

# City of Colonial Heights, Virginia



**Comprehensive Annual  
Financial Report  
Ending June 30, 2014**



**CITY OF COLONIAL HEIGHTS, VIRGINIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**YEAR ENDED JUNE 30, 2014**



Prepared by the Department of Financial Administration

William E. Johnson  
Director of Finance



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## INTRODUCTORY SECTION

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**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**DIRECTORY OF PRINCIPAL OFFICIALS**

**June 30, 2014**

**CITY COUNCIL**

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

**OTHER OFFICIALS**

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

**INDEPENDENT AUDITORS**

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



Government Finance Officers Association

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

Presented to

**City of Colonial Heights  
Virginia**

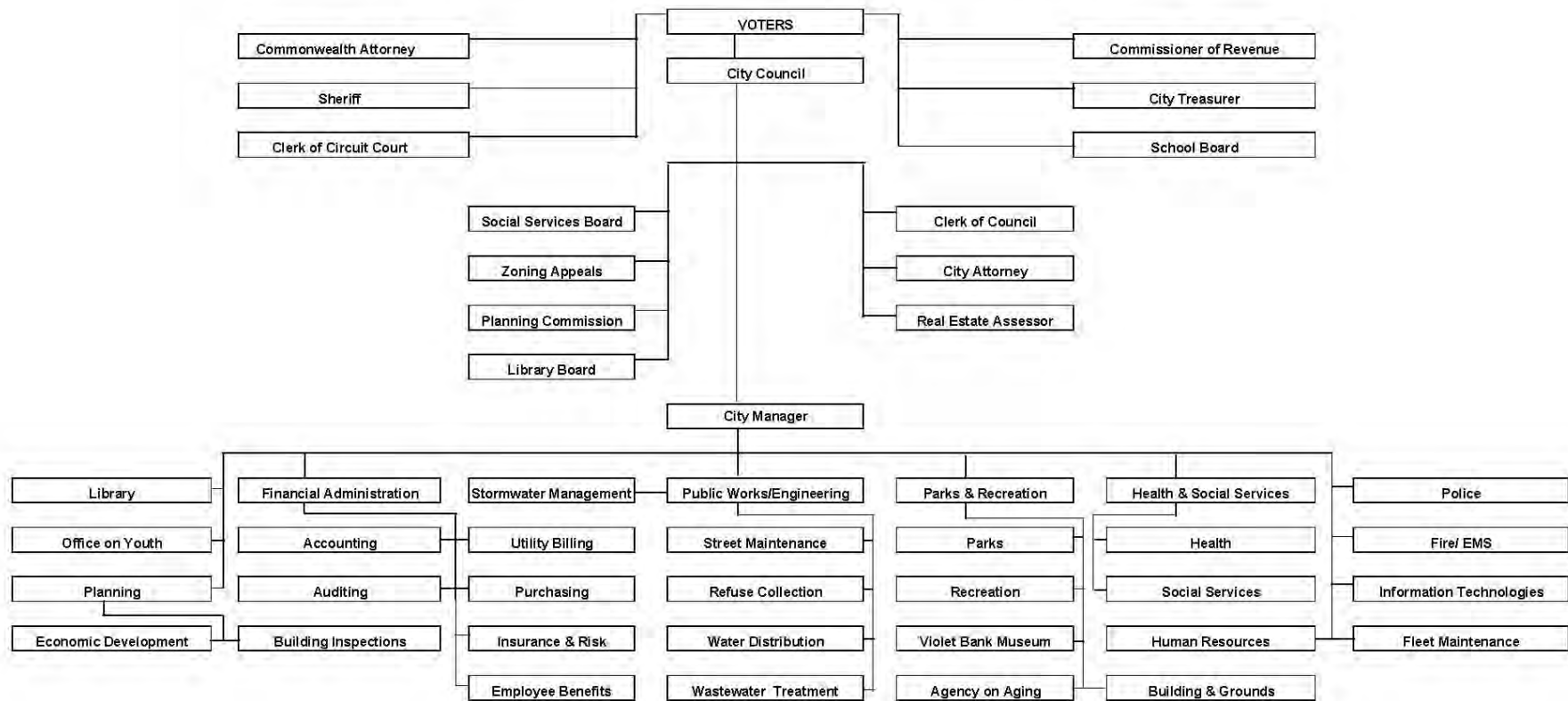
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

A handwritten signature in black ink, reading "Jeffrey R. Emen". The signature is fluid and cursive.

Executive Director/CEO

# CITY OF COLONIAL HEIGHTS, VIRGINIA ORGANIZATIONAL CHART





# CITY OF COLONIAL HEIGHTS

Thomas L. Mattis  
City Manager

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

William E. Johnson  
Director of Finance

November 4, 2014

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

The Comprehensive Annual Financial Report (CAFR) of the City of Colonial Heights, Virginia (the "City") for the fiscal year ending June 30, 2014, is transmitted herewith. This report was prepared by the Department of Financial Administration, which assumes full responsibility for the accuracy of data, completeness and the fairness of presentation. We believe the data, as presented, is accurate in all material respects, and that it is presented in a manner designed to fairly set forth the financial position and results as measured by the financial activity of its various governmental activities, business-type activities and funds. All disclosures necessary for a reader to fully understand the City's financial affairs have been included.

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

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

Brown Edwards & Company, LLP, Certified Public Accountants have audited the City's basic financial statements. This independent audit's yearly goal is to provide reasonable assurance that the basic financial statements are free of material misstatement. The Independent auditors concluded, based upon the audit, that there was reasonable basis for rendering an unqualified opinion that the City's basic financial statements for the fiscal year ending June 30, 2014, are fairly presented in conformity with generally accepted accounting principals (GAAP). The independent auditors' report is presented as the first component of the Financial Section.

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

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

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

### **Economic Condition and Outlook**

The City, with a land area of 8.14 square miles, is located in southeastern Virginia. The City is strategically located on Interstate 95 near its intersection with interstates, 185 and 164, thus giving the City access to the East Coast's major markets.

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

The population of the City is estimated at 17,942 as projected by the Virginia Employment Commission. The City is part of the Richmond Tri-Cities Metropolitan Statistical Area and as such has immediate access to the area's dynamic business complex. Richmond is a center for manufacturing, distribution and trade. State and Federal offices are located in Richmond and the area houses numerous corporate headquarters.

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

The City has a civilian labor force of 10,569 and an unemployment rate of 6.0%. The surrounding labor pool consists of tens of thousands of workers representing the entire spectrum of occupational groups and training opportunities in the area are abundant.

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

The City has seen 2.4 million square feet of retail, office and service industry development in the City's regionally based commercial center area known as "Southpark". Beginning with the opening of the area's only regional mall in 1989, the area has become a Mecca for giant retailers, specialty retailers and office seekers. This area had lost several car dealerships with the past automotive contraction, but this area is showing the ability to absorb these closures with additional planned retail and professional businesses in these structures and surrounding properties. Transportation access and diversity have been two key elements of the area's sustained success. The expansion of Fort Lee reduced the City's exposure to economic downturns, but with the reduction in Federal spending has led to a slowdown in traditional Food and Lodging revenues with reduced Federal training at the base. The City's older retail areas along the US1/301 corridor continue to benefit from the increased exposure of the City's regional emphasis and the opening of the new Courthouse in the Southern end of the City.

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

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

The City has endured the past economic challenges by maintaining a good local tax base that softened the effects of the Commonwealth's budget and economic cutbacks. This year's financial operations continued to effectively maintain existing service levels while facing a reduced Federal influence. Expected growths in retail sales, Food and Lodging taxes did not materialize while increases in incarceration and unexpected bridge repair led to an unexpected fiscal shortfall. Sale of the prior Courthouse location for retail development and the City's growth would indicate this was an isolated occurrence and current revenue estimates appear accurate. The City continues to adhere to a conservative budget in order to keep existing programs funded and salaries of public employees competitive while dealing with changing budgetary challenges.

The City's Fund Balance goal of an unassigned fund balance of 10% had been exceeded in the past years to provide a rainy day fund in case of economic downturns. No reserves were utilized in the preparation of the Fiscal Year 2013, 2014, and 2015 budgets.

### **Accounting System and Budgetary Controls**

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

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

Budgetary control is maintained at the function line-item level by the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. Purchase orders which result in an overrun of line item balances are not released until funds are appropriated or transferred to the specific line item. Open encumbrances are recorded as either committed or assigned fund balances at June 30, 2014.

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

### **Capital Financing and Debt Service**

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

The Constitution of Virginia establishes a debt limit for Virginia cities of 10% of the assessed value of real estate. The City of Colonial Heights could incur debt in the amount of \$163,943,771, but has currently utilized 20.76% of its debt obligatory capacity.

Long-term liabilities, excluding notes payable, compensated absences, retirement incentive programs and environmental liabilities, for all funds of the primary government as of June 30, 2014, totaled \$33,406,897, of which \$633,103 for Enterprise Fund purposes is considered self-supporting and shown only as a liability of the respective fund.

The City's bonds are rated as follows:

| Standard<br>& Poor's | Fitch<br>Investors<br>Service | Moody's<br>Investor<br>Service |
|----------------------|-------------------------------|--------------------------------|
| AA                   | AA                            | Aa2                            |

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

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

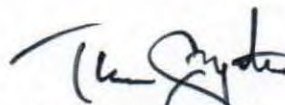
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Colonial Heights, Virginia for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013. The Certificate of Achievement is a prestigious national award recognizing conformance with highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. The CAFR must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last 34 consecutive years (fiscal years ended 1980 through 2013). We believe our current report conforms to the Certificate of Achievement program requirements, and we are submitting it to the GFOA for consideration.

### **Acknowledgments**

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

Respectfully submitted,



Thomas L. Mattis  
City Manager



William E. Johnson  
Director of Finance



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## FINANCIAL SECTION

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Colonial Heights, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change In Accounting Principle**

As described in Note 18 to the financial statements, in 2014, the City adopted new accounting guidance, *GASB Statement No. 65, Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, other supplementary schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The supplementary schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary 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 4, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia  
November 4, 2014

**CITY OF COLONIAL HEIGHTS, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014**

The following discussion and analysis of the City of Colonial Heights, Virginia (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2014. It should be read in conjunction with the transmittal letter and the City's basic financial statements.

**FINANCIAL HIGHLIGHTS**

The City's total net position, excluding those of its component unit, on the government-wide basis, totaled \$48,287,418 at June 30, 2014. Of this amount, \$41,801,182 is net investment in capital assets, \$364,421 is restricted for debt service and \$313,998 is restricted for public safety and judicial administrative grants, which results in \$5,807,817 that may be used to meet ongoing obligations to citizens and creditors. The *Code of Virginia* requires the School Board to hold title to the capital assets (buildings and equipment) due to their responsibility for maintaining the asset, however in Virginia the School Board does not have taxing authority and, therefore, it cannot incur debt through general obligation bonds to fund the acquisition, construction or improvement to capital assets. This can result in an inequitable distribution of capital assets and corresponding debt presentation in Virginia. See the footnote presentation for further clarification.

On a government-wide basis for governmental activities, the City's general revenues of \$39,758,714, exclusive of transfers were \$3,222,711 more than the expenses net of program revenues of \$36,536,003.

At June 30, 2014, the City's governmental funds balance sheet reported fund balances of \$10,000,598. Of this amount, \$7,405,756 remains in the various governmental funds of the City as unassigned.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

**CITY OF COLONIAL HEIGHTS, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014  
(Continued)**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS (Continued)**

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

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

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

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

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

**FUND FINANCIAL STATEMENTS**

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

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

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

**CITY OF COLONIAL HEIGHTS, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014  
(Continued)**

**FUND FINANCIAL STATEMENTS (Continued)**

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

The following table presents a condensed comparison of net assets:

**Summary Statement of Net Position  
June 30, 2014 and 2013  
(In Millions)**

|                           | <b>Governmental<br/>Activities</b> |             | <b>Business-type<br/>Activities</b> |             | <b>Total<br/>Primary<br/>Government</b> |             | <b>Component<br/>Unit</b> |             |
|---------------------------|------------------------------------|-------------|-------------------------------------|-------------|---|-------------|---------------------------|-------------|
|                           | <b>2014</b>                        | <b>2013</b> | <b>2014</b>                         | <b>2013</b> | <b>2014</b>                             | <b>2013</b> | <b>2014</b>               | <b>2013</b> |
| Current and Other Assets  | \$ 24.4                            | \$ 32.3     | \$ 0.6                              | \$ 0.8      | \$ 25.0                                 | \$ 33.1     | \$ 6.7                    | \$ 7.5      |
| Capital Assets, net       | 64.1                               | 57.4        | 13.0                                | 13.4        | 77.1                                    | 70.8        | 18.9                      | 19.3        |
| Total Assets              | 88.5                               | 89.7        | 13.6                                | 14.2        | 102.1                                   | 103.9       | 25.6                      | 26.8        |
| Deferred Outflows         | 0.1                                | -           | -                                   | -           | 0.1                                     | -           | -                         | -           |
| Other Liabilities         | 2.1                                | 15.6        | 0.3                                 | 0.3         | 2.4                                     | 15.9        | 3.6                       | 3.3         |
| Non-current Liabilities   | 38.2                               | 41.0        | 1.3                                 | 2.0         | 39.5                                    | 43.0        | 3.2                       | 2.6         |
| Total Liabilities         | 40.3                               | 56.6        | 1.6                                 | 2.3         | 41.9                                    | 58.9        | 6.8                       | 5.9         |
| Deferred Inflows          | 12.0                               | -           | -                                   | -           | 12.0                                    | -           | -                         | -           |
| Net Position              |                                    |             |                                     |             |   |             |                           |             |
| Net Investment in Capital |                                    |             |                                     |             |   |             |                           |             |
| Assets                    | 29.9                               | 27.0        | 11.9                                | 11.6        | 41.8                                    | 38.6        | 18.7                      | 19.3        |
| Restricted                | 0.3                                | 0.4         | 0.4                                 | 0.4         | 0.7                                     | 0.8         | -                         | -           |
| Unrestricted              | 6.1                                | 5.7         | (0.3)                               | (0.1)       | 5.8                                     | 5.6         | 0.1                       | 1.6         |
| Total Net Position        | \$ 36.3                            | \$ 33.1     | \$ 12.0                             | \$ 11.9     | \$ 48.3                                 | \$ 45.0     | \$ 18.8                   | \$ 20.9     |

The City's combined net position increased from \$45.0 million to \$48.3 million. Net position of the governmental activities increased from \$33.1 million to \$36.3 million. Governmental activities' unrestricted net position, the portion of net position that can be used to finance the day-to-day operations of the City, reflect an increase of \$0.4 million. Net investment in capital assets increased \$2.9 million. This represents the amount of capital assets owned by the City including infrastructure, net of any outstanding debt used to fund the asset purchase or construction. Net position is reported as restricted when constraints on asset use are externally imposed by creditors, grantors, contributors, regulators, or are imposed by law through constitutional provisions or enabling legislation.



**CITY OF COLONIAL HEIGHTS, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014  
(Continued)**

**FUND FINANCIAL STATEMENTS (Continued)**

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

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

**Summary Statement of Changes in Net Position  
Years Ended June 30, 2014 and 2013  
(In Millions)**

|  | <b>Governmental<br/>Activities</b> |                | <b>Business-type<br/>Activities</b> |                | <b>Total Primary<br/>Government</b> |                | <b>Component<br/>Unit</b> |                |
|--|------------------------------------|----------------|-------------------------------------|----------------|-------------------------------------|----------------|---------------------------|----------------|
|  | <b>2014</b>                        | <b>2013</b>    | <b>2014</b>                         | <b>2013</b>    | <b>2014</b>                         | <b>2013</b>    | <b>2014</b>               | <b>2013</b>    |
| Revenues:  |                                    |                |                                     |                |                                     |                |                           |                |
| Program revenues:  |                                    |                |                                     |                |                                     |                |                           |                |
| Charges for services                                     | \$ 6.6                             | \$ 6.9         | \$ 4.6                              | \$ 4.5         | \$ 11.2                             | \$ 11.4        | \$ 0.5                    | \$ 0.6         |
| Operating grants and contributions                       | 5.6                                | 5.0            | -                                   | -              | 5.6                                 | 5.0            | 14.8                      | 14.6           |
| Capital grants and contributions                         | 3.4                                | 2.4            | -                                   | -              | 3.4                                 | 2.4            | -                         | -              |
| General revenues:  |                                    |                |                                     |                |                                     |                |                           |                |
| Property taxes   | 21.4                               | 21.5           | -                                   | -              | 21.4                                | 21.5           | -                         | -              |
| Other local taxes  | 16.3                               | 16.3           | -                                   | -              | 16.3                                | 16.3           | -                         | -              |
| Payment from other governments                           | -                                  | -              | -                                   | -              | -                                   | -              | 19.5                      | 19.3           |
| Intergovernmental, non-categorical aid                   | 1.8                                | 1.8            | -                                   | -              | 1.8                                 | 1.8            | -                         | -              |
| Use of money and property                                | 0.2                                | 0.2            | -                                   | -              | .2                                  | 0.2            | -                         | -              |
| Miscellaneous  | 0.1                                | 0.1            | -                                   | -              | .1                                  | 0.1            | 0.1                       | 0.1            |
| Total revenues   | <u>55.4</u>                        | <u>54.2</u>    | <u>4.6</u>                          | <u>4.5</u>     | <u>60.0</u>                         | <u>58.7</u>    | <u>34.9</u>               | <u>34.6</u>    |
| Expenses:  |                                    |                |                                     |                |                                     |                |                           |                |
| General government                                       | 4.2                                | 8.5            | -                                   | -              | 4.2                                 | 8.5            | -                         | -              |
| Judicial administration                                  | 5.4                                | 4.7            | -                                   | -              | 5.4                                 | 4.7            | -                         | -              |
| Public safety  | 11.3                               | 9.0            | -                                   | -              | 11.3                                | 9.0            | -                         | -              |
| Public works   | 6.1                                | 5.3            | -                                   | -              | 6.1                                 | 5.3            | -                         | -              |
| Health and welfare                                       | 0.6                                | 0.8            | -                                   | -              | 0.6                                 | 0.8            | -                         | -              |
| Parks, recreation and cultural                           | 2.9                                | 2.4            | -                                   | -              | 2.9                                 | 2.4            | -                         | -              |
| Community development                                    | 0.6                                | 0.5            | -                                   | -              | 0.6                                 | 0.5            | -                         | -              |
| Education  | 19.5                               | 19.3           | -                                   | -              | 19.5                                | 19.3           | 37.0                      | 35.6           |
| Human services   | 0.5                                | -              | -                                   | -              | 0.5                                 | -              | -                         | -              |
| Interest   | 1.1                                | 1.2            | -                                   | -              | 1.1                                 | 1.2            | -                         | -              |
| Water, sewer, solid waste, and storm<br>water management | -                                  | -              | 4.5                                 | 4.4            | 4.5                                 | 4.4            | -                         | -              |
| Total expenses   | <u>52.2</u>                        | <u>51.7</u>    | <u>4.5</u>                          | <u>4.4</u>     | <u>56.7</u>                         | <u>56.1</u>    | <u>37.0</u>               | <u>35.6</u>    |
| Change in Net Position Before Transfers                  | 3.2                                | 2.5            | 0.1                                 | 0.1            | 3.3                                 | 2.6            | (2.1)                     | (1.0)          |
| Transfers  | -                                  | 0.3            | -                                   | (0.3)          | -                                   | -              | -                         | -              |
| Change in Net Position                                   | 3.2                                | 2.8            | 0.1                                 | (0.2)          | 3.3                                 | 2.6            | (2.1)                     | (1.0)          |
| Net Position, beginning as restated                      | 33.1                               | 30.3           | 11.9                                | 12.1           | 45.0                                | 42.4           | 20.9                      | 21.9           |
| Net Position, ending                                     | <u>\$ 36.3</u>                     | <u>\$ 33.1</u> | <u>\$ 12.0</u>                      | <u>\$ 11.9</u> | <u>\$ 48.3</u>                      | <u>\$ 45.0</u> | <u>\$ 18.8</u>            | <u>\$ 20.9</u> |

**CITY OF COLONIAL HEIGHTS, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014  
(Continued)**

**FUND FINANCIAL STATEMENTS (Continued)**

The property tax classification, which comprised approximately 38.6% of total revenue generated by governmental activities, includes real estate tax, the local portion of personal property tax, and public services corporation taxes. Real estate tax revenue, the largest source of revenue for the City totaled \$17.9 million. The assessed value of real property in the City decreased overall 1.4% for the calendar year due to new biannual assessment.

