management's Responsibility*

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

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on compliance for each of the City of Petersburg, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 of Petersburg, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

#### *Basis for Qualified Opinion on Workforce Investment Act Cluster and Child Nutrition Cluster*

As described in the accompanying schedule of findings and questioned costs, the City of Petersburg, Virginia did not comply with requirements regarding CFDA 17.258/17.259/17.278 Workforce Investment Act Cluster and CFDA 10.593/10.555/10.559 Child Nutrition Cluster as described in finding numbers 2017-022 and 2017-023 for subrecipient monitoring and allowable costs. Compliance with such requirements is necessary, in our opinion, for the City of Petersburg, Virginia to comply with the requirements applicable to that program.

### ***Qualified Opinion on Workforce Investment Act Cluster and Child Nutrition Cluster***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City of Petersburg, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Workforce Investment Act Cluster and Child Nutrition Cluster for the year ended June 30, 2017.

### ***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, the City of Petersburg, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2017.

### ***Other Matters***

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

### **Report on Internal Control over Compliance**

Management of the City of Petersburg, Virginia 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 of Petersburg, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Petersburg, Virginia's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2017-022 and 2017-023 to be material weaknesses.



## Report on Internal Control Over Compliance (continued)

*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.

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

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

*Robinson, Farnell, Cox Associates*

Charlottesville, Virginia  
November 27, 2017

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Schedule of Expenditures of Federal Awards - Primary Government and  
Discretely Presented Component Unit  
Year Ended June 30, 2017

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed-Through to Subrecipients	Federal Expenditures
<b>PRIMARY GOVERNMENT:</b>				
<u>DEPARTMENT OF AGRICULTURE:</u>				
<u>Pass through payments:</u>				
Department of Social Services:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010110	\$ -	\$ 670,971
<u>DEPARTMENT OF TRANSPORTATION:</u>				
<u>Direct payments:</u>				
Highway Planning and Construction Cluster:				
Highway Planning and Construction	20.205	N/A	\$ -	\$ 19,432
Federal Lands Access Program	20.224	N/A	-	432,000
Total Highway Planning and Construction Cluster			\$ -	\$ 451,432
Federal Transit - Formula Grants	20.507	N/A	-	964,787
<u>Pass through payments:</u>				
Division of Motor Vehicles:				
Alcohol Open Container Requirements	20.607	Unknown	\$ -	\$ 70,890
Total Department of Transportation			\$ -	\$ 1,487,109
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>				
<u>Pass through payments:</u>				
Department of Housing and Community Development:				
Community Development Block Grants / States Program and Non-entitlements Grants in Hawaii	14.228	53505-49380	\$ -	\$ 852,535
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>				
<u>Pass through payments:</u>				
Department of Social Services:				
Promoting Safe and Stable Families	93.556	0950110	\$ -	\$ 11,913
Temporary Assistance for Needy Families	93.558	0400111	-	673,405
Refugee and Entrant Assistance-State Administered Programs	93.566	0500111	-	2,129
Low-Income Home Energy Assistance	93.568	0600411	-	70,835
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760111	\$ -	\$ 98,577
Chafee Education and Training Vouchers Program	93.599	9160110	-	669
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900110	-	1,127
Foster Care-Title IV-E	93.658	1100111	-	785,419
Adoption Assistance	93.659	1120111	-	724,761
Social Services Block Grant	93.667	1000111	-	516,821
Chafee Foster Care Independence Program	93.674	9150110	-	2,950
Children's Health Insurance Program	93.767	0540111	-	24,514
Medical Assistance Program	93.778	1200111	-	830,374
Total Department of Health and Human Services			\$ -	\$ 3,743,494

Schedule of Expenditures of Federal Awards - Primary Government and  
Discretely Presented Component Unit  
Year Ended June 30, 2017 (Continued)

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Agency Identifying Number	Passed-Through to Subrecipients	Federal Expenditures
<b>PRIMARY GOVERNMENT: (Continued)</b>				
<u>DEPARTMENT OF JUSTICE:</u>				
<u>Pass through payments:</u>				
Department of Criminal Justice Services:				
Crime Victim Assistance	16.575	39001-46000	\$ -	\$ 172,836
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Unknown	-	775
Total Department of Justice			\$ -	\$ 173,611
<u>DEPARTMENT OF TREASURY:</u>				
<u>Direct payments:</u>				
Forfeited Assets	21.000	N/A	\$ -	\$ 12,650
<u>DEPARTMENT OF LABOR:</u>				
<u>Pass through payments:</u>				
Virginia Community College System:				
WIOA Cluster:				
WIOA Adult Program	17.258	LWA 15-16-03 & LWA 15-15-03	\$ 326,495	\$ 326,495
WIOA Youth Activities	17.259	LWA 15-16-03 & LWA 15-15-03	154,993	154,993
WIOA Dislocated Worker Formula Grants	17.278	LWA 15-16-03 & LWA 15-15-03	367,602	367,602
Total Department of Labor/WIOA Cluster			\$ 849,090	\$ 849,090
<b>Total Primary Government</b>			\$ 849,090	\$ 7,789,460

Schedule of Expenditures of Federal Awards - Primary Government and  
Discretely Presented Component Unit  
Year Ended June 30, 2017 (Continued)

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Agency Identifying Number	Passed-Through to Subrecipients	Federal Expenditures
<b>COMPONENT UNIT-SCHOOL BOARD:</b>				
<u><b>DEPARTMENT OF AGRICULTURE:</b></u>				
<u>Pass through payments:</u>				
Child Nutrition Cluster:				
Department of Agriculture and Consumer Services:				
Food Distribution	10.555	Unknown	\$ -	\$ 162,392
Department of Education:				
National School Lunch Program	10.555	17901-40623	\$ -	1,620,277
School Breakfast Program	10.553	17901-40591	-	658,353
Summer Food Service Program for Children	10.559	Unknown	-	78,973
Total Child Nutrition Cluster			\$ -	\$ 2,519,995
Fresh Fruit and Vegetable Program	10.582	17901-40599	-	161,628
Total Department of Agriculture			\$ -	\$ 2,681,623
<u><b>DEPARTMENT OF DEFENSE:</b></u>				
<u>Direct payments:</u>				
ROTC Instruction	12.000	N/A	\$ -	\$ 63,256
<u><b>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b></u>				
<u>Pass through payments:</u>				
County of Richmond, Virginia:				
Head Start	93.600	Unknown	\$ -	\$ 1,003,385
<u><b>DEPARTMENT OF EDUCATION:</b></u>				
<u>Pass through payments:</u>				
Department of Education:				
Title I Grants to Local Educational Agencies	84.010	17901-42901	\$ -	\$ 3,758,759
Special Education Cluster (IDEA):				
Special Education Grants to States	84.027	17901-43071	\$ -	\$ 1,298,488
Special Education - Preschool Grants	84.173	17901-62521	-	29,826
Total Special Education Cluster			\$ -	\$ 1,328,314
Preschool Development Grants	84.419	S419B150010	-	1,263,958
Career and Technical Education - Basic Grants to States	84.048	17901-61095	-	130,071
Education for Homeless Children and Youth	84.196	Unknown	-	4,995
Twenty-first Century Community Learning Centers	84.287	17901-60565	-	557,815
School Improvement Grants	84.377	17901-43040	-	417,042
English Language Acquisition State Grants	84.365	17901-60512	-	20,548
Supporting Effective Instruction State Grant	84.367	17901-61480	-	354,091
Total Department of Education			\$ -	\$ 7,835,593
<b>Total Component Unit School Board</b>			\$ -	\$ 11,583,857
<b>Total Expenditures of Federal Awards</b>			\$ 849,090	\$ 19,373,317

See accompanying notes to the schedule of expenditures of federal awards.