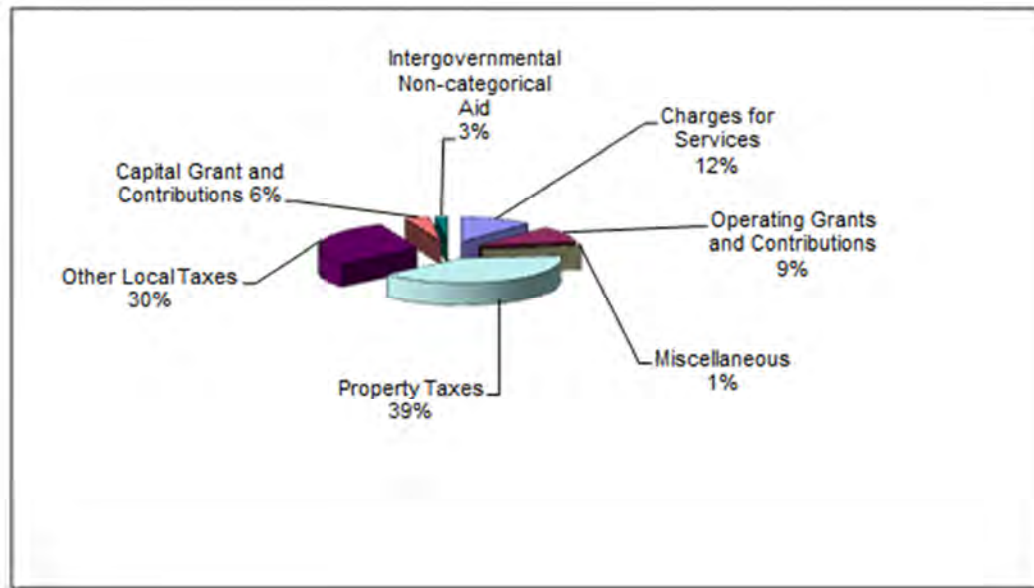
In 1998, the Commonwealth enacted the Personal Property Tax Relief Act (PPTRA). The Commonwealth's share of personal property taxes allocated to the City was 61% of vehicle loan values for the current fiscal year and is included in the intergovernmental category. Personal property tax revenue, including the Commonwealth share, remained \$4.3 million for fiscal year 2014. The net assessed value of taxable personal property increased \$2.3 million or 1.9 % from 2013 to 2014 after a decrease of \$789,396 from 2012 to 2013.

Sales tax, utility tax, business and professional occupational tax, prepared food and beverage tax, transient room tax, and utility tax comprise the majority of other local taxes collected by the City which comprised approximately 29.4% of total revenues generated for governmental activities.

Operating grants and contributions comprised approximately 10.1% of governmental activities revenues. Street maintenance funds, funding received under House Bill 599 for law enforcement, and reimbursement for shared expenses of the constitutional officers are some of the major sources of revenue included in this category.

Charges for services include items such as EMS transport fees, court fees, inspection fees, reimbursements for housing prisoners, and garbage collection fees continue to show growth at 12%. EMS fees decreased 0.8% over past collections after an over 7% increase in fiscal year 2013 and a 10% increase in fiscal year 2012. A change in billing and collection vendor was made 7/1/2014.

Revenue generated for governmental activities is presented below by category:



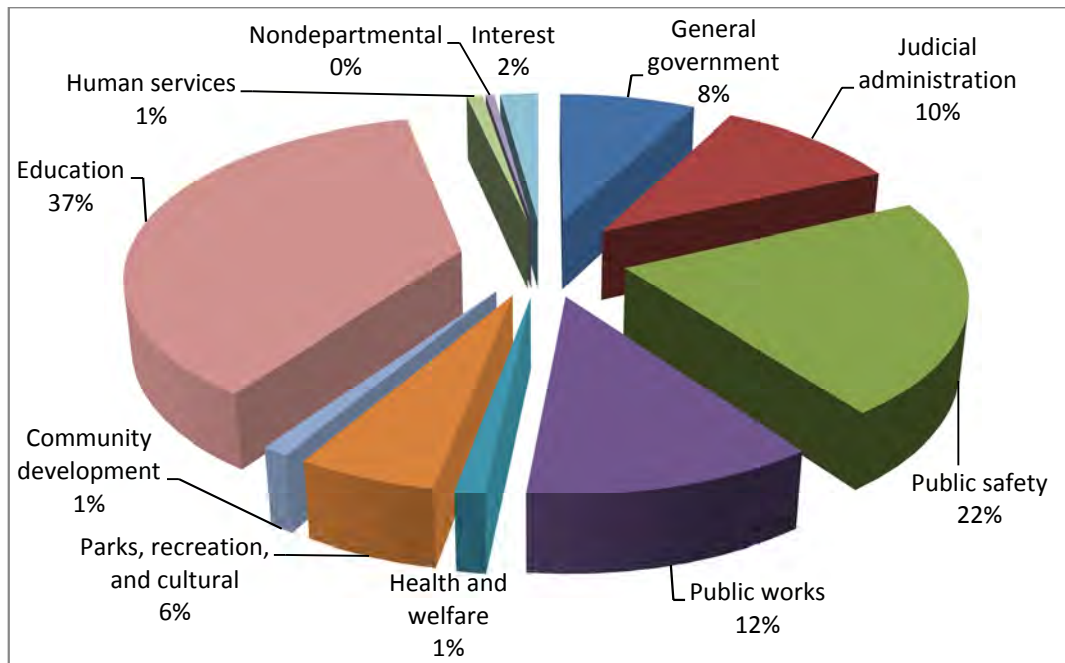
**CITY OF COLONIAL HEIGHTS, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014  
(Continued)**

**FUND FINANCIAL STATEMENTS (Continued)**

Funding, established by the revenue sharing agreement, of \$19.0 million was provided to the City of Colonial Heights School Board to support School operations. This was slightly below the original budget estimated at \$19.5 million.

Public Works and Health and Welfare expenses comprised approximately 10.6% and 1.2% respectively, of governmental activities expenses. Expenses for Building Maintenance, Street Paving, and Street Maintenance are included in Public Works category. The Comprehensive Services Act and social services programs incurred the majority of expenses reported in the Health and Welfare category and reflect a decrease over last year, and still were under projected total expenses. Employee benefits showed an increase due to a change in traditional employee lapse. Hospitalization utilization was higher than budgeted due to increases in rate structure and variation in employee coverage elections.

Expenses of the governmental activities are shown by functional area:



The net position of business-type activities decreased \$38,554 during 2014.

The enterprise rate structure was increased 2.5% for fiscal year 2014 and a new rate structure was implemented for Fiscal Year 15 after a rate study was conducted. No major changes in operations were experienced. The City's established Stormwater Management fee to deal with operational and capital expenses for State and Federal mandates was maintained at current levels.

**CITY OF COLONIAL HEIGHTS, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014  
(Continued)**

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

For the fiscal year ended June 30, 2014, the governmental funds reflect a total fund balance of \$10,000,598. Approximately \$10.0 million of this amount constitutes fund balances which are available for spending services and capital projects. Restricted, Committed and Assigned fund balances are designated to purchase capital equipment, pay claims, fund future debt service requirements, pay for future years' capital projects expenditures and encumbrances, which indicates that it has already been committed to liquidate contracts and purchase orders outstanding at year-end.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the General Fund spendable fund balance was \$9,569,051 while the total fund balance was \$9,637,883. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 14.1% of the total General Fund expenditures, while total fund balance represents 18.3% of that same amount.

The fund balance of the General Fund reflects a decrease of \$680,800 during the current fiscal year. The General Fund began Fiscal Year 2014 with budgeted revenue and expenditure amounts that are equal. This includes \$108,000 transferred to the Capital Projects fund for a one-time capital projects.

Local taxes generated the majority of General Fund revenue, totaling approximately \$37.6 million in fiscal 2014. While lodging taxes were down about \$100,000, food tax held steady at \$5.9 million and personal property collections rose from \$2.5 million to \$2.8 million.

Intergovernmental revenue is the second largest source of General Fund revenues, generating approximately \$6.6 million in fiscal year 2014. The majority of this revenue is received from the Commonwealth and includes law enforcement funding received under Virginia House Bill 599, and street maintenance funds. This is about a \$200,000 increase from fiscal year 2013. Increase is due to \$27,760 in grant funds awarded for a new school resource officer to be placed at one of our Elementary schools, and \$111,550 received of total \$150,000 grant for 911 Switch.

**CAPITAL PROJECTS FUND HIGHLIGHTS**

The Capital Projects Fund reflects the receipt of \$15,461 in donations, Federal and State funding for ongoing road and trail projects and transfers of \$108,000 and from the General Fund for matching grant in the river trail project and replacement of playground equipment. Project expenditures totaled \$8,486,471 which resulted in a net decrease in fund balances of \$5,598,750 for an ending fund balance of \$362,715.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

General Fund revenues were under original budgeted revenues by \$1.2 million and under final budgeted revenues by \$1.5 million or (2.9%). The City raised the Meals Tax from 5% to 6% and raised the Real property rate from \$1.10 to \$1.14 per hundred on March 1, 2012 to pay for the construction of the new City Court House. Under the Revenue Sharing Agreement with the City's School System, some revenue surpluses are also shared with the component unit based on their percentage allocation of these revenues.

**CITY OF COLONIAL HEIGHTS, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014  
(Continued)**

**GENERAL FUND BUDGETARY HIGHLIGHTS (Continued\_**

This plan was modified due to the above tax increases for the Courthouse, with any surplus funds generated by these increases being allocated under the original agreement. Fiscal Year 2013 revenues reflected the first full fiscal year of increased collections, and now Fiscal Year 2014 represents the second. However, the food and lodging taxes remained steady around \$6.8M, down about \$100,000 from last year, but under estimated growth projections of \$7.4M. This, with the reduction in assessed Real Estate value reduced Education transfers under the agreement by \$447,000.

General Fund expenditures and transfers were under the original budget by \$172,013, and were under the final, amended budget by \$1,564,139 or (2.9%). During fiscal year 2014, City Council amended the budget to appropriate the awarding of donations, receipt of operational grants, and reappropriation of prior year encumbrances at June 30, 2013.

**CAPITAL ASSETS**

As of June 30, 2014, the City's capital assets for its governmental and business-type activities amounted to \$77,129,563 (net of accumulated depreciation and amortization). This investment includes land, easements, construction in progress, land improvements, buildings and structures, equipment, software, and infrastructure. The total net increase (additions less retirements and depreciation and amortization) in the City's investment in capital assets for the current fiscal year was \$6,296,865 or 8.9%. This increase is a result of the amount expended to acquire capital assets during the year due greatly to the court house construction and major road modernization projects.

**Summary Statement of  
Capital Assets, Net of Accumulated Depreciation and Amortization  
June 30, 2014 and 2013  
(In Millions)**

|                         | <b>Governmental Activities</b> |                | <b>Business-Type Activities</b> |                | <b>Total</b>   |                |
|-------------------------|--------------------------------|----------------|---------------------------------|----------------|----------------|----------------|
|                         | <b>2014</b>                    | <b>2013</b>    | <b>2014</b>                     | <b>2013</b>    | <b>2014</b>    | <b>2013</b>    |
| Land and Easements      | \$ 4.7                         | \$ 4.7         | \$ 0.1                          | \$ 0.1         | \$ 4.8         | \$ 4.8         |
| Construction in Process | 10.3                           | 19.9           | -                               | -              | 10.3           | 19.9           |
| Building and Structures | 29.2                           | 11.9           | 1.6                             | 1.6            | 30.8           | 13.5           |
| Infrastructure          | 16.0                           | 17.1           | 7.9                             | 8.0            | 23.9           | 25.1           |
| Equipment and Software  | 3.9                            | 3.8            | 1.0                             | 0.9            | 4.9            | 4.7            |
| Purchased Capacity      | -                              | -              | 2.4                             | 2.8            | 2.4            | 2.8            |
| Total                   | <u>\$ 64.1</u>                 | <u>\$ 57.4</u> | <u>\$ 13.0</u>                  | <u>\$ 13.4</u> | <u>\$ 77.1</u> | <u>\$ 70.8</u> |

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

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

- Courts Building Construction Completion
- Road improvements
- Riverfront Trail Expansion

**CITY OF COLONIAL HEIGHTS, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014  
(Continued)**

**LONG-TERM DEBT**

At June 30, 2014, the City's long-term liabilities, including the landfill obligation, OPEB and not including compensated absences, totaled \$37,599,182 consisting of \$36,418,952 related to governmental activities, and \$1,180,230 related to business-type activities. An obligation relating to the purchase of capacity in the South Central Wastewater Authority is detailed in Notes 7 and 8.

The City maintained ratings of AA and Aa2 from Fitch Investors Service Inc., and Moody's Investor Service, respectively. While receiving an upgrade from AA- to AA from Standard & Poor's, this now puts the City rating with all three rating agencies at AA.

The Charter of the City and *Code of Virginia* limits the City's net debt to 10% of the assessed valuation of real estate. The City's entity-wide debt of \$34,040,000 is below the legal debt limit of \$163,943,771.

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

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

The unemployment rate for the City at June 30, 2014 was 6.0%, compared to a June 30, 2013 rate of 7.3%. This is above the state average of 5.4% and compares favorably with the national average unemployment rate of 6.3%.

The City had a population of 17,411, according to the 2010 census, an increase of 510 since the 2000 census. Current estimation of the City's population by the U.S. Census Bureau is 17,942.

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

The adopted fiscal 2015 General Fund budget increased \$200,654 over 2014 amounts that maintained basic current services to the community and current operating capital investments, while continuing to absorb a reduction in Real Estate tax assessment and providing funding for the proposed 2015 General Obligation Bonds. The projected revenues for fiscal year 2015 are \$52,912,453 or 2.8% greater than fiscal 2014 actual. The projected increase in the major six revenues, minus any rate increases, at budget creation was 0.5% for fiscal 2014. Since its passage, the Commonwealth of Virginia's estimated funding has been increased slightly due to mostly increases in projected street maintenance revenues, but the City will be expected to refund estimated State revenues to balance current State revenue reduction estimates.

**CITY OF COLONIAL HEIGHTS, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2014  
(Continued)**

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

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# **BASIC FINANCIAL STATEMENTS**

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**EXHIBIT 1****CITY OF COLONIAL HEIGHTS, VIRGINIA****STATEMENT OF NET POSITION****June 30, 2014**

|  | <b>Primary Government</b>          |                                     |               | <b>Discretely<br/>Presented<br/>Component Unit<br/>School Board</b> |
|--|------------------------------------|-------------------------------------|---------------|---|
|  | <b>Governmental<br/>Activities</b> | <b>Business-Type<br/>Activities</b> | <b>Totals</b> |   |
| <b>ASSETS</b>  |                                    |                                     |               |   |
| Cash and investments (Note 2)                                      | \$ 6,732,727                       | \$ 330,877                          | \$ 7,063,604  | \$ 4,977,726  |
| Receivables, net (Note 3)  | 11,875,184                         | 807,213                             | 12,682,397    | -   |
| Due from other governments (Note 4)                                | 3,908,540                          | 20,800                              | 3,929,340     | 1,737,767   |
| Due from component unit  | 446,608                            | -                                   | 446,608       | -   |
| Internal balances (Note 5)   | 905,060                            | (905,060)                           | -             | -   |
| Inventories  | 60,076                             | -                                   | 60,076        | 24,594  |
| Prepays  | 8,756                              | -                                   | 8,756         | -   |
| Restricted cash (Note 2)   | 372,795                            | 364,421                             | 737,216       | -   |
| Capital assets: (Note 7)   |                                    |                                     |               |   |
| Nondepreciable   | 15,030,451                         | 136,300                             | 15,166,751    | 1,090,102   |
| Depreciable, net   | 49,108,707                         | 12,854,105                          | 61,962,812    | 17,798,895  |
| Total assets   | 88,448,904                         | 13,608,656                          | 102,057,560   | 25,629,084  |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                              |                                    |                                     |               |   |
| Deferred charge on refunding                                       | 107,124                            | 10,021                              | 117,145       | -   |
| <b>LIABILITIES</b>   |                                    |                                     |               |   |
| Accounts payable and other current liabilities                     | 2,001,561                          | 195,643                             | 2,197,204     | 3,189,158   |
| Due to primary government  | -                                  | -                                   | -             | 446,608   |
| Unearned revenue   | -                                  | -                                   | -             | 18,475  |
| Accrued interest   | 95,386                             | 4,852                               | 100,238       | -   |
| Customer security deposits   | 43,514                             | 136,200                             | 179,714       | -   |
| Noncurrent liabilities: (Note 8)                                   |                                    |                                     |               |   |
| Due within one year  | 3,456,299                          | 535,036                             | 3,991,335     | 141,379   |
| Due in more than one year  | 34,736,137                         | 733,834                             | 35,469,971    | 3,055,889   |
| Total liabilities  | 40,332,897                         | 1,605,565                           | 41,938,462    | 6,851,509   |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                               |                                    |                                     |               |   |
| Property taxes and grants  | 11,948,825                         | -                                   | 11,948,825    | -   |
| <b>NET POSITION</b>  |                                    |                                     |               |   |
| Net investment in capital assets                                   | 29,874,492                         | 11,926,690                          | 41,801,182    | 18,710,224  |
| Restricted for debt service  | -                                  | 364,421                             | 364,421       | -   |
| Restricted for public safety and judicial<br>administration grants | 313,998                            | -                                   | 313,998       | -   |
| Unrestricted   | 6,085,816                          | (277,999)                           | 5,807,817     | 67,351  |
| Total net position   | \$ 36,274,306                      | \$ 12,013,112                       | \$ 48,287,418 | \$ 18,777,575   |