## CITY OF PETERSBURG, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2017

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### Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Petersburg, Virginia under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the reporting requirements of OMB Uniform Guidance. Because the Schedule presents only a selected portion of operations of the City of Petersburg, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Petersburg, Virginia.

### Note 2 - Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments and Uniform Guidance*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

(2) Pass-through entity identifying numbers are presented where available.

### Note 3 - Food Donation

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

### Note 4 - De Minimis Cost Rate

The City did not elect to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

### Note 5 - Relationship to Financial Statements

Federal expenditures, revenues and capital contributions are reported in the City's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 4,414,465
Capital Projects Fund	19,432
Nonmajor governmental funds	1,958,776
Mass Transit Fund	1,396,787

Component Unit:

School Board	11,583,857
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Total federal expenditures per basic financial statements	\$ 19,373,317
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ 19,373,317
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**CITY OF PETERSBURG, VIRGINIA**

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2017

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**SECTION I - SUMMARY OF AUDITORS RESULTS**

**Financial Statements**

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	Yes

**Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Qualified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR, Section 200.516 (a)?	Yes

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555/10.559 10.561	Child Nutrition Cluster State Administrative Matching Grants for the Supplemental Nutrition Program
93.558	Temporary Assistance for Needy Families
93.659	Adoption Assistance
93.778	Medical Assistance Program
14.228	Community Development Block Grants/States Program and Non-entitlements Grants in Hawaii
20.507	Federal Transit Cluster
17.258/17.259/17.278	WIOA Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**2017-001 Material Weakness - Utility Billing Reconciliation**

Criteria: The Utility Billing Subsidiary System should be reconciled to the general ledger on a monthly basis.

Condition: The City was not reconciling the Utility Billing Subsidiary System to the General Ledger on a monthly basis.

Cause: The City did not have anyone in the Utility Department that was reconciling the Utility Billing Subsidiary System to the general ledger on a monthly basis.

Effect: There could be unexplained, undocumented material differences between the utility billing Subsidiary System and the General Ledger.

**Recommendation:**

We recommend the City implement procedures to ensure the Utility Billing Subsidiary System reconciles to the General Ledger and any differences noted during the reconciliation are documented and corrected.

**Management Response:**

*We concur with the recommendation. The City will develop and implement procedures to ensure the Utility Billing Subsidiary System reconciles to the General Ledger and any differences noted during the reconciliation are documented and corrected.*

**2017-002 Material Weakness - Utility Billing Reconciliation System**

Criteria: The Utility Billing Subsidiary System has a reconciliation feature to aid in the reconciliation of the Utility Billing Subsidiary System to the general ledger.

Condition: The Utility Billing Reconciliation System has not been interfaced properly for some time. The interface issues are related to the system's ability to reconcile the outstanding A/R amounts to what the system believes the accounting system should reflect.

Cause: When the Utility Billing System was set up initially or after changes have been made to general ledger accounts, the interfaces of the Reconciliation System was not picking up all required general ledger accounts.

Effect: As a result, the reconciliation module within the Utility Billing System had material differences throughout the year.



**SECTION II - FINANCIAL STATEMENT FINDINGS: (CONTINUED)**

**2017-002 Material Weakness - Utility Billing Reconciliation System: (Continued)**

**Recommendation:**

We recommend the City correct the interfaces within the reconciliation module so that the reconciliation system is accurate.

**Management Response:**

*We concur with the recommendation. The City will review the interface between the Utility Billing Subsidiary System and the Accounting System and correct any discrepancies identified.*

**2017-003 Material Weakness - Utility Billing Errors and Insufficient Edit Checks**

**Criteria:** After the initial billing process has been completed and prior to the utility bills being finalized, sufficient edit checks should be run to minimize the amount of billing errors.

**Condition:** During FY17, utility bills were processed and with substantial errors, whereby material adjustments were needed to correct the initial billings.

**Cause:** Per conversations with City personnel, the presumed cause for this error was the City converted the measurement of usage to units measured in cubic feet as opposed to gallons and subsequently did not adjust rates within the utility system to the corresponding change in measurement. Sufficient edit checks were not generated prior to the utility bills being finalized, which may have prevented the material errors.

**Effect:** This caused utility billing efforts to be delayed and bills were processed with substantial errors.

**Recommendation:**

We recommend the City implement procedures to ensure adequate edit checks are preformed prior to finalizing the billings.

**Management Response:**

*We concur with the recommendation. The City will develop and implement procedures to ensure adequate edit checks are performed prior to finalizing the billings.*

**SECTION II - FINANCIAL STATEMENT FINDINGS: (CONTINUED)**

**2017-004 Material Weakness - Lack of Internal Controls over Adjustments to Customer Utility Accounts**

Criteria: Internal Controls should be in place over adjustments to customer utility accounts to prevent unauthorized write-offs to customer accounts.

Condition: Based on our testing and pursuant to discussions with City personnel, for a majority of the fiscal year ending June 30, 2017, there were no internal controls in place over the adjustment of customer utility accounts.

Cause: The City did not limit access to making adjustments to customer utility accounts only to those who are authorized to make adjustments.

Effect: Unauthorized write-offs to customer accounts could occur.

**Recommendation:**

We recommend the City implement internal controls over adjustments to customer utility accounts to prevent unauthorized write-offs to customer accounts.

**Management Response:**

*We concur with the recommendation. The City will develop and implement internal controls over adjustments to customer utility accounts to prevent unauthorized write-offs to customer accounts.*

**2017-005 Material Weakness- Lack of Documentation Over Adjustments to Utility Billings**

Criteria: Documentation should be retained to support adjustments made to utility bills throughout the year.

Condition: During the fiscal year ending June 30, 2017, the City recorded material adjustments to utility bills, however, the City did not retain documentation supporting the purpose or reason adjustments were necessary.

Cause: After utility readings are obtained, an edit report is generated to review bills prior to sending to the customers. Work orders are then created to address the potential errors. The work orders determine if an adjustment is necessary prior to printing the bill. However, the work orders were/are not being retained to support the conclusion to adjust the utility bills.

Effect: There was no supporting documentation to substantiate material adjustments made to utility bills throughout the year.

**SECTION II - FINANCIAL STATEMENT FINDINGS: (CONTINUED)**

**2017-005 Material Weakness- Lack of Documentation Over Adjustments to Utility Billings: (Continued)**

**Recommendation:**

We recommend the City retain appropriate documentation to support and substantiate adjustments made to utility bills.