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

## EXHIBIT 2

## CITY OF COLONIAL HEIGHTS, VIRGINIA

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

| Functions/Programs                                | Expenses      | Program Revenues        |  |  | Net (Expense) Revenue and<br>Changes in Net Position |                                 | Totals        | Discretely Presented<br>Component Unit<br>School Board |
|---|---------------|-------------------------|--|--|--|---------------------------------|---------------|--|
|   |               | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Primary Government                                   |                                 |               |  |
|   |               |                         |  |  | Governmental<br>Activities                           | Business-<br>Type<br>Activities |               |  |
| <b>Primary Government:</b>                        |               |                         |  |  |  |                                 |               |  |
| Governmental activities:                          |               |                         |  |  |  |                                 |               |  |
| General government                                | \$ 4,229,539  | \$ 3,387,674            | \$ 780,874                               | \$ -                                   | \$ (60,991)  |                                 | \$ (60,991)   |  |
| Judicial administration                           | 5,373,484     | 540,368                 | 739,378                                  | -                                      | (4,093,738)  |                                 | (4,093,738)   |  |
| Public safety                                     | 11,299,988    | 1,238,763               | 896,900                                  | 111,550                                | (9,052,775)  |                                 | (9,052,775)   |  |
| Public works                                      | 6,056,945     | 1,231,672               | 2,357,649                                | 3,325,085                              | 857,461  |                                 | 857,461       |  |
| Health and welfare                                | 623,784       | -                       | -  | -                                      | (623,784)  |                                 | (623,784)     |  |
| Parks, recreation, and cultural                   | 2,914,469     | 184,839                 | -  | -                                      | (2,729,630)  |                                 | (2,729,630)   |  |
| Community development                             | 567,323       | -                       | -  | -                                      | (567,323)  |                                 | (567,323)     |  |
| Education   | 19,461,176    | -                       | 781,768                                  | -                                      | (18,679,408)   |                                 | (18,679,408)  |  |
| Human services                                    | 470,011       | -                       | -  | -                                      | (470,011)  |                                 | (470,011)     |  |
| Interest  | 1,115,804     | -                       | -  | -                                      | (1,115,804)  |                                 | (1,115,804)   |  |
| Total governmental activities                     | 52,112,523    | 6,583,316               | 5,556,569                                | 3,436,635                              | (36,536,003)   |                                 | (36,536,003)  |  |
| Business-type activities:                         |               |                         |  |  |  |                                 |               |  |
| Water and sewer                                   | 4,206,290     | 4,164,312               | -  | -                                      |  | \$ (41,978)                     | (41,978)      |  |
| Storm water management                            | 298,556       | 379,088                 | -  | -                                      |  | 80,532                          | 80,532        |  |
| Total business-type activities                    | 4,504,846     | 4,543,400               | -  | -                                      |  | 38,554                          | 38,554        |  |
| Total primary government                          | \$ 56,617,369 | \$ 11,126,716           | \$ 5,556,569                             | \$ 3,436,635                           | (36,536,003)   | 38,554                          | (36,497,449)  |  |
| <b>Discretely Presented Component Unit:</b>       |               |                         |  |  |  |                                 |               |  |
| School Board                                      | \$ 37,351,682 | \$ 478,386              | \$ 14,765,427                            | \$ -                                   |  |                                 |               | \$ (22,107,869)  |
| General revenues:                                 |               |                         |  |  |  |                                 |               |  |
| Taxes:  |               |                         |  |  |  |                                 |               |  |
| General property taxes                            |               |                         |  |  | 21,415,093   | -                               | 21,415,093    | -  |
| Other local taxes:                                |               |                         |  |  |  |                                 |               |  |
| Local sales and use                               |               |                         |  |  | 7,192,330  | -                               | 7,192,330     | -  |
| Food and lodging                                  |               |                         |  |  | 6,841,952  | -                               | 6,841,952     | -  |
| Consumer utility and communications sales and use |               |                         |  |  | 1,737,654  | -                               | 1,737,654     | -  |
| Other   |               |                         |  |  | 495,101  | -                               | 495,101       | -  |
| Payments from City                                |               |                         |  |  | -  | -                               | -             | 19,907,784   |
| Intergovernmental, non-categorical aid            |               |                         |  |  | 1,759,070  | -                               | 1,759,070     | -  |
| Use of money and property                         |               |                         |  |  | 175,282  | -                               | 175,282       | -  |
| Miscellaneous                                     |               |                         |  |  | 142,232  | -                               | 142,232       | 115,801  |
| Total general revenues and transfers              |               |                         |  |  | 39,758,714   | -                               | 39,758,714    | 20,023,585   |
| Change in net position                            |               |                         |  |  | 3,222,711  | 38,554                          | 3,261,265     | (2,084,284)  |
| NET POSITION AT JULY 1, AS RESTATED (NOTE 18)     |               |                         |  |  | 33,051,595   | 11,974,558                      | 45,026,153    | 20,861,859   |
| NET POSITION AT JUNE 30                           |               |                         |  |  | \$ 36,274,306  | \$ 12,013,112                   | \$ 48,287,418 | \$ 18,777,575  |

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

## CITY OF COLONIAL HEIGHTS, VIRGINIA

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2014**

|  | General              | Capital<br>Projects | Total<br>Governmental<br>Funds |
|--|----------------------|---------------------|--------------------------------|
| <b>ASSETS</b>  |                      |                     |                                |
| Cash and investments   | \$ 5,943,335         | \$ 789,392          | \$ 6,732,727                   |
| Receivables, net   | 11,875,184           | -                   | 11,875,184                     |
| Due from other governments   | 2,895,747            | 1,012,793           | 3,908,540                      |
| Due from other funds   | 905,060              | -                   | 905,060                        |
| Due from component unit  | 446,608              | -                   | 446,608                        |
| Inventories  | 60,076               | -                   | 60,076                         |
| Prepays  | 8,756                | -                   | 8,756                          |
| Restricted cash  | -                    | 372,795             | 372,795                        |
| Total assets   | <u>\$ 22,134,766</u> | <u>\$ 2,174,980</u> | <u>\$ 24,309,746</u>           |
| <b>LIABILITIES</b>   |                      |                     |                                |
| Accounts payable and other current liabilities                         | \$ 1,475,539         | \$ 526,022          | \$ 2,001,561                   |
| Customer security deposits   | 43,514               | -                   | 43,514                         |
| Total liabilities  | <u>1,519,053</u>     | <u>526,022</u>      | <u>2,045,075</u>               |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                   |                      |                     |                                |
| Unavailable/unearned revenue   | 10,977,830           | 1,286,243           | 12,264,073                     |
| Total deferred inflows of resources                                    | <u>10,977,830</u>    | <u>1,286,243</u>    | <u>12,264,073</u>              |
| <b>FUND BALANCES (Note 13)</b>   |                      |                     |                                |
| Nonspendable   | 68,832               | -                   | 68,832                         |
| Restricted   | 313,998              | 372,795             | 686,793                        |
| Committed  | 431,512              | -                   | 431,512                        |
| Assigned   | 1,407,705            | -                   | 1,407,705                      |
| Unassigned   | 7,415,836            | (10,080)            | 7,405,756                      |
| Total fund balances  | <u>9,637,883</u>     | <u>362,715</u>      | <u>10,000,598</u>              |
| Total liabilities, deferred inflows of resources,<br>and fund balances | <u>\$ 22,134,766</u> | <u>\$ 2,174,980</u> | <u>\$ 24,309,746</u>           |

## CITY OF COLONIAL HEIGHTS, VIRGINIA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
June 30, 2014**

**Total Fund Balance - Governmental Funds** \$ 10,000,598

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

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

|                  |               |            |
|------------------|---------------|------------|
| Nondepreciable   | \$ 15,030,451 |            |
| Depreciable, net | 49,108,707    |            |
|                  | 64,139,158    | 64,139,158 |

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

315,248

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

|   |              |              |
|---|--------------|--------------|
| Bonds payable, including unamortized premiums and discounts | (34,744,585) |              |
| Deferred charge on refunding                                | 107,124      |              |
| Landfill post-closure liability                             | (356,000)    |              |
| Compensated absences  | (1,773,484)  |              |
| Other post-employment benefits                              | (1,318,367)  |              |
| Accrued interest payable                                    | (95,386)     |              |
|   | (38,180,698) | (38,180,698) |

**Total Net Position - Governmental Activities** \$ 36,274,306

**CITY OF COLONIAL HEIGHTS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2014**

|  | <b>General</b>             | <b>Capital<br/>Projects</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|--|----------------------------|-----------------------------|---|
| <b>REVENUES</b>                                  |                            |                             |   |
| General property taxes                           | \$ 21,309,428              | \$ -                        | \$ 21,309,428                           |
| Other local taxes                                | 16,267,037                 | -                           | 16,267,037                              |
| Permits, privilege fees, and regulatory licenses | 3,509,526                  | -                           | 3,509,526                               |
| Fines and forfeitures                            | 540,368                    | -                           | 540,368                                 |
| Charges for services                             | 2,533,422                  | -                           | 2,533,422                               |
| Use of money and property                        | 171,448                    | 3,834                       | 175,282                                 |
| Miscellaneous                                    | 142,232                    | -                           | 142,232                                 |
| Reimbursement from School Board                  | 781,768                    | -                           | 781,768                                 |
| Intergovernmental                                | 6,645,421                  | 3,325,085                   | 9,970,506                               |
| Total revenues                                   | <u>51,900,650</u>          | <u>3,328,919</u>            | <u>55,229,569</u>                       |
| <b>EXPENDITURES</b>                              |                            |                             |   |
| Current:   |                            |                             |   |
| General government                               | 3,929,794                  | -                           | 3,929,794                               |
| Judicial administration                          | 5,411,741                  | -                           | 5,411,741                               |
| Public safety                                    | 10,969,018                 | -                           | 10,969,018                              |
| Public works                                     | 4,555,044                  | -                           | 4,555,044                               |
| Health and welfare                               | 619,986                    | -                           | 619,986                                 |
| Parks, recreation, and cultural                  | 2,707,146                  | -                           | 2,707,146                               |
| Community development                            | 568,937                    | -                           | 568,937                                 |
| Education  | 19,461,176                 | -                           | 19,461,176                              |
| Human services                                   | 490,762                    | -                           | 490,762                                 |
| Nondepartmental                                  | 249,008                    | -                           | 249,008                                 |
| Debt service:                                    |                            |                             |   |
| Principal retirement                             | 2,839,657                  | -                           | 2,839,657                               |
| Interest and fiscal charges                      | 1,220,379                  | -                           | 1,220,379                               |
| Capital outlays                                  | -                          | 8,486,471                   | 8,486,471                               |
| Total expenditures                               | <u>53,022,648</u>          | <u>8,486,471</u>            | <u>61,509,119</u>                       |
| Deficiency of revenues over expenditures         | <u>(1,121,998)</u>         | <u>(5,157,552)</u>          | <u>(6,279,550)</u>                      |
| <b>OTHER FINANCING SOURCES (USES)</b>            |                            |                             |   |
| Transfers in (Note 6)                            | 549,198                    | 108,000                     | 657,198                                 |
| Transfers out (Note 6)                           | (108,000)                  | (549,198)                   | (657,198)                               |
| Total other financing sources (uses)             | <u>441,198</u>             | <u>(441,198)</u>            | <u>-</u>                                |
| Net change in fund balances                      | (680,800)                  | (5,598,750)                 | (6,279,550)                             |
| <b>FUND BALANCES AT JULY 1</b>                   | <u>10,318,683</u>          | <u>5,961,465</u>            | <u>16,280,148</u>                       |
| <b>FUND BALANCES AT JUNE 30</b>                  | <u><u>\$ 9,637,883</u></u> | <u><u>\$ 362,715</u></u>    | <u><u>\$ 10,000,598</u></u>             |

## CITY OF COLONIAL HEIGHTS, VIRGINIA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2014**

**Net Change in Fund Balances - Governmental Funds** **\$ (6,279,550)**

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

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

|                      |                    |           |
|----------------------|--------------------|-----------|
| Capital outlays      | \$ 9,164,371       |           |
| Depreciation expense | <u>(2,446,324)</u> |           |
|                      |                    | 6,718,047 |

|  |  |         |
|--|--|---------|
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. |  | 105,665 |
|--|--|---------|

|  |  |           |
|--|--|-----------|
| The repayment of the principal of long-term debt consumes current financial resources of governmental funds. However, the transaction has no effect on net position. |  | 2,839,657 |
|--|--|-----------|

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

|  |                  |           |
|--|------------------|-----------|
| Change in compensated absences           | (119,977)        |           |
| Change in other post-employment benefits | <u>(145,706)</u> |           |
|  |                  | (265,683) |

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

|   |              |                |
|---|--------------|----------------|
| Amortization of discounts and premiums    | 122,832      |                |
| Amortization of gain/loss from refundings | (26,782)     |                |
| Change in accrued interest payable        | <u>8,525</u> |                |
|   |              | <u>104,575</u> |

**Change in Net Position - Governmental Activities** **\$ 3,222,711**

## CITY OF COLONIAL HEIGHTS, VIRGINIA

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS

June 30, 2014

|  | Business-Type Activities – Enterprise Funds |                           |               |
|--|---|---------------------------|---------------|
|  | Water<br>and Sewer                          | Storm Water<br>Management | Totals        |
| <b>ASSETS</b>                                  |   |                           |               |
| Current assets:                                |   |                           |               |
| Cash and investments                           | \$ 55,267                                   | \$ 275,610                | \$ 330,877    |
| Receivables, net                               | 736,677                                     | 70,536                    | 807,213       |
| Due from other governments                     | 20,800                                      | -                         | 20,800        |
| Total current assets                           | 812,744                                     | 346,146                   | 1,158,890     |
| Noncurrent assets:                             |   |                           |               |
| Restricted cash                                | 364,421                                     | -                         | 364,421       |
| Capital assets, net                            | 12,741,631                                  | 248,774                   | 12,990,405    |
| Total noncurrent assets                        | 13,106,052                                  | 248,774                   | 13,354,826    |
| Total assets                                   | 13,918,796                                  | 594,920                   | 14,513,716    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>          |   |                           |               |
| Deferred charge on refunding                   | 10,021                                      | -                         | 10,021        |
| <b>LIABILITIES</b>                             |   |                           |               |
| Current liabilities:                           |   |                           |               |
| Accounts payable and other current liabilities | 189,501                                     | 6,142                     | 195,643       |
| Accrued interest                               | 4,852                                       | -                         | 4,852         |
| Due to other funds                             | 899,497                                     | 5,563                     | 905,060       |
| Customer security deposits                     | 136,147                                     | 53                        | 136,200       |
| Compensated absences                           | 37,942                                      | 3,284                     | 41,226        |
| Debt obligations, current                      | 469,531                                     | 24,279                    | 493,810       |
| Total current liabilities                      | 1,737,470                                   | 39,321                    | 1,776,791     |
| Noncurrent liabilities:                        |   |                           |               |
| Compensated absences                           | 44,275                                      | 3,139                     | 47,414        |
| Other post-employment benefits                 | 98,761                                      | 7,733                     | 106,494       |
| Debt obligations                               | 509,416                                     | 70,510                    | 579,926       |
| Total noncurrent liabilities                   | 652,452                                     | 81,382                    | 733,834       |
| Total liabilities                              | 2,389,922                                   | 120,703                   | 2,510,625     |
| <b>NET POSITION</b>                            |   |                           |               |
| Net investment in capital assets               | 11,772,705                                  | 153,985                   | 11,926,690    |
| Restricted for debt service                    | 364,421                                     | -                         | 364,421       |
| Unrestricted                                   | (598,231)                                   | 320,232                   | (277,999)     |
| Total net position                             | \$ 11,538,895                               | \$ 474,217                | \$ 12,013,112 |



## CITY OF COLONIAL HEIGHTS, VIRGINIA

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**Year Ended June 30, 2014**

|  | <b>Business-Type Activities – Enterprise Funds</b> |                                   |                             |
|--|--|-----------------------------------|-----------------------------|
|  | <b>Water<br/>and Sewer</b>                         | <b>Storm Water<br/>Management</b> | <b>Totals</b>               |
| <b>OPERATING REVENUES</b>                            |  |                                   |                             |
| Charges for services                                 | \$ 3,998,777                                       | \$ 375,465                        | \$ 4,374,242                |
| Connection fees                                      | 108,156  | -                                 | 108,156                     |
| Penalties  | 52,812   | 3,623                             | 56,435                      |
| Miscellaneous  | 4,567  | -                                 | 4,567                       |
| Total operating revenues                             | <u>4,164,312</u>                                   | <u>379,088</u>                    | <u>4,543,400</u>            |
| <b>OPERATING EXPENSES</b>                            |  |                                   |                             |
| Personnel  | 754,750  | 120,163                           | 874,913                     |
| Fringe benefits                                      | 357,299  | 52,181                            | 409,480                     |
| Utilities  | 84,627   | -                                 | 84,627                      |
| Repairs and maintenance                              | 28,228   | 849                               | 29,077                      |
| Materials and supplies                               | 153,351  | 5,228                             | 158,579                     |
| Sewage treatment costs                               | 1,103,757  | -                                 | 1,103,757                   |
| Water purchased for resale                           | 470,525  | -                                 | 470,525                     |
| Depreciation and amortization                        | 753,590  | 22,112                            | 775,702                     |
| Other charges  | 453,767  | 96,582                            | 550,349                     |
| Total operating expenses                             | <u>4,159,894</u>                                   | <u>297,115</u>                    | <u>4,457,009</u>            |
| Operating income                                     | <u>4,418</u>                                       | <u>81,973</u>                     | <u>86,391</u>               |
| <b>NONOPERATING EXPENSES</b>                         |  |                                   |                             |
| Interest expense                                     | <u>(46,396)</u>                                    | <u>(1,441)</u>                    | <u>(47,837)</u>             |
| Change in net position                               | <u>(41,978)</u>                                    | <u>80,532</u>                     | <u>38,554</u>               |
| <b>NET POSITION AT JULY 1, AS RESTATED (NOTE 18)</b> | <u>11,580,873</u>                                  | <u>393,685</u>                    | <u>11,974,558</u>           |
| <b>NET POSITION AT JUNE 30</b>                       | <u><u>\$ 11,538,895</u></u>                        | <u><u>\$ 474,217</u></u>          | <u><u>\$ 12,013,112</u></u> |

## CITY OF COLONIAL HEIGHTS, VIRGINIA

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2014

|  | Business-Type Activities – Enterprise Funds |                           |                   |
|--|---|---------------------------|-------------------|
|  | Water<br>and Sewer                          | Storm Water<br>Management | Totals            |
| <b>OPERATING ACTIVITIES</b>  |   |                           |                   |
| Receipts from customers and properties   | \$ 4,125,224                                | \$ 378,335                | \$ 4,503,559      |
| Receipts from other sources  | 7,309                                       | -                         | 7,309             |
| Payments to suppliers  | (2,268,624)                                 | (102,619)                 | (2,371,243)       |
| Payments to employees  | (1,077,435)                                 | (168,853)                 | (1,246,288)       |
| Net cash provided by operating activities  | 786,474                                     | 106,863                   | 893,337           |
| <b>NONCAPITAL FINANCING ACTIVITIES</b>   |   |                           |                   |
| Interfund borrowing  | 300,585                                     | 5,563                     | 306,148           |
| Net cash provided by noncapital financing activities                                       | 300,585                                     | 5,563                     | 306,148           |
| <b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>  |   |                           |                   |
| Purchases of capital assets  | (227,781)                                   | (25,989)                  | (253,770)         |
| Principal paid   | (804,403)                                   | (38,519)                  | (842,922)         |
| Interest paid  | (54,875)                                    | (1,441)                   | (56,316)          |
| Net cash used in capital and related financing activities                                  | (1,087,059)                                 | (65,949)                  | (1,153,008)       |
| Net increase in cash and cash equivalents  | -   | 46,477                    | 46,477            |
| <b>CASH AND CASH EQUIVALENTS</b>   |   |                           |                   |
| Beginning at July 1  | 419,688                                     | 229,133                   | 648,821           |
| Ending at June 30  | <u>\$ 419,688</u>                           | <u>\$ 275,610</u>         | <u>\$ 695,298</u> |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR<br/>IS COMPRISED OF THE FOLLOWING:</b>         |   |                           |                   |
| Cash and investments   | \$ 55,267                                   | \$ 275,610                | \$ 330,877        |
| Restricted cash  | 364,421                                     | -                         | 364,421           |
| Total  | <u>\$ 419,688</u>                           | <u>\$ 275,610</u>         | <u>\$ 695,298</u> |
| <b>RECONCILIATION OF OPERATING INCOME TO<br/>NET CASH PROVIDED BY OPERATING ACTIVITIES</b> |   |                           |                   |
| Operating income   | \$ 4,418                                    | \$ 81,973                 | \$ 86,391         |
| Adjustments to reconcile operating income to<br>net cash provided by operating activities: |   |                           |                   |
| Depreciation and amortization  | 753,590                                     | 22,112                    | 775,702           |
| Change in assets and liabilities:  |   |                           |                   |
| (Increase) decrease in:  |   |                           |                   |
| Receivables, net   | (41,708)                                    | (806)                     | (42,514)          |
| Due from other governments   | 2,742                                       | -                         | 2,742             |
| Increase in:   |   |                           |                   |
| Accounts payable and other current liabilities   | 44,379                                      | 2,337                     | 46,716            |
| Customer deposits  | 7,187                                       | 53                        | 7,240             |
| Compensated absences   | 3,883                                       | 443                       | 4,326             |
| Other post-employment benefits   | 11,983                                      | 751                       | 12,734            |
| Net cash provided by operating activities  | <u>\$ 786,474</u>                           | <u>\$ 106,863</u>         | <u>\$ 893,337</u> |
| <b>SUPPLEMENTAL CASH FLOW INFORMATION</b>  |   |                           |                   |
| <b>NON-CASH TRANSACTIONS</b>   |   |                           |                   |
| Capital asset additions financed by accounts payable                                       | \$ 21,334                                   | \$ -                      | \$ 21,334         |
| Capital asset addition financed by capital lease   | \$ -  | \$ 100,750                | \$ 100,750        |

## **CITY OF COLONIAL HEIGHTS, VIRGINIA**

### **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

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

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

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

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

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

##### *Discretely Presented Component Unit – School Board*

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

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

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

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

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

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

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

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

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

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

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

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

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

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

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

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

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

The City reports the following major governmental funds:

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

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

The City reports the following major enterprise funds:

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

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

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

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

**D. Budgets and Budgetary Accounting**

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

1. At least 60 days prior to June 30, the City Manager submits to City Council a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them.
2. The capital projects budget is prepared on a project length basis under which the total outlay for each project is estimated for the length of the project.
3. Public hearings are conducted to obtain citizen comments on the proposed budget. Prior to July 1, the budget is legally adopted at the function level through passage of an appropriation ordinance by City Council.
4. The City Manager is authorized to transfer amounts within functions, with any other transfers being approved by City Council. During the year, \$1,445,126 in supplemental appropriations were approved by City Council. These amendments consisted primarily of appropriations of prior year encumbrances, the appropriation of fund balance, and the appropriation of additional intergovernmental grants received during the year.
5. Actual expenditures and operating transfers out may not legally exceed budget appropriations for each function. City Council legally adopts an annual budget for the General Fund. General government and judicial administration expenditures exceeded budgeted appropriations.

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

*Investments.*

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

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

*Property Taxes.*

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

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

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

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

*Property Taxes.* (Continued)

Real Property (Continued) – For real estate assessed on January 1, payment is due in two installments on May 15 and November 15 and is considered delinquent if not received by the due date. On January 1, real estate taxes become an enforceable lien on related property. The real estate taxes reported as current year revenue are the second installment (November 15) of the levy on assessed value at January 1 of the prior year and the first installment (May 15) of the levy at January 1 of the current year. The tax rate for calendar year 2013 and 2014 was \$1.14 per \$100 of assessed value.

Personal Property – The City levies personal property taxes on motor vehicles and personal and business property. These levies are assessed on a calendar year basis as of January 1. Personal property taxes are payable in two installments, which are due on June 5 and December 5. Taxes become delinquent if not received by the due date. On January 1, personal property taxes become an enforceable lien on related property. The personal property taxes reported as revenue are the second installment (December 5) of the levy on assessed value at January 1 of the prior year, and the first installment (June 5) of the levy at January 1 of the current year. The tax rate for calendar year 2014 was \$3.50 per \$100 of assessed value. Under the provisions of the Personal Property Tax Relief Act of 1998 (PPTRA), the City received \$1,753,369 for the State's share of the local personal property tax payment with the remainder collected from City residents.

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

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

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

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

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

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

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

*Capital Assets.* (Continued)

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

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

*Deferred Outflows/Inflows of Resources.* In addition to assets, the statement of financial position reports 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 only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide and proprietary funds statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding of debt.

In addition to liabilities, the statement of financial position reports 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. One item occurs only under a modified accrual basis of accounting. The item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes and other receivables not collected within 45 days of year-end and property taxes levied to fund future years. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item is the grants deferred inflow reported in the government-wide statement of net position and the unearned revenue deferred inflow in the governmental funds. This deferred inflow is a result of resources received in a non-exchange transaction, but not yet earned due to allowable costs not yet having been spent.

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

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



**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

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

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

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

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

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

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

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

**Minimum Fund Balance Policy**

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

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

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

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

*Fund Equity.* (Continued)

**Minimum Fund Balance Policy (Continued)**

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

**Encumbrances:**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Significant encumbrances as of June 30 total \$389,655 in the general fund and \$3,524,150 in the capital projects fund. The capital projects fund encumbrances are listed as committed on Table 5, and are broken out among the various departments.

*Net Position.* Net position represents the difference between assets, deferred outflows, liabilities, and deferred inflows. Net investment in capital assets, consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted net position for public safety and judicial administration represents unspent forfeited assets and fees.

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

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

## CITY OF COLONIAL HEIGHTS, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

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

###### *Net Position. (Continued)*

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

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

##### F. Use of Estimates

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

#### Note 2. Deposits and Investments

##### Deposits

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

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

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

**Investments**

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

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

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

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

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

|                                |                     |
|--------------------------------|---------------------|
| Deposits:                      |                     |
| Demand deposits                | \$ 1,206,790        |
| Cash held by third-party       | 364,421             |
| Cash on hand                   | <u>12,800</u>       |
|                                | 1,584,011           |
| Investments (Fair Value):      |                     |
| Money market funds             | 20,622              |
| LGIP                           | 5,823,392           |
| SNAP                           | <u>372,795</u>      |
| Total deposits and investments | <u>\$ 7,800,820</u> |

Exhibit 1 total deposits and investments is composed as follows:

|                                |                     |
|--------------------------------|---------------------|
| Cash and investments           | \$ 7,063,604        |
| Restricted cash                | <u>737,216</u>      |
| Total deposits and investments | <u>\$ 7,800,820</u> |

(Continued)

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

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

**Investments (Continued)**

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

|                 |                     |
|-----------------|---------------------|
| Deposits:       |                     |
| Demand deposits | <u>\$ 4,977,726</u> |

**Credit Risk**

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

**Restricted Cash**

The Capital Projects and Water and Sewer funds have restricted certain cash balances in accordance with debt agreements.

**Note 3. Receivables**

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

|  | <u>General</u>       | <u>Water and<br/>Sewer</u> | <u>Storm Water<br/>Management</u> | <u>Total</u>         |
|--|----------------------|----------------------------|-----------------------------------|----------------------|
| Taxes  | \$ 11,508,546        | \$ -                       | \$ -                              | \$ 11,508,546        |
| Accounts                                     | 451,659              | 811,677                    | 70,536                            | 1,333,872            |
| Other  | 61,249               | -                          | -                                 | 61,249               |
|  | <u>12,021,454</u>    | <u>811,677</u>             | <u>70,536</u>                     | <u>12,903,667</u>    |
| Gross receivables                            | 12,021,454           | 811,677                    | 70,536                            | 12,903,667           |
| Less allowance for<br>uncollectible accounts | <u>(146,270)</u>     | <u>(75,000)</u>            | <u>-</u>                          | <u>(221,270)</u>     |
| Net receivables                              | <u>\$ 11,875,184</u> | <u>\$ 736,677</u>          | <u>\$ 70,536</u>                  | <u>\$ 12,682,397</u> |

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

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

**Note 4. Due from Other Governmental Units**

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

|  | <u><b>Governmental<br/>Activities</b></u> | <u><b>Business-Type<br/>Activities</b></u> | <u><b>School<br/>Board</b></u> |
|--|---|--|--------------------------------|
| Federal:                                 |   |  |                                |
| FEMA                                     | \$ 217,463                                | \$ -                                       | \$ -                           |
| Highway planning and construction        | 1,012,793                                 | -  | -                              |
| Other grants                             | 20,820                                    | -  | -                              |
| Title I                                  | -   | -  | 342,927                        |
| Title II and III                         | -   | -  | 95,501                         |
| IDEA                                     | -   | -  | 550,349                        |
| Perkins                                  | -   | -  | 38,775                         |
| Child nutrition                          | -   | -  | 25,912                         |
| Commonwealth of Virginia:                |   |  |                                |
| Other aid, grants, and<br>reimbursements | 487,754                                   | -  | 180,000                        |
| Sales tax                                | 1,209,445                                 | -  | 467,544                        |
| PPTRA                                    | 960,265                                   | -  | -                              |
| Chesterfield County                      | -   | 16,676                                     | -                              |
| Virginia State University                | -   | 4,124                                      | -                              |
| Other governments                        | -   | -  | 36,759                         |
|  | <u>\$ 3,908,540</u>                       | <u>\$ 20,800</u>                           | <u>\$ 1,737,767</u>            |

**Note 5. Interfund Obligations**

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

|                        | <u><b>Receivables</b></u> | <u><b>Payables</b></u> |
|------------------------|---------------------------|------------------------|
| General                | \$ 905,060                | \$ -                   |
| Water and Sewer        | -                         | 899,497                |
| Storm Water Management | -                         | 5,563                  |
|                        | <u>\$ 905,060</u>         | <u>\$ 905,060</u>      |

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

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

**Note 6. Interfund Transfers**

|                   | <b>Transfer From Fund</b> |                         |
|-------------------|---------------------------|-------------------------|
|                   | <b>General</b>            | <b>Capital Projects</b> |
| Transfer to fund: |                           |                         |
| General           | \$ -                      | \$ 549,198              |
| Capital projects  | 108,000                   | -                       |
|                   |                           |                         |
| Total transfers   | <u>\$ 108,000</u>         | <u>\$ 549,198</u>       |

The transfer from the General Fund to the Capital Projects Fund was for grant matching funds in the amount of \$55,000 for the river trail grant, and \$53,000 for the playground equipment at Flora M. Hill Park grant.

The transfer from the Capital Projects Fund to the General Fund was for a portion of the 2012 bond proceeds that could be used to pay up to the first two years of interest.

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

**Note 7. Capital Assets**

Capital asset activity was as follows:

| <b>Governmental Activities</b>                         | <b>Beginning<br/>Balance</b> | <b>Increases</b>     | <b>Decreases</b>       | <b>Ending<br/>Balance</b> |
|--|------------------------------|----------------------|------------------------|---------------------------|
| Capital assets, not depreciated<br>or amortized:       |                              |                      |                        |                           |
| Land   | \$ 2,455,154                 | \$ -                 | \$ -                   | \$ 2,455,154              |
| Easements  | 2,245,247                    | -                    | -                      | 2,245,247                 |
| Construction in progress                               | 19,896,497                   | 9,035,669            | (18,602,116)           | 10,330,050                |
|  | <u>24,596,898</u>            | <u>9,035,669</u>     | <u>(18,602,116)</u>    | <u>15,030,451</u>         |
| Capital assets, depreciated<br>and amortized:          |                              |                      |                        |                           |
| Buildings and structures                               | 20,197,769                   | 17,883,722           | -                      | 38,081,491                |
| Infrastructure   | 56,871,822                   | -                    | -                      | 56,871,822                |
| Equipment  | 14,620,102                   | 847,096              | -                      | 15,467,198                |
| Intangibles  | 106,615                      | -                    | -                      | 106,615                   |
|  | <u>91,796,308</u>            | <u>18,730,818</u>    | <u>-</u>               | <u>110,527,126</u>        |
| Less accumulated depreciation<br>and amortization for: |                              |                      |                        |                           |
| Buildings and structures                               | (8,283,287)                  | (626,556)            | -                      | (8,909,843)               |
| Infrastructure   | (39,750,700)                 | (1,111,143)          | -                      | (40,861,843)              |
| Equipment  | (10,862,337)                 | (703,865)            | -                      | (11,566,202)              |
| Intangibles  | (75,771)                     | (4,760)              | -                      | (80,531)                  |
|  | <u>(58,972,095)</u>          | <u>(2,446,324)</u>   | <u>-</u>               | <u>(61,418,419)</u>       |
| Capital assets, depreciated<br>and amortized, net      | <u>32,824,213</u>            | <u>16,284,494</u>    | <u>-</u>               | <u>49,108,707</u>         |
| Governmental activities<br>capital assets, net         | <u>\$ 57,421,111</u>         | <u>\$ 25,320,163</u> | <u>\$ (18,602,116)</u> | <u>\$ 64,139,158</u>      |

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

|                                 |                     |
|---------------------------------|---------------------|
| Governmental activities:        |                     |
| General government              | \$ 25,081           |
| Judicial administration         | 14,712              |
| Public safety                   | 468,375             |
| Public works                    | 1,532,062           |
| Health and welfare              | 3,798               |
| Parks, recreation, and cultural | 402,296             |
|                                 | <u>\$ 2,446,324</u> |



**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

**Note 7. Capital Assets (Continued)**

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

| <u><b>Business-Type Activities</b></u>                 | <u><b>Beginning<br/>Balance</b></u> | <u><b>Increases</b></u> | <u><b>Decreases</b></u> | <u><b>Ending<br/>Balance</b></u> |
|--|-------------------------------------|-------------------------|-------------------------|----------------------------------|
| Capital assets, not depreciated<br>or amortized:       |                                     |                         |                         |                                  |
| Land   | \$ 136,300                          | \$ -                    | \$ -                    | \$ 136,300                       |
| Capital assets, depreciated<br>and amortized:          |                                     |                         |                         |                                  |
| Land improvements                                      | 48,927                              | -                       | -                       | 48,927                           |
| Buildings and structures                               | 3,790,420                           | -                       | -                       | 3,790,420                        |
| Infrastructure   | 14,371,630                          | 114,857                 | -                       | 14,486,487                       |
| Equipment  | 2,815,982                           | 239,663                 | -                       | 3,055,645                        |
| Intangibles  | 303,982                             | -                       | -                       | 303,982                          |
| Purchased capacity                                     | 9,874,437                           | -                       | -                       | 9,874,437                        |
|  | <u>31,205,378</u>                   | <u>354,520</u>          | <u>-</u>                | <u>31,559,898</u>                |
| Less accumulated depreciation<br>and amortization for: |                                     |                         |                         |                                  |
| Land improvements                                      | (39,466)                            | (249)                   | -                       | (39,715)                         |
| Buildings and structures                               | (2,157,229)                         | (81,263)                | -                       | (2,238,492)                      |
| Infrastructure   | (6,406,878)                         | (191,253)               | -                       | (6,598,131)                      |
| Equipment  | (2,003,064)                         | (77,562)                | -                       | (2,080,626)                      |
| Intangibles  | (213,859)                           | (30,398)                | -                       | (244,257)                        |
| Purchased capacity                                     | (7,109,595)                         | (394,977)               | -                       | (7,504,572)                      |
|  | <u>(17,930,091)</u>                 | <u>(775,702)</u>        | <u>-</u>                | <u>(18,705,793)</u>              |
| Capital assets, depreciated<br>and amortized, net      | <u>13,275,287</u>                   | <u>(421,182)</u>        | <u>-</u>                | <u>12,854,105</u>                |
| Business-type activities<br>capital assets, net        | <u>\$ 13,411,587</u>                | <u>\$ (421,182)</u>     | <u>\$ -</u>             | <u>\$ 12,990,405</u>             |

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

**Note 7. Capital Assets (Continued)**

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

|                           |                          |
|---------------------------|--------------------------|
| Business-type activities: |                          |
| Water and Sewer           | \$ 753,590               |
| Storm Water               | <u>22,112</u>            |
|                           | <u><u>\$ 775,702</u></u> |

South Central Wastewater Authority (SCWA) treatment plant rights:

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

| <b>Component Unit – School Board</b>                   | <b>Beginning<br/>Balance</b> | <b>Increases</b>           | <b>Decreases</b>   | <b>Ending<br/>Balance</b>   |
|--|------------------------------|----------------------------|--------------------|-----------------------------|
| Capital assets, not depreciated<br>or amortized:       |                              |                            |                    |                             |
| Land   | \$ 1,090,102                 | \$ -                       | \$ -               | \$ 1,090,102                |
| Capital assets, depreciated<br>and amortized:          |                              |                            |                    |                             |
| Buildings and structures                               | 30,920,232                   | 147,255                    | -                  | 31,067,487                  |
| Equipment  | 4,165,914                    | 396,161                    | -                  | 4,562,075                   |
| Intangibles  | <u>12,155</u>                | <u>-</u>                   | <u>-</u>           | <u>12,155</u>               |
|  | <u>35,098,301</u>            | <u>543,416</u>             | <u>-</u>           | <u>35,641,717</u>           |
| Less accumulated depreciation<br>and amortization for: |                              |                            |                    |                             |
| Buildings and structures                               | (13,510,210)                 | (708,160)                  | -                  | (14,218,370)                |
| Equipment  | (3,420,429)                  | (193,832)                  | -                  | (3,614,261)                 |
| Intangibles  | <u>(7,496)</u>               | <u>(2,695)</u>             | <u>-</u>           | <u>(10,191)</u>             |
|  | <u>(16,938,135)</u>          | <u>(904,687)</u>           | <u>-</u>           | <u>(17,842,822)</u>         |
| Capital assets, depreciated<br>and amortized, net      | <u>18,160,166</u>            | <u>(361,271)</u>           | <u>-</u>           | <u>17,798,895</u>           |
| School Board<br>capital assets, net                    | <u><u>\$ 19,250,268</u></u>  | <u><u>\$ (361,271)</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 18,888,997</u></u> |

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

**Note 7. Capital Assets (Continued)**

Equipment and other capital assets include capitalized leases of \$282,316 with a net book value \$256,437.