**Management Response:**

*We concur with the recommendation. The City will develop and implement procedures to retain appropriate documentation to support and substantiate adjustments made to utility bills.*

**2017-006 Material Weakness - Insufficient Listing for Water and Sewer Customer Deposits**

**Criteria:** A detailed listing by customer should be retained to support water and sewer customer deposits recorded in the general ledger.

**Condition:** It was noted during the audit that there was \$645,758 included in the water and sewer customer deposit listings that did not have any detail regarding which customers the deposits were for.

**Cause:** The City did not retain a detailed listing to support a material amount of the water and sewer customer deposits recorded in the general ledger.

**Effect:** The City had material water and sewer customer deposits recorded in the general ledger that was not supported by the appropriated detailed customer deposit listing.

**Recommendation:**

We recommend the City retain sufficient listings by customer to support all water and sewer customer deposits.

**Management Response:**

*We concur with the recommendation. The City will develop and implement procedures to retain sufficient listings by customer to support all water and sewer customer deposits.*

CITY OF PETERSBURG, VIRGINIA

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2017 (Continued)

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**SECTION II - FINANCIAL STATEMENT FINDINGS: (CONTINUED)**

**2017-007 Material Weakness - Reconciliation of Property Tax Delinquent Lists to General Ledger**

Criteria: Property tax delinquent lists should be reconciled to the general ledger on a monthly basis.

Condition: During fiscal year 2017 the City was not reconciling the property tax delinquent lists to the taxes receivable accounts as reported in the general ledger on a monthly basis or at year-end.

Cause: The Treasurer's Office was not reconciling the delinquent lists to the receivable accounts in Fund 999.

Effect: As a result, material adjustments to the City's general ledger were necessary.

**Recommendation:**

We recommend the City reconcile property tax delinquent lists to the general ledger on a monthly basis and any differences be investigated and corrected.

**Management Response:**

*We concur with the recommendation. The City will develop and implement procedures to reconcile property tax delinquent lists to the general ledger on a monthly basis and any differences be investigated and corrected.*

**2017-008 Material Weakness - Insufficient Accounting and Financial Reporting Throughout the Fiscal Year**

Criteria: Accurate Accounting and Financial Reporting procedures should be in place throughout the year.

Condition: During our audit we have observed the City's contracted audit preparation consultant was required to record a large number of adjustments at year-end. Moreover, it was necessary for the consultant to perform numerous reconciliations to prepare the City's accounting records for the audit and external reporting purposes. Many of the adjustments and reconciliations performed by the consultant should be conducted throughout the year as part of routine accounting and financial reporting procedures.

Cause: The City finance department did not have adequate staff to ensure routine accounting and financial reporting procedures were done.

Effect: The audit preparation consultants did not commence their duties for FY 17 until the end of June 2017. Therefore the City's general ledger was not accurate or reliable for the entire fiscal year June 30, 2017.

**SECTION II - FINANCIAL STATEMENT FINDINGS: (CONTINUED)**

**2017-008 Material Weakness - Insufficient Accounting and Financial Reporting Throughout the Fiscal Year: (Continued)**

**Recommendation:**

We recommend the City evaluate the Finance Department and develop procedures to aid in accounting and financial reporting for capital assets, long-term obligations, general property tax receivables, water and sewer receivables, other miscellaneous receivables, state and federal revenues and similar accounts that have required adjustments by the contracted consultant. We also recommend development of a monthly procedural checklist which would require a specified individual to perform reviews of budget-to-actual results for revenues and expenditures actual as well as monitoring the balance sheet accounts. By implementing procedures in the Finance Department by qualified Finance personnel the City would benefit from reliable financial data through-out the fiscal year in addition to reducing the number of adjustments required at year-end.

**Management Response:**

*We concur with both recommendations.*

- The City is currently reshaping the Finance Department in order to ensure it is staffed with the appropriated competencies and adheres to best practices. The Finance Department is currently developing procedures to aid in accounting and financial reporting for capital assets, long-term obligations, general property tax receivables, water and sewer receivables, other miscellaneous receivables, state and federal revenues and similar accounts and incorporating the reconciliation and necessary adjustments throughout the year rather than at year end.*
- The City will develop and implement a monthly procedural checklist which will require a specified Finance Department individual to perform reviews of budget-to-actual results for revenues and expenditures as well as monitoring the balance sheet accounts.*
- The City is in the process of hiring an external Internal Auditor who will be responsible to ensure that all of the check-list items developed during the audit are conducted in a timely manner.*
- The City has contracted the Internal Auditor function with an accounting firm who will be responsible to ensure that all of the check-list items developed during the audit are conducted in a timely manner.*

## CITY OF PETERSBURG, VIRGINIA

### Schedule of Findings and Questioned Costs Year Ended June 30, 2017 (Continued)

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#### SECTION II - FINANCIAL STATEMENT FINDINGS: (CONTINUED)

##### 2017-009 Material Weakness- Material Audit Adjustments Proposed by the External Auditor

Criteria: Per Statement on Auditing Standards 115, identification of a material adjustment to the financial statements that was not detected by the entity's internal controls indicates that a material weakness may exist.

Condition: The financial statements required material adjustments by the Auditor to ensure such statements complied with Generally Accepted Accounting Principles (GAAP). Material audit adjustments were proposed to a multitude of accounts and financial statement groups including receivables, capital assets, debt and revenue and expenditure accounts to be in accordance with Generally Accepted Accounting Principles.

Cause: The City failed to identify all year end accounting adjustments necessary for the financial statements to be prepared in accordance with current reporting standards.

Effect: There is more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal controls over financial reporting.

#### **Recommendation:**

We recommend the City implement procedures to ensure the financial statements are materially correct in accordance with General Accepted Accounting Principles.

#### ***Management Response:***

*We concur with the recommendation. The City will develop and implement procedures to ensure the financial statements are materially correct in accordance with General Accepted Accounting Principles.*

##### 2017-010 Material Weakness - Unrecorded Workforce Investment Act Federal Grant

Criteria: All revenues and expenditures related to federal grants in which the City is listed as the Subrecipient should be recorded in the financial statements in accordance with Generally Accepted Accounting Principles.

Condition: The City is the subrecipient of a federal Workforce Investment Act grant that has been passed-through from the Virginia Community College System. The City then has passed-through these grant funds to the Crater Regional Workforce Investment Board & Learn to Earn, Inc. The City did not record \$849,090 of grant revenue and pass-through expenditures in its financial statements in accordance with Generally Accepted Accounting Principles.

Cause: The City does not request and drawdown grant funds from the Virginia Community College System. Instead the Crater Regional Workforce Investment Board & Learn to Earn, Inc. requests and is sent grant funds directly from the Virginia Community College System. As a result of this process, the City failed to recognize and record \$849,090 of grant revenues and pass-through expenditures for FY 17.

## CITY OF PETERSBURG, VIRGINIA

### Schedule of Findings and Questioned Costs Year Ended June 30, 2017 (Continued)

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#### SECTION II - FINANCIAL STATEMENT FINDINGS: (CONTINUED)

##### 2017-010 Material Weakness - Unrecorded Workforce Investment Act Federal Grant: (Continued)

Effect: Because of the adjustment, the financial statements and the Schedule of Expenditures of Federal Awards were materially misstated.