**Note 8. Long-Term Liabilities**

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

| <b>Governmental<br/>Activities</b> | <b>Beginning<br/>Balance</b> | <b>Increases</b>    | <b>Decreases</b>      | <b>Ending<br/>Balance</b> | <b>Due Within<br/>One Year</b> |
|------------------------------------|------------------------------|---------------------|-----------------------|---------------------------|--------------------------------|
| General obligation bonds           | \$ 36,246,554                | \$ -                | \$ (2,839,657)        | \$ 33,406,897             | \$ 2,598,106                   |
| Issuance premiums                  | 1,710,427                    | -                   | (147,951)             | 1,562,476                 | -                              |
| Issuance discounts                 | (249,907)                    | -                   | 25,119                | (224,788)                 | -                              |
| Landfill post-closure<br>liability | 356,000                      | 41,170              | (41,170)              | 356,000                   | -                              |
|                                    | 38,063,074                   | 41,170              | (3,003,659)           | 35,100,585                | 2,598,106                      |
| Compensated absences               | 1,653,507                    | 1,010,646           | (890,669)             | 1,773,484                 | 858,193                        |
| Other post-employment<br>benefits  | 1,172,661                    | 243,511             | (97,805)              | 1,318,367                 | -                              |
|                                    | <u>\$ 40,889,242</u>         | <u>\$ 1,295,327</u> | <u>\$ (3,992,133)</u> | <u>\$ 38,192,436</u>      | <u>\$ 3,456,299</u>            |

**Business-Type Activities**

|                                   |                     |                   |                     |                     |                   |
|-----------------------------------|---------------------|-------------------|---------------------|---------------------|-------------------|
| General obligation bonds          | \$ 798,446          | \$ -              | \$ (165,343)        | \$ 633,103          | \$ 141,894        |
| Capital lease payable             | 32,558              | 100,750           | (38,519)            | 94,789              | 24,279            |
| Obligations payable -<br>SCWA     | 966,697             | -                 | (639,060)           | 327,637             | 327,637           |
| Issuance premiums                 | 24,372              | -                 | (4,874)             | 19,498              | -                 |
| Issuance discounts                | (1,614)             | -                 | 323                 | (1,291)             | -                 |
|                                   | 1,820,459           | 100,750           | (847,473)           | 1,073,736           | 493,810           |
| Compensated absences              | 84,314              | 49,074            | (44,748)            | 88,640              | 41,226            |
| Other post-employment<br>benefits | 93,760              | 21,282            | (8,548)             | 106,494             | -                 |
|                                   | <u>\$ 1,998,533</u> | <u>\$ 171,106</u> | <u>\$ (900,769)</u> | <u>\$ 1,268,870</u> | <u>\$ 535,036</u> |

**Component Unit –  
School Board**

|                                   |                     |                     |                     |                     |                   |
|-----------------------------------|---------------------|---------------------|---------------------|---------------------|-------------------|
| Capital lease payable             | \$ -                | \$ 272,877          | \$ (94,105)         | \$ 178,772          | \$ 87,848         |
| Compensated absences              | 910,847             | 516,106             | (356,331)           | 1,070,622           | 53,531            |
| Other post-employment<br>benefits | 1,651,222           | 560,565             | (263,913)           | 1,947,874           | -                 |
|                                   | <u>\$ 2,562,069</u> | <u>\$ 1,349,548</u> | <u>\$ (714,349)</u> | <u>\$ 3,197,268</u> | <u>\$ 141,379</u> |

(Continued)

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

**Note 8. Long-Term Liabilities (Continued)**

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

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

|                                | <u>Year Issued</u> | <u>Interest Rate</u> | <u>Amount<br/>Outstanding</u> |
|--------------------------------|--------------------|----------------------|-------------------------------|
| General obligation bonds:      |                    |                      |                               |
| General improvement            |                    |                      |                               |
| Series 2004                    | 2004               | 3.00-3.75            | \$ 2,990,000                  |
| Series 2007                    | 2007               | 4.00                 | 7,550,000                     |
| Series 2010                    | 2010               | 2.00-4.00            | 3,100,000                     |
| Series 2012                    | 2012               | 2.50-4.00            | <u>20,400,000</u>             |
| Total general obligation bonds |                    |                      | <u>\$ 34,040,000</u>          |
| Capital lease payable:         |                    |                      |                               |
| Motor Grader                   | 2014               | 2.90%                | <u>\$ 94,789</u>              |
| Obligations payable:           |                    |                      |                               |
| SCWA (for purchased capacity)  | 2003               | 3.70%                | <u>\$ 327,637</u>             |

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

|                        |      |       |                   |
|------------------------|------|-------|-------------------|
| Capital lease payable: |      |       |                   |
| Buses                  | 2013 | 3.50% | <u>\$ 178,772</u> |

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

| <u>Fiscal Year<br/>Ending</u> | <u>General Obligation Bonds</u> |                     |                                 |                  |
|-------------------------------|---------------------------------|---------------------|---------------------------------|------------------|
|                               | <u>Governmental Activities</u>  |                     | <u>Business-Type Activities</u> |                  |
|                               | <u>Principal</u>                | <u>Interest</u>     | <u>Principal</u>                | <u>Interest</u>  |
| 2015                          | \$ 2,598,106                    | \$ 1,127,548        | \$ 141,894                      | \$ 19,881        |
| 2016                          | 2,698,051                       | 1,040,211           | 141,949                         | 15,159           |
| 2017                          | 2,320,146                       | 953,986             | 104,854                         | 10,664           |
| 2018                          | 2,378,700                       | 873,655             | 116,300                         | 6,860            |
| 2019                          | 1,942,144                       | 798,855             | 62,856                          | 3,626            |
| 2020-2024                     | 8,819,750                       | 2,981,545           | 65,250                          | 1,223            |
| 2025-2029                     | 8,400,000                       | 1,385,600           | -                               | -                |
| 2030-2032                     | 4,250,000                       | 257,550             | -                               | -                |
|                               | <u>\$ 33,406,897</u>            | <u>\$ 9,418,950</u> | <u>\$ 633,103</u>               | <u>\$ 57,413</u> |

(Continued)

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

**Note 8. Long-Term Liabilities (Continued)**

| <b>Fiscal Year<br/>Ending</b> | <b>Capital Lease Payable<br/>Business-Type Activities</b> |                 | <b>Obligation Payable –<br/>SCWA<br/>Business-type Activities</b> |                 | <b>Capital Lease Payable<br/>School Board</b> |                 |
|-------------------------------|---|-----------------|---|-----------------|---|-----------------|
|                               | <b>Principal</b>  | <b>Interest</b> | <b>Principal</b>  | <b>Interest</b> | <b>Principal</b>                              | <b>Interest</b> |
| 2015                          | \$ 24,279   | 2,429           | 327,637   | 6,061           | 87,848  | 6,257           |
| 2016                          | 24,993  | 1,715           | -   | -               | 90,924  | 3,182           |
| 2017                          | 25,727  | 990             | -   | -               | -   | -               |
| 2018                          | 19,790  | 240             | -   | -               | -   | -               |
|                               | <u>\$ 94,789</u>  | <u>\$ 5,374</u> | <u>\$ 327,637</u>   | <u>\$ 6,061</u> | <u>\$ 178,772</u>                             | <u>\$ 9,439</u> |

**Note 9. Environmental Liabilities**

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

The City has completed the process of closing the former City landfill. The post-closure and corrective action costs for the landfill are currently projected to be approximately \$356,000 based on a minimum ten years of remaining monitoring and remediation. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

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

**Note 10. Commitments and Contingent Liabilities**

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

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

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

## CITY OF COLONIAL HEIGHTS, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

June 30, 2014

#### Note 10. Commitments and Contingent Liabilities (Continued)

Construction Commitments: The City has entered into various construction contracts with approximately \$3,500,000 still outstanding to be completed at year-end. These construction commitments are listed on Table 5, and are broken down into four main categories: general government, recreational facilities, streets and bridges, and utility improvements. This includes a multi-phase walking trail along the Appomattox River and various street projects.

Health Department Commitments: The City entered into a contract with the Virginia Department of Health to help support the cooperative budget of the Colonial Heights Health Department. The City's annual payments from this agreement total approximately \$180,000.

#### Note 11. Defined Benefit Pension Plan

##### Plan Description

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

Within the VRS Plan, the System administers three different benefit plans for local government employees – Plan 1, Plan 2, and Hybrid. Each plan has a different eligibility and benefit structure as set out below:

##### **VRS PLAN 1**

**About VRS Plan 1** – VRS 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 VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

**Hybrid Opt-In Election** – VRS non-hazardous duty covered plan members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan were not eligible to elect the Hybrid Retirement Plan and remain as plan members or ORP.

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

**Note 11. Defined Benefit Pension Plan (Continued)**

**Plan Description (Continued)**

**VRS PLAN 1**

**Retirement Contributions** – Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by 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.

**Creditable Service** – Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

**Vesting** – Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.

**Calculating the Benefit** – The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

**Average Final Compensation** – A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

**Service Retirement Multiplier** – The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.

**Normal Retirement Age** – Age 65.

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

**Note 11. Defined Benefit Pension Plan (Continued)**

**Plan Description (Continued)**

**VRS PLAN 1**

**Earliest Unreduced Retirement Eligibility** – Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years of creditable service or at age 50 with at least 30 years of creditable service. Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

**Earliest Reduced Retirement Eligibility** – Members may retire with a reduced benefit as early as age 55 with at least five years of creditable service or age 50 with at least 10 years of creditable service.

**Cost-of-Living Adjustment (COLA) in Retirement** – 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%.

For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.



**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

**Note 11. Defined Benefit Pension Plan (Continued)**

**Plan Description (Continued)**

**VRS PLAN 1**

**Disability Coverage** – 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. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

**Purchase of Prior Service** – Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. 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.

**VRS PLAN 2**

VRS Plan 2 is the same as VRS Plan 1 except for the following:

Employees are eligible for VRS 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.

**Average Final Compensation** – A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

**Service Retirement Multiplier** – For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.

**Normal Retirement Age** – Normal Social Security retirement age.

**Earliest Unreduced Retirement Eligibility** – Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years of creditable service or when their age and service equal 90.

**Earliest Reduced Retirement Eligibility** – Members may retire with a reduced benefit as early as age 60 with at least five years of creditable service.

**Cost-of-Living Adjustment (COLA) in Retirement** – 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%.

**Disability Coverage** – 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. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

**Note 11. Defined Benefit Pension Plan (Continued)**

**Plan Description (Continued)**

**HYBRID RETIREMENT PLAN**

The Hybrid Retirement Plan is the same as VRS Plan 1 except for the following:

**About the Hybrid Retirement Plan** – The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window.

- The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.
- The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
- In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

**Eligible Members** – Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

- State employees\*
- School division employees
- Political subdivision employees\*
- Judges appointed or elected to an original term on or after January 1, 2014
- Members in VRS Plan 1 or VRS 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

**\*Non-Eligible Members**

Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

- Members of the State Police Officers' Retirement System (SPORS)
- Members of the Virginia Law Officers' Retirement System (VaLORS)
- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

**Note 11. Defined Benefit Pension Plan (Continued)**

**Plan Description (Continued)**

**HYBRID RETIREMENT PLAN (Continued)**

**Eligible Members (Continued)**

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 VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

**Retirement Contributions** – A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

**Creditable Service**

**Defined Benefit Component:** Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

**Defined Contributions Component:** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

**Vesting**

**Defined Benefit Component:** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

**Defined Contributions Component:** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

**Note 11. Defined Benefit Pension Plan (Continued)**

**Plan Description (Continued)**

**HYBRID RETIREMENT PLAN (Continued)**

**Vesting (Continued)**

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.

**Calculating the Benefit**

**Defined Contribution Component:** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

**Average Final Compensation** – Same as VRS Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

**Service Retirement Multiplier** – The retirement multiplier is 1.0%. For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

**Normal Retirement Age**

**Defined Benefit Component:** Same as VRS Plan 2.

**Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.

**Earliest Unreduced Retirement Eligibility**

**Defined Benefit Component:** Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years of creditable service or when their age and service equal 90.

**Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

**Note 11. Defined Benefit Pension Plan (Continued)**

**Plan Description (Continued)**

**HYBRID RETIREMENT PLAN (Continued)**

**Earliest Reduced Retirement Eligibility**

**Defined Benefit Component:** Members may retire with a reduced benefit as early as age 60 with at least five years of creditable service.

**Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.

**Cost-of-Living Adjustment (COLA) in Retirement**

**Defined Benefit Component:** Same as VRS Plan 2.

**Defined Contribution Component:** Not applicable.

**Disability Coverage** – Eligible political subdivision and school division (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members. State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

The system issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2013-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**Funding Policy**

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period of up to 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. In addition, the City and School Board are required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The City's contribution rate for the fiscal year ended June 30, 2014 was 16.80% of the annual covered payroll.

(Continued)

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

**Note 11. Defined Benefit Pension Plan (Continued)**

**Funding Policy (Continued)**

The School Board non-professional employees' contribution rate for the fiscal year ended 2014 was 10.33% of annual covered payroll. The School Board professional employees' contribution rate for the VRS statewide teacher pool for fiscal year ended 2014 was 11.66% of annual covered payroll. Total contributions made to the VRS statewide teacher pool for professional employees by the School Board for the fiscal years ending June 30, 2014, 2013, and 2012 were \$3,109,403, \$2,956,379, and \$2,003,838, respectively, and were equal to the required contributions for each year.

**Annual Pension Cost**

For the fiscal year ended June 30, 2014, the City and School Board annual pension cost of \$2,125,489 and \$176,533 for VRS was equal to the required and actual contributions.

**Three-Year Trend Information  
City**

| <u>Fiscal Year Ended</u> | <u>Annual<br/>Pension<br/>Cost (APC)</u> | <u>Percentage<br/>Of APC<br/>Contributed</u> | <u>Net<br/>Pension<br/>Obligation</u> |
|--------------------------|--|--|---------------------------------------|
| June 30, 2014            | \$ 2,125,489                             | 100%   | \$ -                                  |
| June 30, 2013            | 2,098,674                                | 100%   | -                                     |
| June 30, 2012            | 2,119,379                                | 100%   | -                                     |

**Three-Year Trend Information  
School Board (non-professional employees)**

| <u>Fiscal Year Ended</u> | <u>Annual<br/>Pension<br/>Cost (APC)</u> | <u>Percentage<br/>Of APC<br/>Contributed</u> | <u>Net<br/>Pension<br/>Obligation</u> |
|--------------------------|--|--|---------------------------------------|
| June 30, 2014            | \$ 176,533                               | 100%   | \$ -                                  |
| June 30, 2013            | 179,758                                  | 100%   | -                                     |
| June 30, 2012            | 147,795                                  | 100%   | -                                     |

The FY 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for local general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% per year for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases also include an inflation component of 2.50%.

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

**Note 11. Defined Benefit Pension Plan (Continued)**

**Annual Pension Cost (Continued)**

The actuarial value of the City and School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The City and School Board's unfunded actuarial accrued liability is being amortized as level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2013 for the Unfunded Actuarial Accrued liability (UAAL) was 30 years.

**Funded Status and Funding Progress**

For the City employees, as of June 30, 2013, the most recent actuarial valuation date, the plan was 71.14% funded. The actuarial accrued liability for benefits was \$58,323,930, and the actuarial value of assets was \$41,493,164, resulting in an unfunded actuarial accrued liability (UAAL) of \$16,830,766. The covered payroll (annual payroll of active employees covered by the plan) was \$11,528,726, and the ratio of the UAAL to the covered payroll was 145.99%.

For the School Board non-professional employees as of June 30, 2013, the most recent actuarial valuation date, the plan was 84.00% funded. The actuarial accrued liability for benefits was \$4,350,069, and the actuarial value of assets was \$3,654,218, resulting in an unfunded actuarial accrued liability (UAAL) of \$695,851. The covered payroll (annual payroll of active employees covered by the plan) was \$1,136,440, and the ratio of the UAAL to the covered payroll was 61.23%.

The schedule of funding progress, presented as required supplemental information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

**Note 12. Other Post-employment Benefits**

**Plan Description**

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

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

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

**Note 12. Other Post-employment Benefits (Continued)**

**Plan Description (Continued)**

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

The plans do not issue stand-alone financial reports.

**Funding Policy**

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

**Annual OPEB Cost and Net OPEB Obligation**

The City and School Board had actuarial valuations of post-employment benefits performed as of July 1, 2013. The annual cost of OPEB under GASB Statement No. 45 is called the annual required contribution or ARC. The estimated pay as you go cost for OPEB benefits for the City's plan is \$106,353 and the annual benefit cost is \$264,793. The percentage of annual OPEB cost contributed is 40.16%. The estimated pay as you go cost for OPEB benefits for the School Board's plan is \$263,913 and the annual benefit cost is \$560,565. The percentage of OPEB cost contributed is 47.08%.

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

The Annual Required Contribution (ARC) represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the annual OPEB costs for the year, the amounts actually contributed for the year, and the changes in the net OPEB obligations.



**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

**Note 12. Other Post-employment Benefits (Continued)**

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

|  | <u>City</u>                | <u>School Board</u>        |
|--|----------------------------|----------------------------|
| Annual required contribution (ARC)         | \$ 265,846                 | \$ 561,998                 |
| Interest on net OPEB obligation            | 50,977                     | 69,363                     |
| Adjustment to annual required contribution | <u>(52,030)</u>            | <u>(70,796)</u>            |
| Annual OPEB cost                           | 264,793                    | 560,565                    |
| Estimated contributions made               | <u>(106,353)</u>           | <u>(263,913)</u>           |
| Increase in net OPEB obligation            | 158,440                    | 296,652                    |
| Net OPEB obligation, beginning of year     | <u>1,266,421</u>           | <u>1,651,222</u>           |
| Net OPEB obligation, end of year           | <u><u>\$ 1,424,861</u></u> | <u><u>\$ 1,947,874</u></u> |

**City:**

| <u>Fiscal Year<br/>Ending</u> | <u>Annual OPEB<br/>Cost</u> | <u>Percentage of<br/>Annual OPEB<br/>Cost<br/>Contributed</u> | <u>Net OPEB<br/>Obligation</u> |
|-------------------------------|-----------------------------|---|--------------------------------|
| June 30, 2014                 | \$ 264,793                  | 40.16%  | \$ 1,424,861                   |
| June 30, 2013                 | 425,754                     | 26.43%  | 1,266,421                      |
| June 30, 2012                 | 403,043                     | 22.87%  | 953,200                        |

**School Board:**

|               |            |        |              |
|---------------|------------|--------|--------------|
| June 30, 2014 | \$ 560,565 | 47.08% | \$ 1,947,874 |
| June 30, 2013 | 695,127    | 52.44% | 1,651,222    |
| June 30, 2012 | 668,173    | 49.46% | 1,320,629    |

**Funding Status and Funding Progress**

As of July 1, 2013, the most recent actuarial valuation date for the City and School Board, the plans were not funded. The actuarial value of assets was \$0 resulting in an unfunded actuarial liability (UAAL) of \$2,896,944 for the City's plan and a UAAL of \$7,928,338 for the School Board's plan. The covered payroll (annual payroll of active employees covered by the plan) was \$11,201,000 and \$19,987,000 and the ratio of the UAAL to the covered payroll was 25.86% and 39.67% for the City and School Board, respectively.

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

**Note 12. Other Post-employment Benefits (Continued)**

**Funding Status and Funding Progress (Continued)**

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

**Actuarial Methods and Assumptions**

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

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

**Note 13. Fund Balances**

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

|                         | <b><u>General Fund</u></b> | <b><u>Capital<br/>Projects Fund</u></b> |
|-------------------------|----------------------------|---|
| <b>Nonspendable:</b>    |                            |   |
| Inventories             | \$ 60,076                  | \$ -                                    |
| Prepays                 | 8,756                      | -                                       |
|                         | <u>68,832</u>              | <u>-</u>                                |
| <b>Restricted:</b>      |                            |   |
| Judicial administration | 218,125                    | 372,795                                 |
| Public safety           | 95,873                     | -                                       |
| <b>Total restricted</b> | <u>313,998</u>             | <u>372,795</u>                          |

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

**Note 13. Fund Balances (Continued)**

|                                | <u>General Fund</u>        | <u>Capital<br/>Projects Fund</u> |
|--------------------------------|----------------------------|----------------------------------|
| <b>Committed:</b>              |                            |                                  |
| General government             | 17,089                     | -                                |
| Judicial administration        | 55,761                     | -                                |
| Public safety                  | 264,955                    | -                                |
| Public works                   | 49,810                     | -                                |
| Health and welfare             | 20,396                     | -                                |
| Parks, recreation and cultural | 8,302                      | -                                |
| Community development          | 1,555                      | -                                |
| Human services                 | 5,786                      | -                                |
| Nondepartmental                | 2,858                      | -                                |
| Debt service                   | 5,000                      | -                                |
| <b>Total committed</b>         | <u>431,512</u>             | <u>-</u>                         |
| <b>Assigned:</b>               |                            |                                  |
| General government             | 100,000                    | -                                |
| Judicial administration        | 2,050                      | -                                |
| Public safety                  | 111,838                    | -                                |
| Public works                   | 880,839                    | -                                |
| Parks, recreation and cultural | 289,978                    | -                                |
| Community development          | 11,000                     | -                                |
| Human services                 | 12,000                     | -                                |
| <b>Total assigned</b>          | <u>1,407,705</u>           | <u>-</u>                         |
| <b>Unassigned</b>              | <u>7,415,836</u>           | <u>(10,080)</u>                  |
| <b>Total fund balance</b>      | <u><u>\$ 9,637,883</u></u> | <u><u>\$ 362,715</u></u>         |

**Note 14. Risk Management**

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

Risk Pools:

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

## **CITY OF COLONIAL HEIGHTS, VIRGINIA**

### **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

#### **Note 14. Risk Management (Continued)**

##### Risk Pools: (Continued)

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

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

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

#### **Note 15. Jointly Governed Organizations**

##### Riverside Regional Jail Authority:

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

The general purpose of the Authority is to acquire, construct, equip, maintain and operate a regional jail facility to meet the needs of the participating jurisdictions for additional jail facilities. The Authority completed the feasibility study and conceptual design of the jail and proceeded with the preparation of the Service Agreement. The Service Agreement is a long-term contract regulating usage of the jail and establishing payment terms applicable to participating jurisdictions. It guarantees that the facility will be used and provides for the issuance of revenue bonds to fund the final design and construction of the regional jail facility. The City's cost for adult incarceration services for 2014 was approximately \$2,626,000.

Complete financial statements for the Jail Authority can be obtained from the Jail Authority at 1000 River Road, P.O. Box 1041, Hopewell, Virginia 23860.

## CITY OF COLONIAL HEIGHTS, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

June 30, 2014

#### Note 15. Jointly Governed Organizations (Continued)

##### Appomattox River Water Authority:

The City, in conjunction with the Counties of Chesterfield, Dinwiddie and Prince George and the City of Petersburg, participated in the creation of the Authority. The Authority, whose five-member board is comprised of one representative from each participating entity, is responsible for providing a supply of filtered water to be purchased by the members of the Authority. In accordance with the joint venture agreement, each participating entity is required to purchase water from the Authority. The City retains an ongoing financial responsibility for the joint venture due to this requirement of the agreement. The City's purchase of water for 2014 was approximately \$471,000. Complete financial statements for the Authority can be obtained from the Authority's office at 21300 Chesdin Road, Petersburg, Virginia 23803.

##### South Central Wastewater Authority (SCWWA):

The Authority was created on July 2, 1996, and currently provides wastewater treatment to the Cities of Colonial Heights and Petersburg, the Counties of Chesterfield and Prince George and the Dinwiddie County Water Authority. The City has 4.0 million gallons per day of wastewater treatment capacity reserved at SCWWA's plant pursuant to a long-term service contract which is further described in Note 7. The City's cost of wastewater treatment for 2014 excluding debt service was approximately \$1,104,000. Complete financial statements for the Authority can be obtained from the Authority's office at 900 Magazine Road, Petersburg, Virginia 23803.

##### Central Virginia Waste Management Authority:

The Authority's board is comprised of representatives from the Cities of Colonial Heights, Petersburg and Richmond, as well as the Counties of Charles City, Chesterfield, Goochland, Hanover, Henrico, New Kent, Powhatan, Prince George, and the Town of Ashland. The Authority is comprised of a 20-member board with member jurisdictions making at least one but no more than three appointments. The City appoints one board member. The Authority is responsible for creating and implementing recycling and solid waste management programs for member jurisdictions in order to meet waste reduction mandates set by the Virginia General Assembly. Except for contribution requirements and direct payments for special projects, no participant has an ongoing financial interest or responsibility in the Authority. The City's 2014 contribution requirement and direct payments for special projects totaled approximately \$712,000. Complete financial statements for the Authority can be obtained from the Authority's office at 2100 W. Laburnum Ave., Suite 105, Richmond, Virginia 23227.

##### Virginia Gateway Region Board:

The Virginia Gateway Region Board (VGRB) serves the Cities of Colonial Heights, Hopewell and Petersburg, as well as the Counties of Chesterfield, Dinwiddie and Prince George in their efforts to provide balanced industrialization to corporation members. The City appoints two members of the Appomattox Basin Industrial Development Corporation (ABIDCO) board and contributed approximately \$28,000 to ABIDCO during 2013.

## CITY OF COLONIAL HEIGHTS, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS

June 30, 2014

#### Note 16. Related Organization

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

#### Note 17. New Accounting Standards

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

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

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

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* was issued to address an issue regarding application of the transition provisions of *GASB Statement No. 68, Accounting and Financial Reporting for Pensions*. This Statement amends *GASB Statement No. 68* to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and non-employer contributing entities. This Statement will be effective for the year ending June 30, 2015.

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

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**Note 18. Prior Period Adjustments**

|   | <u><b>Governmental<br/>Activities</b></u> | <u><b>General<br/>Fund</b></u> | <u><b>Business-Type<br/>Activities</b></u> | <u><b>Water and<br/>Sewer Fund</b></u> | <u><b>Storm Water<br/>Management<br/>Fund</b></u> |
|---|---|--------------------------------|--|--|---|
| Fund balance/net position,<br>June 30, 2013, as previously stated | \$ 33,351,292                             | \$ 10,384,486                  | \$ 11,912,756                              | \$ 11,529,607                          | \$ 383,149  |
| To implement GASB 65 and write off<br>bond costs                  | (233,894)                                 | -                              | (4,001)                                    | (4,001)                                | -   |
| To correct allocation of hospitalization<br>expenditures/expenses | <u>(65,803)</u>                           | <u>(65,803)</u>                | <u>65,803</u>                              | <u>55,267</u>                          | <u>10,536</u>                                     |
| Net prior period adjustments                                      | <u>(299,697)</u>                          | <u>(65,803)</u>                | <u>61,802</u>                              | <u>51,266</u>                          | <u>10,536</u>                                     |
| Fund balance/net position June 30, 2013,<br>as restated           | <u><u>\$ 33,051,595</u></u>               | <u><u>\$ 10,318,683</u></u>    | <u><u>\$ 11,974,558</u></u>                | <u><u>\$ 11,580,873</u></u>            | <u><u>\$ 393,685</u></u>                          |

## **REQUIRED SUPPLEMENTARY INFORMATION**

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## CITY OF COLONIAL HEIGHTS, VIRGINIA

**SCHEDULES OF FUNDING PROGRESS**  
**Year Ended June 30, 2014**

|                                       | (a)                          | (b)                                     | (b-a)                          | (a/b)           | (c)                | ((b-a)/c)                                     |
|---------------------------------------|------------------------------|---|--------------------------------|-----------------|--------------------|---|
|                                       |                              |   | Unfunded<br>Actuarial          |                 |                    |   |
| Actuarial<br>Valuation Date           | Actuarial<br>Value of Assets | Actuarial<br>Accrued<br>Liability (AAL) | Accrued<br>Liability<br>(UAAL) | Funded<br>Ratio | Covered<br>Payroll | UAAL as a<br>Percentage of<br>Covered Payroll |
| <b>VIRGINIA RETIREMENT SYSTEM</b>     |                              |   |                                |                 |                    |   |
| A. City:                              |                              |   |                                |                 |                    |   |
| June 30, 2011                         | \$ 41,493,164                | \$ 58,323,930                           | \$ 16,830,766                  | 71.14%          | \$ 11,528,726      | 145.99%                                       |
| June 30, 2012                         | \$ 41,865,700                | \$ 61,189,712                           | \$ 19,324,012                  | 68.42%          | \$ 11,751,917      | 164.43%                                       |
| June 30, 2013                         | \$ 44,042,380                | \$ 62,884,212                           | \$ 18,841,832                  | 70.04%          | \$ 12,467,424      | 151.13%                                       |
| B. School Board:                      |                              |   |                                |                 |                    |   |
| June 30, 2011                         | \$ 3,654,218                 | \$ 4,350,069                            | \$ 695,851                     | 84.00%          | \$ 1,136,440       | 61.23%  |
| June 30, 2012                         | \$ 3,596,870                 | \$ 4,624,589                            | \$ 1,027,719                   | 77.78%          | \$ 1,142,241       | 89.97%  |
| June 30, 2013                         | \$ 3,697,769                 | \$ 4,232,368                            | \$ 534,599                     | 87.37%          | \$ 1,180,623       | 45.28%  |
| <b>OTHER POST-EMPLOYMENT BENEFITS</b> |                              |   |                                |                 |                    |   |
| A. City:                              |                              |   |                                |                 |                    |   |
| July 1, 2009                          | \$ -                         | \$ 2,765,044                            | \$ 2,765,044                   | 0.00%           | \$ 11,145,672      | 24.81%  |
| July 1, 2011                          | \$ -                         | \$ 3,476,123                            | \$ 3,476,123                   | 0.00%           | \$ 11,528,726      | 30.15%  |
| July 1, 2013                          | \$ -                         | \$ 2,896,944                            | \$ 2,896,944                   | 0.00%           | \$ 11,201,000      | 25.86%  |
| B. School Board:                      |                              |   |                                |                 |                    |   |
| July 1, 2009                          | \$ -                         | \$ 8,699,403                            | \$ 8,699,403                   | 0.00%           | \$ 21,181,247      | 41.07%  |
| July 1, 2011                          | \$ -                         | \$ 7,746,438                            | \$ 7,746,438                   | 0.00%           | \$ 18,437,990      | 42.01%  |
| July 1, 2013                          | \$ -                         | \$ 7,928,338                            | \$ 7,928,338                   | 0.00%           | \$ 19,987,000      | 39.67%  |

## CITY OF COLONIAL HEIGHTS, VIRGINIA

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

**Year Ended June 30, 2014**

|   | <b>Budgeted Amounts</b> |               | <b>Actual</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|---|-------------------------|---------------|---------------|---|
|   | <b>Original</b>         | <b>Final</b>  |               |   |
| <b>Revenues</b>                                       |                         |               |               |   |
| Revenue from local sources:                           |                         |               |               |   |
| General property taxes:                               |                         |               |               |   |
| Real property   | \$ 17,727,268           | \$ 17,727,268 | \$ 17,542,803 | \$ (184,465)  |
| Real and personal public service corporation property | 402,276                 | 402,276       | 392,843       | (9,433)   |
| Personal property                                     | 2,485,810               | 2,485,810     | 2,504,573     | 18,763  |
| Delinquent  | 811,422                 | 811,422       | 708,119       | (103,303)   |
| Penalties and interest                                | 220,000                 | 220,000       | 161,090       | (58,910)  |
| Total general property taxes                          | 21,646,776              | 21,646,776    | 21,309,428    | (337,348)   |
| Other local taxes:                                    |                         |               |               |   |
| Communication sales and use                           | 715,000                 | 715,000       | 700,002       | (14,998)  |
| Food and lodging                                      | 7,433,318               | 7,433,318     | 6,841,952     | (591,366)   |
| Consumer utility                                      | 940,000                 | 940,000       | 1,037,652     | 97,652  |
| Bank stock  | 315,000                 | 315,000       | 311,350       | (3,650)   |
| Local option sales and use                            | 7,387,688               | 7,387,688     | 7,192,330     | (195,358)   |
| Recordation   | 230,000                 | 230,000       | 183,751       | (46,249)  |
| Total other local taxes                               | 17,021,006              | 17,021,006    | 16,267,037    | (753,969)   |
| Permits, fees, and licenses:                          |                         |               |               |   |
| Business and occupational licenses                    | 2,966,097               | 2,966,097     | 2,813,068     | (153,029)   |
| Motor vehicle licenses                                | 390,000                 | 390,000       | 489,643       | 99,643  |
| Zoning and construction permits                       | 116,500                 | 116,500       | 122,529       | 6,029   |
| Other fees  | 111,415                 | 111,415       | 84,286        | (27,129)  |
| Total permits, fees, and licenses                     | 3,584,012               | 3,584,012     | 3,509,526     | (74,486)  |
| Fines and forfeitures                                 | 720,000                 | 720,000       | 540,368       | (179,632)   |
| Charges for services:                                 |                         |               |               |   |
| Refuse collection fees                                | 1,146,800               | 1,146,800     | 1,109,143     | (37,657)  |
| Recreation use charges and fees                       | 257,000                 | 257,000       | 184,839       | (72,161)  |
| Administrative  | 1,290,309               | 1,290,309     | 1,227,690     | (62,619)  |
| Other   | 13,500                  | 13,500        | 11,750        | (1,750)   |
| Total charges for services                            | 2,707,609               | 2,707,609     | 2,533,422     | (174,187)   |
| Use of money and property:                            |                         |               |               |   |
| Interest  | 5,000                   | 5,000         | (2,544)       | (7,544)   |
| Rental of property                                    | 155,000                 | 155,000       | 164,153       | 9,153   |
| Sale of commodities and property                      | 17,000                  | 17,000        | 9,839         | (7,161)   |
| Total use of money and property                       | 177,000                 | 177,000       | 171,448       | (5,552)   |
| Miscellaneous   | 28,500                  | 69,360        | 142,232       | 72,872  |
| Reimbursement from School Board                       | 322,130                 | 340,663       | 781,768       | 441,105   |
| Total revenue from local sources                      | 46,207,033              | 46,266,426    | 45,255,229    | (1,011,197)   |

(Continued)

## CITY OF COLONIAL HEIGHTS, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
Year Ended June 30, 2014**

|                                     | <b>Budgeted Amounts</b> |               |               | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|-------------------------------------|-------------------------|---------------|---------------|---|
|                                     | <b>Original</b>         | <b>Final</b>  | <b>Actual</b> |   |
| <b>Revenues (Continued)</b>         |                         |               |               |   |
| Intergovernmental:                  |                         |               |               |   |
| Revenue from the Commonwealth:      |                         |               |               |   |
| Non-categorical aid:                |                         |               |               |   |
| Personal property tax relief        | \$ 1,753,369            | \$ 1,753,369  | \$ 1,753,369  | \$ -  |
| Rolling stock tax                   | 4,000                   | 5,701         | 5,701         | -   |
| Total non-categorical aid           | 1,757,369               | 1,759,070     | 1,759,070     | -   |
| Categorical aid:                    |                         |               |               |   |
| Commissioner of Revenue             | 81,841                  | 84,844        | 84,434        | (410)   |
| Treasurer                           | 80,013                  | 88,588        | 88,248        | (340)   |
| Circuit Court                       | 254,267                 | 280,996       | 281,273       | 277   |
| Sheriff                             | 292,087                 | 291,859       | 291,626       | (233)   |
| Commonwealth's attorney             | 473,695                 | 474,530       | 458,105       | (16,425)  |
| Law enforcement                     | 561,784                 | 561,786       | 561,784       | (2)   |
| Street construction and maintenance | 2,290,207               | 2,356,610     | 2,357,649     | 1,039   |
| Other                               | 532,477                 | 655,796       | 607,148       | (48,648)  |
| Total categorical aid               | 4,566,371               | 4,795,009     | 4,730,267     | (64,742)  |
| Total revenue from the Commonwealth | 6,323,740               | 6,554,079     | 6,489,337     | (64,742)  |
| Revenue from federal government:    |                         |               |               |   |
| Categorical aid                     | 141,117                 | 156,266       | 156,084       | (182)   |
| Total intergovernmental             | 6,464,857               | 6,710,345     | 6,645,421     | (64,924)  |
| Total revenue                       | \$ 52,671,890           | \$ 52,976,771 | \$ 51,900,650 | \$ (1,076,121)  |
| <b>Expenditures</b>                 |                         |               |               |   |
| General government:                 |                         |               |               |   |
| City council                        | \$ 77,824               | \$ 92,813     | \$ 80,031     | \$ 12,782   |
| Clerk of council                    | 48,879                  | 49,787        | 43,456        | 6,331   |
| City manager                        | 216,293                 | 233,347       | 230,643       | 2,704   |
| Human resources                     | 101,663                 | 102,477       | 97,558        | 4,919   |
| City attorney                       | 209,837                 | 214,683       | 202,640       | 12,043  |
| Real estate assessor                | 139,238                 | 140,319       | 141,541       | (1,222)   |
| Commissioner of the revenue         | 207,848                 | 209,081       | 207,078       | 2,003   |
| Treasurer                           | 254,171                 | 262,757       | 258,108       | 4,649   |
| Finance                             | 495,419                 | 501,968       | 507,381       | (5,413)   |
| Information technologies            | 186,505                 | 192,350       | 167,076       | 25,274  |
| Auditing                            | 141,790                 | 153,031       | 152,989       | 42  |
| Purchasing                          | 107,697                 | 269,180       | 367,543       | (98,363)  |
| Insurance and risk management       | 530,955                 | 533,378       | 526,224       | 7,154   |
| Employee benefits                   | 5,047,217               | 5,089,236     | 5,333,625     | (244,389)   |
| Board of elections                  | 24,814                  | 24,979        | 23,458        | 1,521   |
| Registrar                           | 109,787                 | 110,590       | 99,869        | 10,721  |
| Economic development                | 144,124                 | 144,124       | 73,425        | 70,699  |
| Total general government            | 8,044,061               | 8,324,100     | 8,512,645     | (188,545)   |

## CITY OF COLONIAL HEIGHTS, VIRGINIA

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

**Year Ended June 30, 2014**

|                                       | <b>Budgeted Amounts</b> |                  | <b>Actual</b>    | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|---------------------------------------|-------------------------|------------------|------------------|---|
|                                       | <b>Original</b>         | <b>Final</b>     |                  |   |
| <b>Expenditures (Continued)</b>       |                         |                  |                  |   |
| Judicial administration:              |                         |                  |                  |   |
| Circuit courts                        | \$ 405,216              | \$ 440,143       | \$ 438,749       | \$ 1,394  |
| General district court                | 91,565                  | 92,012           | 107,643          | (15,631)  |
| Probation                             | 6,100                   | 6,100            | 5,887            | 213   |
| Commonwealth's attorney               | 555,264                 | 559,110          | 542,509          | 16,601  |
| Sheriff                               | 608,607                 | 731,239          | 740,667          | (9,428)   |
| Incarceration                         | 2,660,500               | 2,660,793        | 2,801,009        | (140,216)   |
| Community correction services         | 98,800                  | 98,800           | 98,800           | -   |
| Community diversion services          | 58,800                  | 58,800           | 58,708           | 92  |
| Victim witness                        | 74,484                  | 75,327           | 71,144           | 4,183   |
| Total judicial administration         | <u>4,559,336</u>        | <u>4,722,324</u> | <u>4,865,116</u> | <u>(142,792)</u>  |
| Public safety:                        |                         |                  |                  |   |
| Bureau of police                      | 3,760,870               | 3,915,467        | 3,791,878        | 123,589   |
| Bureau of fire                        | 3,170,972               | 3,292,154        | 3,273,883        | 18,271  |
| Emergency preparedness                | 44,975                  | 41,105           | 41,753           | (648)   |
| Communications                        | 1,439,531               | 1,451,191        | 1,186,603        | 264,588   |
| Total public safety                   | <u>8,416,348</u>        | <u>8,699,917</u> | <u>8,294,117</u> | <u>405,800</u>  |
| Public works:                         |                         |                  |                  |   |
| Administration                        | 236,554                 | 238,774          | 238,485          | 289   |
| Engineering division                  | 692,004                 | 717,680          | 645,363          | 72,317  |
| Street maintenance                    | 1,212,508               | 1,694,871        | 1,496,108        | 198,763   |
| Building maintenance                  | 520,259                 | 523,078          | 561,430          | (38,352)  |
| Fleet maintenance                     | 274,936                 | 277,398          | 270,915          | 6,483   |
| Solid waste                           | 600,208                 | 645,206          | 484,913          | 160,293   |
| Recycling                             | 295,651                 | 296,665          | 278,613          | 18,052  |
| Total public works                    | <u>3,832,120</u>        | <u>4,393,672</u> | <u>3,975,827</u> | <u>417,845</u>  |
| Health and welfare:                   |                         |                  |                  |   |
| Health                                | 185,298                 | 185,298          | 185,662          | (364)   |
| Welfare                               | 300,000                 | 300,000          | 274,720          | 25,280  |
| Comprehensive services                | 175,000                 | 175,000          | 159,604          | 15,396  |
| Total health and welfare              | <u>660,298</u>          | <u>660,298</u>   | <u>619,986</u>   | <u>40,312</u>   |
| Parks, recreation, and cultural:      |                         |                  |                  |   |
| Parks and recreation                  | 537,624                 | 549,824          | 523,657          | 26,167  |
| Parks and grounds                     | 530,301                 | 536,157          | 491,639          | 44,518  |
| Agency on aging                       | 271,095                 | 273,015          | 246,286          | 26,729  |
| Violet bank museum                    | 87,736                  | 88,267           | 73,129           | 15,138  |
| Library                               | 608,966                 | 640,877          | 625,061          | 15,816  |
| Recreation trips and classes          | 240,000                 | 240,000          | 144,396          | 95,604  |
| Horticulture                          | 79,625                  | 80,008           | 69,861           | 10,147  |
| Total parks, recreation, and cultural | <u>2,355,347</u>        | <u>2,408,148</u> | <u>2,174,029</u> | <u>234,119</u>  |

(Continued)