##### Recommendation:

We recommend the City implement procedures to ensure all federal grants in which the City is the subrecipient are identified and recorded in the financial statements and the schedule of expenditures of federal awards as required by Generally Accepted Accounting Principles.

##### *Management Response:*

*We concur with the recommendation. The City will develop and implement procedures to ensure all federal grants in which the City is the subrecipient are identified and recorded in the financial statements and the schedule of expenditures of federal awards as required by Generally Accepted Accounting Principles.*

##### 2017-011 Material Weakness - Material Reclassifications Proposed to Federal Revenues

Criteria: Federal Revenues should be appropriately recorded in the financial statements.

Condition: The Auditor proposed material adjustments to the City's recording of revenues received from federal sources - direct and pass-through federal revenues. The City had commingled and misclassified a multitude of federal revenues with state and/or local revenues within the accounting system.

Cause: The City does not have adequate staff or resources to monitor the City's posting of federal grant revenues or prevent the City's Schedule of Expenditures of Federal Awards, which is presented in the City's CAFR, from being materially misstated.

Effect: The City's Schedule of Expenditures of Federal Awards could be materially misstated.

**SECTION II - FINANCIAL STATEMENT FINDINGS: (CONTINUED)**

**2017-011 Material Weakness - Material Reclassifications Proposed to Federal Revenues: (Continued)**

**Recommendation:**

We recommend the City implement procedures to ensure the City's federal revenues are appropriately accounted for and reported. This includes maintaining a list of all federal grants received, the CFDA number for each federal grant, the amount expended for each federal grant, the amount received for each federal grant, and a review process ensuring that all federal revenues are accurately recorded in the general ledger.

***Management Response:***

*We concur with the recommendation.*

- The City is in the process of developing and implementing procedures to ensure the City's Federal revenues are appropriately accounted for, including maintaining a list of all Federal grants received, the CFDA number for each Federal grant, the amount expended for each Federal grant, the amount received for each Federal grant, and a review process ensuring that all Federal revenues are accurately recorded in the general ledger.*
- Also, the City will identify staff resources to monitor the City's posting of Federal grant revenues in order to prevent the City's Schedule of Expenditures of Federal Awards from being materially misstated in the City's CAFR.*

**2017-012 Material Weakness - Internal Controls over Inventory**

**Criteria:** Internal controls over inventory should be in place to prevent misstatements in the financial statements and misappropriation of assets.

**Condition:** Routinely, an inventory count/verification is requested of various departments by the Finance Department. The inventory sheets are remitted to the Finance Department. There was a lack of monitoring or review process over the data and information received as part of these requests from other departments.

**Cause:** The City does not have sufficient internal controls over inventory to prevent misstatements in the financial statements and misappropriation of assets.

**Effect:** More than a remote possibility of misstatement of financial statements and misappropriation of assets.



**SECTION II - FINANCIAL STATEMENT FINDINGS: (CONTINUED)**

**2017-012 Material Weakness - Internal Controls over Inventory: (Continued)**

**Recommendation:**

We recommend an adequately trained and independent City staff member perform the inventory count/verification. Also staff personnel from the Finance Department monitor and review the process.

***Management Response:***

*We concur with the recommendation. The City will take appropriate action to ensure an adequately trained and independent City staff member perform routine inventory count/verification. Also, staff personnel from the Finance Department should monitor and review the process.*

**2017-013 Compliance Finding - Prompt Payment of Bills by Localities**

**Criteria:** In accordance with Virginia Code Section 2.2-4352 *Prompt Payment of Bills by Localities*, local governments that acquire goods or services, or conducts any other type of contractual business with a nongovernmental, privately owned enterprise, shall promptly pay for the completed delivered goods or services by the required payment date. The required payment date is either the due date of the invoice or, if no due date is noted, not more than forty-five days after goods or services are received or not more than forty-five days after this invoice is rendered.

**Condition:** As a result of the City's financial condition, there were many instances in which the City was not remitting payment to vendors for goods and services in a timely manner.

**Cause:** The City's poor financial condition did not allow for the City to pay its vendors for goods and services in a timely manner.

**Effect:** Late payment to vendors can lead to payment of late fees, interest and the potential for litigation.

## CITY OF PETERSBURG, VIRGINIA

### Schedule of Findings and Questioned Costs Year Ended June 30, 2017 (Continued)

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#### SECTION II - FINANCIAL STATEMENT FINDINGS: (CONTINUED)

##### 2017-013 Compliance Finding - Prompt Payment of Bills by Localities: (Continued)

###### Recommendation:

We recommend the City pay its vendors in a timely manner.

###### *Management Response:*

*We concur with the recommendation.*

- The City has developed and implemented procedures to comply with the Virginia Code Section 2.2-4352 Prompt Payment of Bills by Localities.*
- The City has worked in phases to pay its bills, resulting in significantly reduced unpaid bills.*
- The City has a policy of no longer processing and subsequently holding checks. If a check is processed, it is ready to be provided to the vendor.*

##### 2017-014 Compliance Findings - Nonpayment of Virginia Retirement System Contributions

Criteria: Per the VRS Member requirements, contributions are to be remitted by the 10<sup>th</sup> of the following month.

Condition: At June 30, 2017 the City had \$1,848,523.88 of retirement contributions that had not been remitted to VRS. The unpaid balance represents the City's portion (employer contribution) of the contributions for the months November 2015 to April 2016 and June 2016.

Cause: The City's poor financial condition did not allow for the City to pay its VRS contributions in a timely manner.

Effect: Employers that do not pay defined benefit contributions on time may be assessed a penalty of 5% of the amount due, plus interest at the rate of 1% per month until the payment is made.

###### Recommendation:

We recommend the City pay its VRS contributions in a timely manner.

###### *Management Response:*

*We concur with the recommendation. The City, in working with VRS, has agreed to pay by the end of December 2017 remaining unpaid VRS obligation.*

**SECTION II - FINANCIAL STATEMENT FINDINGS: (CONTINUED)**

**2017-015 Compliance Findings - Stormwater Revenue Bond**

Criteria: Bond proceeds should be expended for the purpose that was listed in the bond agreement.

Condition: In August 2015 the City Issued \$3,000,000 of Stormwater Revenue Bonds to finance variance storm water system improvements and to pay for certain issuance costs of the 2015 Bond as described in the attached bond document. The document also states that the Issuer ("the City") does not expect to reimburse itself from the bond proceeds for any expenditures incurred prior to the bond closing date. These proceeds were recorded in Fund 380, Capital Project Fund. In August 2015 after bond closing, the bond closing agent deposited \$3,000,000 into a separate SunTrust account titled "FY16 Stormwater CIP." During the months of September 2015, November 2015 and February 2016, the total amount of \$2,939,938 was transferred out of the SunTrust CIP bank account into the City's operating bank account. Per the City's general ledger, only \$1,040,628 was recorded as stormwater project expenditures in Fund 380. There was also \$87,139.14 paid to Davenport and McGuire Woods for Issuance costs. As part of the audit we examined documentation supporting the transfers out of the Stormwater CIP Account (see attached for documentation). During the course of the audit procedures we noted an email dated September 10, 2015 from the Assistant Finance Director sent to the Finance Director that stated the following: *"Recommend we transfer from SW account \$600k today to meet payroll."* We also noted an email dated November 23, 2015 from the Assistant Finance Director to the Deputy Treasurer and with a copy of the email to the Finance Director which stated *"Please transfer \$400,000 from the Storm Water account to the city concentration account. The plan is to transfer the funds back on December 1<sup>st</sup> after the state reimbursements post for Nov 30<sup>th</sup>."* We noted that these funds were not transferred back into the Stormwater bank account during fiscal year 2016. Additionally, there were various emails requesting transfers from the Stormwater CIP bank account to the City concentration bank account that did not list the specific intent of the transfer out. Based on the correspondence found during the audit and audit procedures performed it appears the City utilized \$1,812,170.39 of the \$3,000,000 Stormwater Revenue Bonds for payroll and/or other City operating costs and not for the purpose and intent of the bond issuance. During FY 17, the City spent \$145,989 on approved Stormwater projects.