## CITY OF COLONIAL HEIGHTS, VIRGINIA

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

**Year Ended June 30, 2014**

|   | <b>Budgeted Amounts</b> |              | <b>Actual</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|---|-------------------------|--------------|---------------|---|
|   | <b>Original</b>         | <b>Final</b> |               |   |
| <b>Expenditures: (Continued)</b>                |                         |              |               |   |
| Community development:                          |                         |              |               |   |
| Planning  | \$ 195,180              | \$ 214,273   | \$ 208,371    | \$ 5,902  |
| Building inspections                            | 244,617                 | 234,874      | 217,347       | 17,527  |
| Total community development                     | 439,797                 | 449,147      | 425,718       | 23,429  |
| Education:                                      |                         |              |               |   |
| Payments to School Board                        | 19,461,176              | 19,461,176   | 19,461,176    | -   |
| Human Services:                                 |                         |              |               |   |
| Office of youth                                 | 158,455                 | 171,638      | 167,513       | 4,125   |
| Better beginnings                               | 2,600                   | 2,600        | 2,225         | 375   |
| Juvenile crime                                  | 130,495                 | 131,327      | 116,940       | 14,387  |
| CDBG  | 65,772                  | 79,555       | 75,144        | 4,411   |
| Kids after school program                       | 28,800                  | 29,800       | 23,168        | 6,632   |
| Total human services                            | 386,122                 | 414,920      | 384,990       | 29,930  |
| Nondepartmental:                                |                         |              |               |   |
| Contributions and subsidies                     | 204,493                 | 204,493      | 205,753       | (1,260)   |
| Contingencies and miscellaneous                 | 321,500                 | 334,529      | 43,255        | 291,274   |
| Total nondepartmental                           | 525,993                 | 539,022      | 249,008       | 290,014   |
| Debt service:                                   |                         |              |               |   |
| Principal retirement                            | 2,839,657               | 2,839,657    | 2,839,657     | -   |
| Interest and fiscal charges                     | 1,217,798               | 1,217,798    | 1,217,829     | (31)  |
| Bond issuance costs                             | 10,000                  | 10,000       | 2,550         | 7,450   |
| Total debt service                              | 4,067,455               | 4,067,455    | 4,060,036     | 7,419   |
| Total expenditures                              | 52,748,053              | 54,140,179   | 53,022,648    | 1,117,531   |
| Excess of revenues over (under)<br>expenditures | (76,163)                | (1,163,408)  | (1,121,998)   | 41,410  |
| Other financing source (uses):                  |                         |              |               |   |
| Transfers in                                    | -                       | 549,198      | 549,198       | -   |
| Transfers out                                   | (55,000)                | (108,000)    | (108,000)     | -   |
| Total other financing sources (uses)            | (55,000)                | 441,198      | 441,198       | -   |
| Net change in fund balance                      | \$ (131,163)            | \$ (722,210) | \$ (680,800)  | \$ 41,410   |

**Note:**

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

## EXHIBIT 12

**CITY OF COLONIAL HEIGHTS, VIRGINIA**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**BALANCE SHEET - GOVERNMENTAL FUND**  
**June 30, 2014**

|  | <b>School<br/>Operating<br/>Fund</b> |
|--|--------------------------------------|
| <b>ASSETS</b>  |                                      |
| Cash and investments   | \$ 4,977,726                         |
| Due from other governments   | 1,737,767                            |
| Inventories  | 24,594                               |
| Total assets   | <u>\$ 6,740,087</u>                  |
| <b>LIABILITIES</b>   |                                      |
| Accounts payable and other current liabilities   | \$ 3,189,158                         |
| Due to primary government  | 446,608                              |
| Unearned revenue   | 18,475                               |
| Total liabilities  | <u>3,654,241</u>                     |
| <b>FUND BALANCE</b>  |                                      |
| Nonspendable   | 24,594                               |
| Committed  | 771,234                              |
| Assigned   | 2,290,018                            |
| Total fund balance   | <u>3,085,846</u>                     |
| Total liabilities and fund balance   | <u>\$ 6,740,087</u>                  |
| <b>Adjustments for the Statement of Net Position (Exhibit 1):</b>  |                                      |
| <b>Total Fund Balance - School Board</b>   | \$ 3,085,846                         |
| Amounts reported for the School Board's governmental activities in the Statement of Net Position are different because:                        |                                      |
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. |                                      |
| Nondepreciable   | \$ 1,090,102                         |
| Depreciable, net   | <u>17,798,895</u>                    |
|  | 18,888,997                           |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. |                                      |
| Capital lease obligation   | (178,772)                            |
| Compensated absences   | (1,070,622)                          |
| Other post-employment benefits   | <u>(1,947,874)</u>                   |
|  | (3,197,268)                          |
| <b>Total Net Position - School Board Governmental Activities</b>   | <u>\$ 18,777,575</u>                 |

**CITY OF COLONIAL HEIGHTS, VIRGINIA**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - GOVERNMENTAL FUND**  
**Year Ended June 30, 2014**

|   | <b>School<br/>Operating<br/>Fund</b> |
|---|--------------------------------------|
| <b>REVENUES</b>   |                                      |
| Charges for services  | \$ 478,386                           |
| Miscellaneous   | 115,801                              |
| Payments from City  | 19,461,176                           |
| Intergovernmental   | <u>14,765,427</u>                    |
| Total revenue   | <u>34,820,790</u>                    |
| <b>EXPENDITURES</b>   |                                      |
| Education:  |                                      |
| Administration, attendance and health   | 2,014,773                            |
| Instruction   | 26,174,924                           |
| Operation and maintenance   | 3,640,039                            |
| Pupil transportation  | 1,135,739                            |
| Food service  | 1,112,251                            |
| Facilities  | 1,376                                |
| Technology  | 1,320,611                            |
| Reimbursement to City   | <u>781,768</u>                       |
| Total expenditures  | <u>36,181,481</u>                    |
| Deficiency of revenues over expenditures  | <u>(1,360,691)</u>                   |
| <b>OTHER FINANCING SOURCES</b>  |                                      |
| Proceeds from capital lease   | <u>272,877</u>                       |
| Total other financing sources   | <u>272,877</u>                       |
| Net change in fund balance  | (1,087,814)                          |
| <b>FUND BALANCE AT JULY 1</b>   | <u>4,173,660</u>                     |
| <b>FUND BALANCE AT JUNE 30</b>  | <u><u>\$ 3,085,846</u></u>           |
| <b>Reconciliation to the Statement of Activities (Exhibit 2):</b>   |                                      |
| <b>Net Change in Fund Balance - School Board</b>  | \$ (1,087,814)                       |
| Governmental funds report capital outlays as expenditures; however, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.  |                                      |
| Capital outlays   | \$ 543,416                           |
| Depreciation and amortization expense   | <u>(904,687)</u>                     |
|   | (361,271)                            |
| The issuance of long-term debt 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 has any effect on net position. This amount is the net effect of those differences. | (178,772)                            |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.   |                                      |
| Compensated absences  | (159,775)                            |
| Other post-employment benefits  | <u>(296,652)</u>                     |
|   | (456,427)                            |
| <b>Change in Net Position - School Board Governmental Activities</b>  | <u><u>\$ (2,084,284)</u></u>         |

## CITY OF COLONIAL HEIGHTS, VIRGINIA

**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - SCHOOL OPERATING FUND**  
**Year Ended June 30, 2014**

|  | <b>Original<br/>Budget</b> | <b>Final<br/>Budget</b> | <b>Actual</b> | <b>Variance With<br/>Final Budget<br/>Positive (Negative)</b> |
|--|----------------------------|-------------------------|---------------|---|
| <b>REVENUES</b>                            |                            |                         |               |   |
| Revenue from local sources:                |                            |                         |               |   |
| Charges for services:                      |                            |                         |               |   |
| Cafeteria                                  | \$ 423,963                 | \$ 365,952              | \$ 365,952    | \$ -  |
| Other                                      | 177,312                    | 112,434                 | 112,434       | -   |
|  | 601,275                    | 478,386                 | 478,386       | -   |
| Miscellaneous                              | 25,000                     | 115,801                 | 115,801       | -   |
| Payments from City                         | 19,461,176                 | 19,461,176              | 19,461,176    | -   |
| Total revenue from local sources           | 20,087,451                 | 20,055,363              | 20,055,363    | -   |
| Intergovernmental:                         |                            |                         |               |   |
| Revenue from the Commonwealth of Virginia: |                            |                         |               |   |
| Categorical aid:                           |                            |                         |               |   |
| Basic school aid                           | 6,598,103                  | 6,593,568               | 6,593,568     | -   |
| State sales tax                            | 2,726,209                  | 2,638,707               | 2,638,707     | -   |
| Other                                      | 3,654,469                  | 3,702,621               | 3,702,621     | -   |
|  | 12,978,781                 | 12,934,896              | 12,934,896    | -   |
| Revenue from the federal government:       |                            |                         |               |   |
| Categorical aid:                           |                            |                         |               |   |
| Title I Grant                              | 345,962                    | 342,927                 | 342,927       | -   |
| Title VI B Grant                           | 598,617                    | 563,864                 | 563,864       | -   |
| Other                                      | 760,351                    | 844,636                 | 923,740       | 79,104  |
|  | 1,704,930                  | 1,751,427               | 1,830,531     | 79,104  |
| Total intergovernmental                    | 14,683,711                 | 14,686,323              | 14,765,427    | 79,104  |
| Total revenues                             | 34,771,162                 | 34,741,686              | 34,820,790    | 79,104  |
| <b>EXPENDITURES</b>                        |                            |                         |               |   |
| Education:                                 |                            |                         |               |   |
| Administration, attendance and health      | 1,658,702                  | 2,015,752               | 2,014,773     | 979   |
| Instruction                                | 27,380,821                 | 26,207,045              | 26,174,924    | 32,121  |
| Operation and maintenance                  | 3,499,168                  | 3,833,309               | 3,640,039     | 193,270   |
| Pupil transportation                       | 992,904                    | 862,862                 | 1,135,739     | (272,877)   |
| Food service                               | 1,070,617                  | 1,038,516               | 1,112,251     | (73,735)  |
| Facilities                                 | -                          | 1,376                   | 1,376         | -   |
| Technology                                 | 1,293,874                  | 1,346,095               | 1,320,611     | 25,484  |
| Contingencies                              | 388,424                    | 493,091                 | -             | 493,091   |
| Reimbursement to City                      | 324,780                    | 781,768                 | 781,768       | -   |
| Total expenditures                         | 36,609,290                 | 36,579,814              | 36,181,481    | 398,333   |
| Deficiency of revenues over expenditures   | (1,838,128)                | (1,838,128)             | (1,360,691)   | 477,437   |
| <b>OTHER FINANCING SOURCES</b>             |                            |                         |               |   |
| Proceeds from capital lease                | -                          | -                       | 272,877       | 272,877   |
| Total other financing sources              | -                          | -                       | 272,877       | 272,877   |
| Net change in fund balance                 | (1,838,128)                | (1,838,128)             | (1,087,814)   | 750,314   |



## **SUPPORTING SCHEDULE**

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## CITY OF COLONIAL HEIGHTS, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2014

| <b>Federal Granting Agency/Recipient State Agency/Grant Program</b>                                   | <b>Federal CFDA Number</b> | <b>Federal Expenditures</b> |
|---|----------------------------|-----------------------------|
| <b>U.S. Department of Agriculture</b>   |                            |                             |
| Pass-through payments:  |                            |                             |
| Commonwealth of Virginia Department of Agriculture and Consumer Services                              |                            |                             |
| Child Nutrition Cluster   |                            |                             |
| School Breakfast Program  | 10.553                     | \$ 101,497                  |
| National School Lunch Program   | 10.555                     | 473,201                     |
| National School Lunch Program - Commodities   | 10.555                     | 79,104                      |
| Special Milk Program for Children   | 10.556                     | 4,029                       |
| Total U.S. Department of Agriculture  |                            | <u>657,831</u>              |
| <b>U.S. Department of Housing and Urban Development</b>   |                            |                             |
| Direct payments:  |                            |                             |
| Community Development Block Grants/Entitlement Grants   | 14.218                     | <u>73,769</u>               |
| Total U.S. Department of Housing and Urban Development  |                            | <u>73,769</u>               |
| <b>U.S. Department of Justice</b>   |                            |                             |
| Pass-through payments:  |                            |                             |
| Department of Criminal Justice Services   |                            |                             |
| Crime Victim Assistance   | 16.575                     | 67,345                      |
| Bulletproof Vest Partnership Program  | 16.607                     | 1,450                       |
| ARRA - Public Safety Partnership and Community Policing Grants  | 16.710                     | 27,760                      |
| Edward Byrne Memorial Justice Assistance Grant Program  | 16.738                     | 4,714                       |
| Total U.S. Department of Justice  |                            | <u>101,269</u>              |
| <b>U.S. Department of Transportation</b>  |                            |                             |
| Pass-through payments:  |                            |                             |
| National Highway Traffic Safety Administration  |                            |                             |
| State and Community Highway Safety  | 20.600                     | 6,366                       |
| Alcohol Open Container Requirements   | 20.607                     | 1,715                       |
| Federal Highway Administration  |                            |                             |
| Highway Planning and Construction   | 20.205                     | <u>3,297,372</u>            |
| Total U.S. Department of Transportation   |                            | <u>3,305,453</u>            |
| <b>U.S. Department of Education</b>   |                            |                             |
| Direct payments:  |                            |                             |
| Impact Aid  | 84.041                     | 18,040                      |
| Pass-through payments:  |                            |                             |
| Commonwealth of Virginia Department of Education:   |                            |                             |
| Title I, Part A Cluster   |                            |                             |
| Title I Grants to Local Educational Agencies  | 84.010                     | 342,926                     |
| Special Education Cluster (IDEA)  |                            |                             |
| Special Education - Grants to States  | 84.027                     | 550,499                     |
| Special Education - Preschool Grants  | 84.173                     | 13,365                      |
| Career and Technical Education - Basic Grants to States   | 84.048                     | 38,775                      |
| Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants) | 84.330                     | 225                         |
| English Language Acquisition State Grants   | 84.365                     | 4,062                       |
| Improving Teacher Quality State Grants  | 84.367                     | 87,132                      |
| ARRA - Investing in Innovation (i3) Fund  | 84.411                     | <u>20,864</u>               |
| Total U.S. Department of Education  |                            | <u>1,075,888</u>            |

(Continued)

## CITY OF COLONIAL HEIGHTS, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2014

| <b>Federal Granting Agency/Recipient State Agency/Grant Program</b> | <b>Federal CFDA Number</b> | <b>Federal Expenditures</b> |
|---|----------------------------|-----------------------------|
| <b>U.S. Department of Health and Human Services:</b>                |                            |                             |
| Pass-through Payments:  |                            |                             |
| Commonwealth of Virginia Department of Medical Assistance Services: |                            |                             |
| Medicaid Cluster  |                            |                             |
| Medical Assistance Program  | 93.778                     | \$ 96,812                   |
| Total U.S. Department of Health and Human Services                  |                            | <u>96,812</u>               |
| <b>U.S. Department of Homeland Security:</b>                        |                            |                             |
| Pass-through Payments:  |                            |                             |
| Department of Emergency Management:                                 |                            |                             |
| Non-Profit Security Program   | 97.008                     | 49,525                      |
| Crisis Counseling   | 97.032                     | 8,200                       |
| Emergency Management Performance Grants                             | 97.042                     | <u>7,500</u>                |
| Total U.S. Department of Homeland Security                          |                            | <u>65,225</u>               |
| Total Expenditures of Federal Awards                                |                            | <u>\$ 5,376,247</u>         |

**Note 1. Basis of Presentation**

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

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

**Note 2. Non-Cash Assistance**

The City of Colonial Heights participated in the National School Lunch Program, CFDA Number 10.555, which provides non-cash benefits. The accompanying Schedule of Expenditure of Federal Awards includes commodity distributions of \$79,104 from the National School Lunch Program.

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# STATISTICAL SECTION

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

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

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

TABLE 1

## CITY OF COLONIAL HEIGHTS, VIRGINIA

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

|   | Fiscal Year          |                      |                      |                      |                      |                      |                      |                      |                      |                      |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|   | 2014                 | 2013                 | 2012                 | 2011                 | 2010                 | 2009                 | 2008                 | 2007                 | 2006                 | 2005                 |
| <b>Governmental activities</b>              |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Net investment in capital assets            | \$ 29,874,492        | \$ 27,289,172        | \$ 22,707,728        | \$ 18,555,807        | \$ 21,261,760        | \$ 29,035,677        | \$ 29,309,034        | \$ 22,517,214        | \$ 21,868,903        | \$ 16,361,860        |
| Restricted                                  | 313,998              | 329,699              | -                    | -                    | -                    | -                    | -                    | -                    | -                    | 3,750,571            |
| Unrestricted                                | 6,085,816            | 5,732,421            | 7,850,461            | 8,899,613            | 6,429,655            | (1,362,767)          | (678,937)            | 9,554,692            | 7,078,261            | 8,096,607            |
| Total governmental activities net position  | <u>\$ 36,274,306</u> | <u>\$ 33,351,292</u> | <u>\$ 30,558,189</u> | <u>\$ 27,455,420</u> | <u>\$ 27,691,415</u> | <u>\$ 27,672,910</u> | <u>\$ 28,630,097</u> | <u>\$ 32,071,906</u> | <u>\$ 28,947,164</u> | <u>\$ 28,209,038</u> |
| <b>Business-type activities</b>             |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Net investment in capital assets            | \$ 11,926,690        | \$ 11,607,652        | \$ 11,418,325        | \$ 11,273,727        | \$ 9,712,661         | \$ 9,348,617         | \$ 9,162,549         | \$ 9,177,810         | \$ 8,966,789         | \$ 9,422,984         |
| Restricted                                  | 364,421              | 364,421              | 364,421              | 364,421              | -                    | -                    | -                    | -                    | -                    | -                    |
| Unrestricted                                | (277,999)            | (59,317)             | 331,577              | 417,781              | 164,831              | 674,952              | 641,715              | 810,543              | 992,359              | 261,242              |
| Total business-type activities net position | <u>\$ 12,013,112</u> | <u>\$ 11,912,756</u> | <u>\$ 12,114,323</u> | <u>\$ 12,055,929</u> | <u>\$ 9,877,492</u>  | <u>\$ 10,023,569</u> | <u>\$ 9,804,264</u>  | <u>\$ 9,988,353</u>  | <u>\$ 9,959,148</u>  | <u>\$ 9,684,226</u>  |
| <b>Primary government</b>                   |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Net investment in capital assets            | \$ 41,801,182        | \$ 38,896,824        | \$ 34,126,053        | \$ 29,829,534        | \$ 30,974,421        | \$ 38,384,294        | \$ 38,471,583        | \$ 31,695,024        | \$ 30,835,692        | \$ 25,784,844        |
| Restricted                                  | 678,419              | 694,120              | 364,421              | 364,421              | -                    | -                    | -                    | -                    | -                    | 3,750,571            |
| Unrestricted                                | 5,807,817            | 5,673,104            | 8,182,038            | 9,317,394            | 6,594,486            | (687,815)            | (37,222)             | 10,365,235           | 8,070,620            | 8,357,849            |
| Total primary government net position       | <u>\$ 48,287,418</u> | <u>\$ 45,264,048</u> | <u>\$ 42,672,512</u> | <u>\$ 39,511,349</u> | <u>\$ 37,568,907</u> | <u>\$ 37,696,479</u> | <u>\$ 38,434,361</u> | <u>\$ 42,060,259</u> | <u>\$ 38,906,312</u> | <u>\$ 37,893,264</u> |
| <b>School Board</b>                         |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Net investment in capital assets            | \$ 18,710,224        | \$ 19,250,268        | \$ 19,873,661        | \$ 19,170,921        | \$ 17,508,207        | \$ 18,513,205        | \$ 14,734,444        | \$ 11,110,058        | \$ 10,762,746        | \$ 10,907,129        |
| Restricted                                  | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | 1,389,137            |
| Unrestricted                                | 67,351               | 1,611,591            | 1,985,250            | 2,406,683            | 2,104,270            | 1,877,210            | 3,275,955            | 1,390,118            | (399,777)            | (1,997,775)          |
| Total component unit net position           | <u>\$ 18,777,575</u> | <u>\$ 20,861,859</u> | <u>\$ 21,858,911</u> | <u>\$ 21,577,604</u> | <u>\$ 19,612,477</u> | <u>\$ 20,390,415</u> | <u>\$ 18,010,399</u> | <u>\$ 12,500,176</u> | <u>\$ 10,362,969</u> | <u>\$ 10,298,491</u> |
| <b>Total reporting entity</b>               |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Net investment in capital assets            | \$ 54,238,252        | \$ 51,380,705        | \$ 46,754,260        | \$ 41,320,933        | \$ 40,380,353        | \$ 48,108,917        | \$ 43,763,749        | \$ 40,503,216        | \$ 38,942,429        | \$ 36,691,973        |
| Restricted                                  | 678,419              | 694,120              | 364,421              | 364,421              | -                    | -                    | -                    | -                    | -                    | 5,139,708            |
| Unrestricted                                | 12,148,322           | 14,051,082           | 17,412,742           | 19,403,599           | 16,801,031           | 9,977,977            | 12,681,011           | 14,057,219           | 10,326,852           | 6,360,074            |
| Total reporting entity                      | <u>\$ 67,064,993</u> | <u>\$ 66,125,907</u> | <u>\$ 64,531,423</u> | <u>\$ 61,088,953</u> | <u>\$ 57,181,384</u> | <u>\$ 58,086,894</u> | <u>\$ 56,444,760</u> | <u>\$ 54,560,435</u> | <u>\$ 49,269,281</u> | <u>\$ 48,191,755</u> |