Cause: Due to the City's poor financial condition, the city decided to use bond proceeds to cover payroll and other operating costs.

Effect: Violation of the Financing agreement could potentially lead to the revocation of the tax-exempt status of interest on the bond or could trigger an Event of Default.

CITY OF PETERSBURG, VIRGINIA

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2017 (Continued)

**SECTION II - FINANCIAL STATEMENT FINDINGS: (CONTINUED)**

**2017-015 Compliance Findings - Stormwater Revenue Bond: (Continued)**

**Recommendation:**

We recommend the City contact bond counsel to determine the consequences and required corrective action.

***Management Response:***

*We concur with the recommendation. The City has contacted bond counsel to determine the consequences and required corrective action.*

**2017-016 Compliance Finding - Expenditures in Excess of Appropriations**

**Criteria:** Per the Code of Virginia, an expenditure should not be incurred until first an appropriation is made authorizing the expenditures.

**Condition:** The City had expenditures in excess of appropriations for the following functions in the general fund:

<u>Function</u>	<u>Expenditures in Excess of Appropriations</u>
General Government Admin	\$ 541,539
Public Safety	\$ 97,357
Community development	\$ 144,224
Debt Service	\$ 347,676

**Cause:** The City did not have procedures in place to monitor appropriations and expenditures.

**Effect:** The City incurred expenditures without a corresponding appropriation authorizing the expenditure.

**Recommendation:**

We recommend the City implement procedures to ensure an appropriation is made prior to incurring the expenditure.

***Management Response:***

*We concur with the recommendation. The City has developed monthly reporting to City Council on budget performance to eliminate City Departments/Function expenditures exceeding appropriations.*

## CITY OF PETERSBURG, VIRGINIA

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2017 (Continued)

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### SECTION II - FINANCIAL STATEMENT FINDINGS: (CONTINUED)

#### 2017-017 Compliance Findings - Establishment of a Social Services Board

Criteria: Code of Virginia Section 63.2-300 requires all Counties and Cities to establish or be a part of a joint Social Services board.

Condition: Through inquiry of the DSS Executive Director, the process of establishing a board was started in either FY2012 or FY2013 but was never implemented.

Cause: The City did not establish the required Board.

Effect: The City does not have a Social Services Board as required by the Code of Virginia.

#### Recommendation:

We recommend the City establish a Social Services Board and maintain minutes of the Board Meetings.

#### *Management Response:*

*We concur with the recommendation. The City will take appropriate action to establish a Social Services Board and maintain minutes of the Board Meetings.*

#### 2017-018 Compliance Finding - Special Welfare Bank Account

Criteria: Individuals/clients with sustained Special Welfare balance must be deposited in separate interest bearing accounts.

Condition: The Special Welfare bank account is not an interest bearing account.

Cause: When the Special Welfare bank account was established, it was not set up as an interest bearing account.

Effect: Individuals/clients with sustained Special Welfare balances are not earning interest as required.

#### Recommendation:

We recommend the City establish and interest bearing account for Special Welfare.

#### *Management Response:*

*We concur with the recommendation. The City will take appropriate action to establish an interest bearing account for Special Welfare.*

**SECTION II - FINANCIAL STATEMENT FINDINGS: (CONTINUED)**

**2017-019 Compliance Finding - Special Welfare Ledger**

Criteria: The Special Welfare ledger account maintained by the Department of Social Services should be reconciled with the Special Welfare bank statement maintained by the City's Treasurer Office.

Condition: The Special Welfare ledger account maintained by the Department of Social Services does not reconcile with the Special Welfare bank statement maintained by the City's Treasurer Office.

Cause: The City did not have procedures in place to reconcile the Special Welfare ledger and the Special Welfare bank account.

Effect: Errors could occur without being detected in the Special Welfare Ledger or Special Welfare Bank Account.

**Recommendation:**

We recommend the Special Welfare ledger and Special Welfare bank account are reconciled on a monthly basis and that any discrepancies are investigated, documented, and corrected.

***Management Response:***

*We concur with the recommendation. The City will develop and implement procedures to ensure the Special Welfare ledger and Special Welfare bank account are reconciled on a monthly basis and all discrepancies are investigated, documented, and/or corrected.*

**2017-020 Compliance Finding - VRS Line of Duty Act**

Criteria: Local Governments that have employees who participate in the Line of Duty Act Program with benefits being paid through the VRS-administered trust fund should be providing and updated roster list for participating employees to VRS annually.

Condition: The City was not providing a roster list of employees who are participating in the Line of Duty Act Program to VRS on an annual basis.

Cause: The City was making premium payments for only employees who were insured, instead of all covered employees.

Effect: The City is not in compliance with VRS's Line of Duty Act program requirements.

**SECTION II - FINANCIAL STATEMENT FINDINGS: (CONTINUED)**

**2017-020 Compliance Finding - VRS Line of Duty Act**

**Recommendation:**

We recommend the City provide a roster listing of employees who are participating in the VRS administered Line of Duty Act Program. At a minimum, the roster listing should include the following for each participating employee; Name (First, Last, Middle Initial), Gender, Date of Birth, Agency, and Personnel Type.

***Management Response:***

*We concur with the recommendation. The City will develop and implement procedure to provide a roster listing of employees who are participating in the VRS administered Line of Duty Act Program. At a minimum, the roster listing will include the following for each participating employee; Name (First, Last, Middle Initial), Gender, Date of Birth, Agency, and Personnel Type.*

**2017-021 Compliance Finding - Procurement**

**Criteria:** For contracts of \$200,000 or more for construction of highways, roads, streets, bridges, parking lots, demolition, clearing, grading, excavating, paving, pile driving, miscellaneous drainage structures, and the installation of water, gas, sewer lines and pumping stations where portions of the contract price are to be retained by the political subdivision (City), the bid proposal must include an option for the contractor to use an escrow account procedure for utilization of the political subdivision's retainage funds. (Section 2.2-4334).

**Condition:** The contracts with Virginia Concrete Construction, Inc. for Route 36 pavement overlay in the amount of \$228,560 did not have this required option.

**Cause:** The City did not have procedures in place to ensure contracts of \$200,000 or more for construction of highways, roads, streets, bridges, parking lots, demolition, clearing, grading, excavating, paving, pile driving, miscellaneous drainage structures, and the installation of water, gas, sewer lines and pumping stations where portions of the contract price are to be retained by the political subdivision (City) included this option.

**Effect:** The City is not complying with the Code of Virginia.

**Recommendation:**

We recommend the City implement procedures to ensure contracts of \$200,000 or more for construction of highways, roads, streets, bridges, parking lots, demolition, clearing, grading, excavating, paving, pile driving, miscellaneous drainage structures, and the installation of water, gas, sewer lines and pumping stations where portions of the contract price are to be retained by the political subdivision (City), the bid proposal includes an option for the contractor to use an escrow account procedure for utilization of the political subdivision's retainage funds.

## CITY OF PETERSBURG, VIRGINIA

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2017 (Continued)

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### SECTION II - FINANCIAL STATEMENT FINDINGS: (CONTINUED)

#### 2017-021 Compliance Finding - Procurement: (Continued)

##### *Management Response:*

*We concur with the recommendation. The City will ensure future bid proposals include an option for the contractor to use an escrow account procedure for utilization of the political subdivision's retainage funds.*

### SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

#### 2017-022 Federal Award Finding - Subrecipient Monitoring:

Program: Workforce Investment Act Cluster (CFDA 17.258/17.259/17.278 - Department of Labor)

Federal Award Number: LWA 15-16-03      Year: 2016

Federal Award Number: LWA 15-15-03      Year: 2015

Criteria: Federal awards that are passed-through to a subrecipient are subject to Subrecipient Monitoring requirements under OMB Uniform Guidance. A pass-through entity is responsible for the following; Determining Subrecipient Eligibility, Award Identification, During-the-Award Monitoring, and ensuring that subrecipients expending \$750,000 or more in Federal Awards during the fiscal year have met the audit requirements of 2 CFR part 200, subpart F of Uniform Guidance.

Condition: The City was not performing During-the-Award Monitoring of its subrecipients. Further, the City was not ensuring that its subrecipients were meeting the audit requirements of 2 CFR part 200, subpart F of Uniform Guidance.

Context: The City passed-through Workforce Investment Grant funds to the Crater Regional Workforce Investment Board & Learn to Earn, Inc. The City was not monitoring the subrecipient's use of the Federal awards through reporting, site visits, regular contact or any other means to provide reasonable assurance that the subrecipient administers the federal awards in compliance with laws, regulations, and the provisions of the grant agreements and that performance goals were being met. Further, the City was not ensuring that the Crater Regional Workforce Investment Board & Learn to Earn, Inc. was meeting the audit requirements of 2 CFR part 200, Subpart F of the Uniform Guidance.

Cause: City personnel were not aware of its subrecipient monitoring requirements.

Effect: The City has not complied with its subrecipient monitoring requirements. Noncompliance could lead to loss of grant funds.

Questioned Costs: \$0



CITY OF PETERSBURG, VIRGINIA

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2017 (Continued)

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**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS: (CONTINUED)**

**2017-022 Federal Award Finding - Subrecipient Monitoring: (Continued)**

**Recommendation:**

We recommend the City implement procedures to ensure compliance with grant funds and the related grant awards.

***Management Response:***

We concur with the recommendation. The City will develop and implement procedures to ensure compliance with grant funds and the related grant awards.

**2017-023 Federal Award Finding - Allowable Activities**

**Program:** Child Nutrition Cluster (CFDA 10.553 & 10.555 - Department of Agriculture)

Federal Award Number: 201717N109941	Year: 2017
Federal Award Number: 201616N109941	Year: 2016
Federal Award Number: 2015IN109941	Year: 2015

**Criteria:** Reimbursement of the Federal Awards is determined by applying the applicable number of meals served times the reimbursement rates.

**Condition:** The School Board was not entering the correct number of meals served each month when completing the SNP Monthly Reimbursement by SNP Unit Report - (SNP017). There were some months in which the School Board over reported the number of meals served and some months in which the School Board under reported the number of meals served.

**Context:** Out of 10 months tested, 4 months were under reimbursed and 2 months were over reimbursed. There were 3 instances in which the School Board did not enter any meals served for an individual School for the month. There was 1 instance in which the School Board enter the number of meals served as breakfast instead of lunch. There were 4 instances in which the amount entered for number of meals served was incorrect.

**Cause:** The School Board was not ensuring that the information entered into the month reimbursement request was accurate.

**Effect:** The School Board was not complying with the grant requirements and was under reimbursed by \$9,972 during FY 17.

**Questioned Costs:** \$0

CITY OF PETERSBURG, VIRGINIA

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2017 (Continued)

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**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS: (CONTINUED)**

**2017-023 Federal Award Finding - Allowable Activities: (Continued)**

**Recommendation:**

We recommend the School Board implement procedures to ensure compliance with grant funds and ensure that monthly reimbursement request are completed accurately.

***Management's Response:***

We concur with the recommendation. The City will formally communicate the 2017-023 Federal Award Finding (Allowable Activities) and recommendation to the School Board to implement procedures to ensure compliance with grant funds and ensure that monthly reimbursement request are completed accurately.

CITY OF PETERSBURG, VIRGINIA

Schedule of Prior Year Findings  
Year Ended June 30, 2017

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**FINANCIAL STATEMENT FINDINGS**

**2016-001 Material Weakness - Utility Billing Reconciliation**

Condition: The City was not reconciling the Utility Billing Subsidiary System to the General Ledger on a monthly basis.

Recommendation:

We recommend the City implement procedures to ensure the Utility Billing Subsidiary System reconciles to the General Ledger and any differences noted during the reconciliation are documented and corrected.

Current status:

See finding 2017-001

**2016-002 Material Weakness - Utility Billing Reconciliation System**

Condition: The Utility Billing Reconciliation System has not been interfaced properly for some time. The interface issues are related to the system's ability to reconcile the outstanding A/R amounts to what the system believes the accounting system should reflect.

Recommendation:

We recommend the City correct the interfaces within the reconciliation module so that the reconciliation system is accurate.

Current status:

See finding 2017-002

**2016-003 Material Weakness - Utility Billing Errors and Insufficient Edit Checks**

Condition: During FY16, utility bills were processed and mailed with substantial errors, whereby customers were billed for utilities in amounts that were far in excess of a reasonable bill.

Recommendation:

We recommend the City implement procedures to ensure adequate edit checks are preformed prior to finalizing the billings.

Current status:

See finding 2017-003

CITY OF PETERSBURG, VIRGINIA

Schedule of Prior Year Findings  
Year Ended June 30, 2017 (Continued)

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**FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**2016-004 Material Weakness - Lack of Internal Controls over Adjustments to Customer Utility Accounts**

Condition: Based on our testing and pursuant to discussions with City personnel, for a majority of the fiscal year ending June 30, 2016, there were no internal controls in place over the adjustment of customer utility accounts.

Recommendation:

We recommend the City implement internal controls over adjustments to customer utility accounts to prevent unauthorized write-offs to customer accounts.

Current status:

See finding 2017-004

**2016-005 Material Weakness- Lack of Documentation Over Adjustments to Utility Billings**

Condition: During the fiscal year ending June 30, 2016, the City recorded material adjustments to utility bills, however, the City did not retain documentation supporting the purpose or reason adjustments were necessary.

Recommendation:

We recommend the City retain appropriate documentation to support and substantiate adjustments made to utility bills.

Current status:

See finding 2017-005

**2016-006 Material Weakness - Insufficient Documentation for Water and Sewer Connection Charges**

Condition: It was noted during the audit that there was no documentation to support the individually significant water and sewer connection charges. Connection charges comprised a substantial amount of the total utility fund revenues.

Recommendation:

We recommend the City retain sufficient supporting documentation to support water and sewer connection charges collected.

Current status:

This finding was not present in the current year.

CITY OF PETERSBURG, VIRGINIA

Schedule of Prior Year Findings  
Year Ended June 30, 2017 (Continued)

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**FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**2016-007 Material Weakness - Reconciliation of Property Tax Delinquent Lists to General Ledger**

Condition: During fiscal year 2016 the City was not reconciling the property tax delinquent lists to the taxes receivable accounts as reported in the general ledger on a monthly basis or at year-end.

Recommendation:

We recommend the City reconcile property tax delinquent lists to the general ledger on a monthly basis and any differences be investigated and corrected.

Current status:

See finding 2017-007

**2016-008 Material Weakness - Insufficient Accounting and Financial Reporting Throughout the Fiscal Year**

Condition: During our audit we have observed the City's contracted audit preparation consultant was required to record a large number of adjustments at year-end. Moreover, it was necessary for the consultant to perform numerous reconciliations to prepare the City's accounting records for the audit and external reporting purposes. Many of the adjustments and reconciliations performed by the consultant should be conducted throughout the year as part of routine accounting and financial reporting procedures.

Recommendation:

We recommend the City evaluate the Finance Department and develop procedures to aid in accounting and financial reporting for capital assets, long-term obligations, general property tax receivables, water and sewer receivables, other miscellaneous receivables, state and federal revenues and similar accounts that have required adjustments by the contracted consultant. We also recommend development of a monthly procedural checklist which would require a specified individual to perform reviews of budget-to-actual results for revenues and expenditures actual as well as monitoring the balance sheet accounts. By implementing procedures in the Finance Department by qualified Finance personnel the City would benefit from reliable financial data through-out the fiscal year in addition to reducing the number of adjustments required at year-end.

Current status:

See finding 2017-008

## CITY OF PETERSBURG, VIRGINIA

Schedule of Prior Year Findings  
Year Ended June 30, 2017 (Continued)

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### FINANCIAL STATEMENT FINDINGS (CONTINUED)

#### **2016-009 Material Weakness- Material Audit Adjustments Proposed by the External Auditor**

Condition: The financial statements required material adjustments by the Auditor to ensure such statements complied with Generally Accepted Accounting Principles (GAAP). Material audit adjustments were proposed to a multitude of accounts and financial statement groups including receivables, capital assets, payroll liabilities, deferred revenue, debt and revenue and expenditure accounts to be in accordance with Generally Accepted Accounting Principles.

Recommendation:

We recommend the City implement procedures to ensure the financial statements are materially correct in accordance with General Accepted Accounting Principles.

Current status:

See finding 2017-009

#### **2016-010 Material Weakness - Unrecorded Material Capital Lease**

Condition: Our audit procedures disclosed a capital lease with Motorola in the amount of \$797,000 entered into during the fiscal year ending June 30, 2015 that was recorded by the City.

Recommendation:

We recommend the City implement procedures to ensure all capital leases are identified and recorded in the financial statements as required by Generally Accepted Accounting Principles.

Current status:

Finding not present in current year.

#### **2016-011 Material Weakness - Material Reclassifications Proposed to Federal Revenues**

Condition: The Auditor proposed material adjustments to the City's recording of revenues received from federal sources - direct and pass-through federal revenues. The City had commingled and misclassified a multitude of federal revenues with state and/or local revenues within the accounting system.

Recommendation:

We recommend the City implement procedures to ensure the City's federal revenues are appropriately accounted for and reported. This includes maintaining a list of all federal grants received, the CFDA number for each federal grant, the amount expended for each federal grant, the amount received for each federal grant, and a review process ensuring that all federal revenues are accurately recorded in the general ledger.

Current status:

See finding 2017-011

**FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**2016-012 Golf Course Point-of-Sale System**

Condition: The City's Golf Course installed a new point-of-sale system in January 2016. Documentation was not retained for the first half of the fiscal year to support the detailed receipt information received at the Golf Course.

Recommendation:

We recommend the City implement procedures to ensure information is retained when system changes are made.

Current status:

Finding not present in current year.

**2016-013 Material Weakness - Internal Controls over Inventory**

Condition: Routinely, an inventory count/verification is requested of various departments by the Finance Department. The inventory sheets are remitted to the Finance Department. There was a lack of monitoring or review process over the data and information received as part of these requests from other departments.

Recommendation:

We recommend an adequately trained and independent City staff member perform the inventory count/verification. Also staff personnel from the Finance Department monitor and review the process.

Current status:

See finding 2017-012

**2016-014 Compliance Finding - Prompt Payment of Bills by Localities**

Condition: As a result of the City's financial condition, there were many instances in which the City was not remitting payment to vendors for goods and services in a timely manner. Additionally, the City would process checks, but subsequently hold the checks because the City did not have sufficient funds to cover the checks. A listing of held checks was obtained from the City's Finance Department on July 29, 2016 which contained checks processed but not mailed totaling \$10,258,436.87. The dates of the checks ranged from January 14, 2016 to July 15, 2016.

Recommendation:

We recommend the City pay its vendors in a timely manner.

Current status:

See finding 2017-013

## CITY OF PETERSBURG, VIRGINIA

Schedule of Prior Year Findings  
Year Ended June 30, 2017 (Continued)

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### FINANCIAL STATEMENT FINDINGS (CONTINUED)

#### **2016-015 Compliance Findings - Nonpayment of Virginia Retirement System Contributions**

Condition: At June 30, 2016 the City had \$2,355,807.70 of retirement contributions that had not been remitted to VRS. The unpaid balance represents the City's portion (employer contribution) of the contributions for the months November 2015 to April 2016 and June 2016.

Recommendation:

We recommend the City pay its VRS contributions in a timely manner.

Current status:

See finding 2017-014

#### **2016-016 Compliance Findings - Stormwater Revenue Bond**

Condition: In August 2015 the City Issued \$3,000,000 of Stormwater Revenue Bonds to finance variance storm water system improvements and to pay for certain issuance costs of the 2015 Bond as described in the attached bond document. The document also states that the Issuer ("the City") does not expect to reimburse itself from the bond proceeds for any expenditures incurred prior to the bond closing date. These proceeds were recorded in Fund 380, Capital Project Fund. In August 2015 after bond closing, the bond closing agent deposited \$3,000,000 into a separate SunTrust account titled "FY16 Stormwater CIP." During the months of September 2015, November 2015 and February 2016, the total amount of \$2,939,938 was transferred out of the SunTrust CIP bank account into the City's operating bank account. Per the City's general ledger, only \$1,040,628 was recorded as stormwater project expenditures in Fund 380. There was also \$87,139.14 paid to Davenport and McGuire Woods for Issuance costs. As part of the audit we examined documentation supporting the transfers out of the Stormwater CIP Account (see attached for documentation). During the course of the audit procedures we noted an email dated September 10, 2015 from the Assistant Finance Director sent to the Finance Director that stated the following: *"Recommend we transfer from SW account \$600k today to meet payroll."* We also noted an email dated November 23, 2015 from the Assistant Finance Director to the Deputy Treasurer and with a copy of the email to the Finance Director which stated *"Please transfer \$400,000 from the Storm Water account to the city concentration account. The plan is to transfer the funds back on December 1<sup>st</sup> after the state reimbursements post for Nov 30<sup>th</sup>."* We noted that these funds were not transferred back into the Stormwater bank account during fiscal year 2016. Additionally, there were various emails requesting transfers from the Stormwater CIP bank account to the City concentration bank account that did not list the specific intent of the transfer out. Based on the correspondence found during the audit and audit procedures performed it appears the City utilized \$1,812,170.39 of the \$3,000,000 Stormwater Revenue Bonds for payroll and/or other City operating costs and not for the purpose and intent of the bond issuance.



CITY OF PETERSBURG, VIRGINIA

Schedule of Prior Year Findings  
Year Ended June 30, 2017 (Continued)

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**FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**2016-016 Compliance Findings - Stormwater Revenue Bond (Continued)**

Recommendation:

We recommend the City contact bond counsel to determine the consequences and required corrective action.

Current status:

See finding 2017-015

**2016-017 Compliance Finding - Expenditures in Excess of Appropriations**

Condition: The City had expenditures in excess of appropriations for the following functions in the general fund:

<u>Function</u>	<u>Expenditures in Excess of Appropriations</u>
General Government Admin	\$ 59,453
Public Safety	\$ 303,053
Health and Welfare	\$ 449,464
Debt Service	\$ 1,307,841

Recommendation:

We recommend the City implement procedures to ensure an appropriation is made prior to incurring the expenditure.

Current status:

See finding 2017-016

**2016-018 Compliance Findings - Establishment of a Social Services Board**

Condition: Through inquiry of the DSS Executive Director, the process of establishing a board was started in either FY2012 or FY2013 but was never implemented.

Recommendation:

We recommend the City establish a Social Services Board and maintain minutes of the Board Meetings.

Current status:

See finding 2017-017

CITY OF PETERSBURG, VIRGINIA

Schedule of Prior Year Findings  
Year Ended June 30, 2017 (Continued)

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**FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**2016-019 Compliance Finding- No Annual Review of Employee System Access at local Department of Social Services**

Condition: The Department currently examines access for all new; however, there is no subsequent annual review of system access after the initial hire date.

Recommendation:

We recommend the Department of Social Services implement procedures to ensure system access for all employees is reviewed on an annual basis.

Current status:

The finding is not present in the current year.

**2016-020 Compliance Finding - Special Welfare Bank Account**

Condition: The Special Welfare bank account is not an interest bearing account.

Recommendation:

We recommend the City establish and interest bearing account for Special Welfare.

Current status:

See finding 2017-018

**2016-021 Compliance Finding - Special Welfare Ledger**

Condition: The Special Welfare ledger account maintained by the Department of Social Services does not reconcile with the Special Welfare bank statement maintained by the City's Treasurer Office.

Recommendation:

We recommend the Special Welfare ledger and Special Welfare bank account are reconciled on a monthly basis and that any discrepancies are investigated, documented, and corrected.

Current status:

See finding 2017-019

## CITY OF PETERSBURG, VIRGINIA

Schedule of Prior Year Findings  
Year Ended June 30, 2017 (Continued)

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### FINANCIAL STATEMENT FINDINGS (CONTINUED)

#### **2016-022 Compliance Finding - Virginia Resources Authority's ("VRA") Series 2015A Loan Covenant**

Condition: Pursuant to a letter obtained from VRA dated March 1, 2017, the plan required by Virginia Resources Authority's (VRA) Series 2015A loan for the City to adopt a five year water and sewer system rate plan for the Public Utilities Fund, covering fiscal years 2016 through 2020 has not been implemented.

Recommendation:

We recommend the City implement procedures to ensure compliance with bond agreements.

Current status:

The finding is not present in the current year.

#### **2016-023 Compliance Finding - Procurement**

Condition: Contracts with Branscome, Inc. for Route 460 pavement overlay in the amount of \$3,140,000 and Allan Myers VA, Inc. for West Washington Street payment overlay in the amount of \$515,320 did not have the required option of For contracts of \$200,000 or more for construction of highways, roads, streets, bridges, parking lots, demolition, clearing, grading, excavating, paving, pile driving, miscellaneous drainage Structures, and the installation of water, gas, sewer lines and pumping stations where portions of the contract price are to be retained by the political subdivision (City), the bid proposal must include an option for the contractor to use an escrow account procedure for utilization of the political subdivision's retainage funds. (Section 2.2-4334).

Recommendation:

We recommend the City implement procedures to ensure contracts of \$200,000 or more for construction of highways, roads, streets, bridges, parking lots, demolition, clearing, grading, excavating, paving, pile driving, miscellaneous drainage structures, and the installation of water, gas, sewer lines and pumping stations where portions of the contract price are to be retained by the political subdivision (City), the bid proposal includes an option for the contractor to use an escrow account procedure for utilization of the political subdivision's retainage funds.

Current status:

See finding 2017-021

## CITY OF PETERSBURG, VIRGINIA

### Schedule of Prior Year Findings Year Ended June 30, 2017 (Continued)

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#### FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

##### **2016-024 Federal Award Finding - Allowable Activities and Cash Management**

Program: Assistance to Firefighters Grant (CFDA 97.044 - Federal Emergency Management Agency)

Federal Award Number: EMW-2014-FO-02832                      Year: 2014

Condition: On December 11, 2015, the City received \$385,042 in Assistant to Firefighters federal grant funds for the purchase of SCBA fire equipment. The City never paid the vendor's invoices for goods provided and as a result the vendor repossessed the equipment. On July 15, 2015, the City received \$183,368 in Assistant to Firefighters federal grant funds for the purchase of fire turnout gear. On February 19, 2016, the City received a notice from the vender demanding payment for the fire turnout gear previously received by the City.

Recommendation:

We recommend the City implement procedures to ensure compliance with grant funds and the related grant awards.

Current status:

This finding is not present in the current year.

##### **2016-025 Federal Award Finding - Allowable Activities and Cash Management**

Program: Federal Transit Cluster (CFDA 20.507 & 20.500 - Department of Transportation)

Federal Award Number: 42,424.00 VA-90-4433	Year: 2015
Federal Award Number: 37,231.00 VA-90-4433	Year: 2015
Federal Award Number: 63,900.00 VA-90-0415	Year: 2015
Federal Award Number: 30,762.00 VA-34-0005	Year: 2015

Condition: The City received \$66,666.68 from April 2016 through July 2016 of federal Transit Cluster grant funds as reimbursement/payment for invoices to the Greater Richmond Transit Company. The invoices were never paid and the checks were voided. These invoices were not paid until April 5, 2017.

Recommendation:

We recommend the City implement procedures to ensure compliance with grant funds and the related grant awards.

Current status:

This finding is not present in the current year.