**Notes:**

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

TABLE 2

## CITY OF COLONIAL HEIGHTS, VIRGINIA

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

|   | Fiscal Year  |              |              |              |              |              |              |              |              |              |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|   | 2014         | 2013         | 2012         | 2011         | 2010         | 2009         | 2008         | 2007         | 2006         | 2005         |
| <b>Expenses</b>                                 |              |              |              |              |              |              |              |              |              |              |
| <b>Governmental activities</b>                  |              |              |              |              |              |              |              |              |              |              |
| General government                              | \$ 4,229,539 | \$ 8,513,050 | \$ 8,430,859 | \$ 8,252,642 | \$ 8,420,688 | \$ 8,075,559 | \$ 7,617,133 | \$ 6,631,282 | \$ 6,389,754 | \$ 7,321,447 |
| Judicial administration                         | 5,373,484    | 4,654,684    | 4,185,393    | 4,784,397    | 4,622,336    | 4,453,918    | 4,401,401    | 3,758,743    | 3,618,242    | 3,755,313    |
| Public safety                                   | 11,299,988   | 9,019,958    | 8,862,843    | 8,132,209    | 8,157,263    | 8,007,156    | 7,446,556    | 6,603,707    | 6,611,272    | 5,972,139    |
| Public works                                    | 6,056,945    | 5,340,369    | 4,204,531    | 4,093,809    | 4,644,140    | 3,675,598    | 3,650,407    | 3,488,051    | 3,705,174    | 4,791,051    |
| Health and welfare                              | 623,784      | 758,401      | 650,043      | 564,251      | 511,097      | 593,946      | 716,096      | 905,641      | 727,289      | 571,565      |
| Parks, recreation, and cultural                 | 2,914,469    | 2,388,151    | 2,262,706    | 2,332,036    | 2,420,733    | 2,450,217    | 2,350,085    | 1,755,411    | 2,049,025    | 600,181      |
| Community development                           | 567,323      | 500,588      | 468,981      | 465,764      | 613,699      | 571,243      | 580,574      | 575,426      | 367,863      | 301,989      |
| Education                                       | 19,461,176   | 19,296,419   | 18,996,933   | 19,405,770   | 18,598,070   | 20,202,607   | 23,330,795   | 16,738,368   | 15,886,549   | 15,451,926   |
| Interest  | 1,115,804    | 1,230,148    | 940,076      | 846,625      | 996,773      | 1,181,785    | 1,136,041    | 911,350      | 972,251      | 790,506      |
| Human Services                                  | 470,011      | -            | -            | -            | -            | -            | -            | -            | -            | 296,790      |
| Nondepartmental                                 | -            | -            | -            | -            | -            | -            | -            | -            | -            | 355,625      |
| Total governmental activities                   | 52,112,523   | 51,701,768   | 49,002,365   | 48,877,503   | 48,984,799   | 49,212,029   | 51,229,088   | 41,367,979   | 40,327,419   | 40,208,532   |
| <b>Business-type activities</b>                 |              |              |              |              |              |              |              |              |              |              |
| Water and Sewer                                 | 4,206,290    | 4,197,076    | -            | -            | -            | -            | -            | 3,962,952    | 3,999,152    | 3,708,566    |
| Water   | -            | -            | 1,599,243    | 1,599,110    | 1,692,407    | 1,625,950    | 1,610,037    | -            | -            | -            |
| Sewer   | -            | -            | 2,687,436    | 2,142,288    | 2,863,099    | 2,903,274    | 2,772,254    | -            | -            | -            |
| Solid Waste                                     | -            | -            | 1,226,034    | 1,192,142    | 1,174,794    | 1,145,197    | 1,263,794    | 1,292,339    | 1,196,750    | -            |
| Storm water management                          | 298,556      | 257,289      | 258,114      | 231,702      | 229,545      | 243,483      | -            | -            | -            | -            |
| Total business-type activities expense          | 4,504,846    | 4,454,365    | 5,770,827    | 5,165,242    | 5,959,845    | 5,917,904    | 5,646,085    | 5,255,291    | 5,195,902    | 3,708,566    |
| Total primary government expenses               | 56,617,369   | 56,156,133   | 54,773,192   | 54,042,745   | 54,944,644   | 55,129,933   | 56,875,173   | 46,623,270   | 45,523,321   | 43,917,098   |
| <b>Program revenues</b>                         |              |              |              |              |              |              |              |              |              |              |
| <b>Governmental activities</b>                  |              |              |              |              |              |              |              |              |              |              |
| Charges for services                            |              |              |              |              |              |              |              |              |              |              |
| Refuse collection                               | 1,109,143    | 1,125,094    | -            | -            | -            | -            | -            | -            | -            | 585,869      |
| Parks and recreation                            | 184,839      | 182,759      | 150,502      | 247,439      | 336,773      | 254,040      | 285,497      | 234,477      | 290,542      | 208,188      |
| Other activities                                | 5,289,334    | 5,626,146    | 5,313,067    | 5,235,500    | 5,125,656    | 5,234,826    | 5,001,743    | 5,068,830    | 1,074,769    | 1,035,840    |
| Operating grants and contributions              | 5,556,569    | 4,971,475    | 5,418,602    | 4,836,631    | 5,102,144    | 5,487,211    | 5,472,945    | 4,732,453    | 4,587,798    | 5,801,543    |
| Capital grants and contributions                | 3,436,635    | 2,413,293    | 2,809,970    | 941,115      | 1,320,778    | 151,333      | -            | -            | 190,254      | 720,042      |
| Total governmental activities program revenues  | 15,576,520   | 14,318,767   | 13,692,141   | 11,260,685   | 11,885,351   | 11,127,410   | 10,760,185   | 10,035,760   | 6,143,363    | 8,351,482    |
| <b>Business-type activities</b>                 |              |              |              |              |              |              |              |              |              |              |
| Charges for services                            |              |              |              |              |              |              |              |              |              |              |
| Water and sewer                                 | 4,164,312    | 4,144,465    | -            | -            | -            | -            | -            | 3,842,186    | 3,751,822    | 3,877,189    |
| Water   | -            | -            | 1,531,079    | 1,553,670    | 1,640,431    | 1,769,893    | 1,663,191    | -            | -            | -            |
| Sewer   | -            | -            | 2,696,866    | 2,675,820    | 2,740,934    | 2,892,816    | 2,523,737    | -            | -            | -            |
| Solid waste                                     | -            | -            | 1,143,300    | 1,118,569    | 1,096,627    | 1,070,028    | 1,061,581    | 1,042,343    | 816,533      | -            |
| Storm water management                          | 379,088      | 372,312      | 377,976      | 257,563      | -            | -            | -            | -            | -            | -            |
| Total business-type activities program revenues | 4,543,400    | 4,516,777    | 5,749,221    | 5,605,622    | 5,477,992    | 5,732,737    | 5,248,509    | 4,884,529    | 4,568,355    | 3,877,189    |
| Total primary government program revenues       | 20,119,920   | 18,835,544   | 19,441,362   | 16,866,307   | 17,363,343   | 16,860,147   | 16,008,694   | 14,920,289   | 10,711,718   | 12,228,671   |

(Continued)

TABLE 2

## CITY OF COLONIAL HEIGHTS, VIRGINIA

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

|   | Fiscal Year     |                 |                 |                 |                 |                 |                 |                 |                 |                 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|   | 2014            | 2013            | 2012            | 2011            | 2010            | 2009            | 2008            | 2007            | 2006            | 2005            |
| <b>Net (expense) revenue</b>                              |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Governmental activities                                   | \$ (36,536,003) | \$ (37,383,001) | \$ (35,310,224) | \$ (37,616,818) | \$ (37,099,448) | \$ (38,084,619) | \$ (40,468,903) | \$ (31,332,219) | \$ (34,184,056) | \$ (31,857,050) |
| Business-type activities                                  | 38,554          | 62,412          | (21,606)        | 440,380         | (481,853)       | (185,167)       | (397,576)       | (370,762)       | (627,547)       | 168,623         |
| Total primary government net expense                      | (36,497,449)    | (37,320,589)    | (35,331,830)    | (37,176,438)    | (37,581,301)    | (38,269,786)    | (40,866,479)    | (31,702,981)    | (34,811,603)    | (31,688,427)    |
| <b>General Revenues and Other Changes in Net Position</b> |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| <b>Governmental activities:</b>                           |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Taxes   |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| General property taxes                                    | 21,415,093      | 21,512,047      | 20,829,561      | 20,545,422      | 21,409,820      | 21,101,105      | 20,292,300      | 18,259,813      | 16,437,184      | 12,933,385      |
| Local sales and use                                       | 7,192,330       | 7,174,334       | 7,066,137       | 6,662,265       | 6,687,050       | 6,998,818       | 7,247,183       | 7,350,271       | 7,027,037       | 6,664,763       |
| Food and lodging  | 6,841,952       | 6,930,069       | 6,338,213       | 5,509,401       | 5,105,057       | 4,813,420       | 4,622,383       | 4,335,522       | 4,241,906       | 3,682,747       |
| Other taxes   | 2,232,755       | 2,205,223       | 2,183,334       | 2,288,483       | 2,151,134       | 2,097,530       | 2,211,189       | 1,983,102       | 2,017,427       | 4,980,434       |
| Intergovernmental, non-categorical aid                    | 1,759,070       | 1,758,697       | 1,757,530       | 1,757,878       | 1,856,496       | 1,871,849       | 1,777,424       | 1,868,699       | 4,884,469       | 4,728,775       |
| Use of money and property                                 | 175,282         | 233,822         | 194,826         | 158,013         | 47,549          | 175,942         | 713,779         | 692,864         | 461,199         | 124,939         |
| Miscellaneous   | 142,232         | 97,933          | 123,392         | 669,645         | 195,415         | 465,376         | 364,836         | 334,807         | 355,460         | 3,785           |
| Transfers   | -               | 263,979         | (80,000)        | (108,566)       | (334,568)       | (396,608)       | (202,000)       | (368,118)       | (502,500)       | -               |
| Total governmental activities                             | 39,758,714      | 40,176,104      | 38,412,993      | 37,482,541      | 37,117,953      | 37,127,432      | 37,027,094      | 34,456,960      | 34,922,182      | 33,118,828      |
| <b>Business-type activities:</b>                          |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Use of money and property                                 | -               | -               | -               | 238             | 1,208           | 7,864           | 11,217          | 31,849          | 48,233          | 26,155          |
| Miscellaneous   | -               | -               | -               | 5,190           | -               | -               | -               | -               | 351,736         | 4,363           |
| Transfers   | -               | (263,979)       | 80,000          | 108,566         | 334,568         | 396,608         | 202,000         | 368,118         | 502,500         | -               |
| Total business-type activities                            | -               | (263,979)       | 80,000          | 113,994         | 335,776         | 404,472         | 213,217         | 399,967         | 902,469         | 30,518          |
| Total primary government                                  | 39,758,714      | 39,912,125      | 38,492,993      | 37,596,535      | 37,453,729      | 37,531,904      | 37,240,311      | 34,856,927      | 35,824,651      | 33,149,346      |
| <b>Changes in Net Position</b>                            |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Governmental activities                                   | 3,222,711       | 2,793,103       | 3,102,769       | (134,277)       | 18,505          | (957,187)       | (3,441,809)     | 3,124,741       | 738,126         | 1,261,778       |
| Business-type activities                                  | 38,554          | (201,567)       | 58,394          | 554,374         | (146,077)       | 219,305         | (184,359)       | 29,205          | 274,922         | 199,141         |
| Total primary government                                  | 3,261,265       | 2,591,536       | 3,161,163       | 420,097         | (127,572)       | (737,882)       | (3,626,168)     | 3,153,946       | 1,013,048       | 1,460,919       |
| <b>Component Unit:</b>                                    |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Expenses:   |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Education   | 36,905,074      | 35,569,416      | 34,304,488      | 33,698,131      | 34,245,957      | 34,453,393      | 33,178,764      | 29,636,769      | 28,907,895      | 27,386,942      |
| Program revenues  |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Charges for services                                      | 478,386         | 573,499         | 409,019         | 407,204         | 432,265         | 546,183         | 557,939         | 563,298         | 551,513         | 559,653         |
| Operating grants and contributions                        | 14,765,427      | 14,599,996      | 14,838,115      | 15,001,600      | 14,186,550      | 15,817,225      | 14,434,911      | 14,065,197      | 12,258,200      | 11,880,916      |
| Total program revenues                                    | 15,243,813      | 15,173,495      | 15,247,134      | 15,408,804      | 14,618,815      | 16,363,408      | 14,992,850      | 14,628,495      | 12,809,713      | 12,440,569      |
| Net expense   | (21,661,261)    | (20,395,921)    | (19,057,354)    | (18,289,327)    | (19,627,142)    | (18,089,985)    | (18,185,914)    | (15,008,274)    | (16,098,182)    | (14,946,373)    |
| <b>General Revenues and Other Changes in Net Assets</b>   |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Contribution from primary government                      | 19,461,176      | 19,296,419      | 18,996,933      | 19,405,770      | 18,598,070      | 20,202,607      | 23,330,795      | 16,738,367      | 15,886,549      | 14,484,413      |
| Use of money and property                                 | -               | -               | 434             | 2,477           | 2,885           | 12,036          | 97,462          | 283,982         | 70,338          | 22,084          |
| Miscellaneous   | 115,801         | 102,450         | 341,305         | 278,643         | 248,429         | 255,358         | 267,880         | 123,132         | 205,773         | 218,320         |
| Total general revenue                                     | 19,576,977      | 19,398,869      | 19,338,672      | 19,686,890      | 18,849,384      | 20,470,001      | 23,696,137      | 17,145,481      | 16,162,660      | 14,724,817      |
| Total component unit change in net position               | \$ (2,084,284)  | \$ (997,052)    | \$ 281,318      | \$ 1,397,563    | \$ (777,758)    | \$ 2,380,016    | \$ 5,510,223    | \$ 2,137,207    | \$ 64,478       | \$ (221,556)    |

**Notes:**

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

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

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

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

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



TABLE 3

## CITY OF COLONIAL HEIGHTS, VIRGINIA

## Fund Balances - Governmental Funds

## Last Ten Fiscal Years

(modified accrual basis of accounting)

(unaudited)

|                                     | 2014                 | 2013                 | 2012                 | 2011                |                     |                     |
|-------------------------------------|----------------------|----------------------|----------------------|---------------------|---------------------|---------------------|
| <b>Post-GASB 54 implementation:</b> |                      |                      |                      |                     |                     |                     |
| General Fund                        |                      |                      |                      |                     |                     |                     |
| Nonspendable                        | \$ 68,832            | \$ 69,859            | \$ 67,373            | \$ 109,011          |                     |                     |
| Restricted                          | 686,793              | 329,699              | 369,152              | 350,067             |                     |                     |
| Committed                           | 431,512              | 327,569              | 484,422              | 592,493             |                     |                     |
| Assigned                            | 1,407,705            | 1,574,257            | 873,226              | 680,712             |                     |                     |
| Unassigned                          | 7,405,756            | 8,083,102            | 8,477,484            | 7,652,961           |                     |                     |
| Total general fund                  | <u>\$ 10,000,598</u> | <u>\$ 10,384,486</u> | <u>\$ 10,271,657</u> | <u>\$ 9,385,244</u> |                     |                     |
| Capital Projects Fund               |                      |                      |                      |                     |                     |                     |
| Restricted                          | 7,207,335            | 7,207,335            | \$ 16,792,519        | \$ -                |                     |                     |
| Committed                           | -                    | -                    | 246,683              | 957,111             |                     |                     |
| Assigned                            | -                    | -                    | 197,390              | 308,416             |                     |                     |
| Unassigned                          | (1,245,870)          | (1,245,870)          | -                    | -                   |                     |                     |
| Total capital projects fund         | <u>\$ 5,961,465</u>  | <u>\$ 5,961,465</u>  | <u>\$ 17,236,592</u> | <u>\$ 1,265,527</u> |                     |                     |
| <b>Pre-GASB 54 implementation:</b>  |                      |                      |                      |                     |                     |                     |
|                                     | 2010                 | 2009                 | 2008                 | 2007                | 2006                | 2005                |
| General Fund                        |                      |                      |                      |                     |                     |                     |
| Reserved                            | \$ 56,571            | \$ 45,085            | \$ 54,779            | \$ 50,977           | \$ 42,867           | \$ 907,105          |
| Unreserved:                         |                      |                      |                      |                     |                     |                     |
| Designated                          | 344,001              | 305,505              | 720,761              | 1,251,658           | 1,386,363           | 613,229             |
| Undesignated                        | 7,987,538            | 8,333,760            | 9,050,997            | 8,506,115           | 7,098,136           | 6,979,994           |
| Total general fund                  | <u>\$ 8,388,110</u>  | <u>\$ 8,684,350</u>  | <u>\$ 9,826,537</u>  | <u>\$ 9,808,750</u> | <u>\$ 8,527,366</u> | <u>\$ 8,500,328</u> |
| All Other Governmental Funds        |                      |                      |                      |                     |                     |                     |
| Reserved                            | \$ -                 | \$ -                 | \$ -                 | \$ -                | \$ 2,229,837        | \$ 1,149,211        |
| Unreserved:                         |                      |                      |                      |                     |                     |                     |
| Designated:                         |                      |                      |                      |                     |                     |                     |
| Capital projects fund               | 1,213,975            | 2,864,837            | 612,818              | 610,283             | 844,134             | 544,626             |
| Undesignated:                       |                      |                      |                      |                     |                     |                     |
| Capital projects fund               | 1,305,091            | 758,371              | 5,208,410            | (331,293)           | 477,883             | -                   |
| Total all other governmental funds  | <u>\$ 2,519,066</u>  | <u>\$ 3,623,208</u>  | <u>\$ 5,821,228</u>  | <u>\$ 278,990</u>   | <u>\$ 3,551,854</u> | <u>\$ 1,693,837</u> |

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

TABLE 4

## CITY OF COLONIAL HEIGHTS, VIRGINIA

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

|  | 2014           | 2013            | 2012          | 2011          | 2010           | 2009           | 2008          | 2007          | 2006           | 2005          |
|--|----------------|-----------------|---------------|---------------|----------------|----------------|---------------|---------------|----------------|---------------|
| <b>Revenues</b>                              |                |                 |               |               |                |                |               |               |                |               |
| General property taxes                       | \$ 21,309,428  | \$ 21,434,252   | \$ 21,405,217 | \$ 21,374,974 | \$ 21,159,849  | \$ 20,897,171  | \$ 19,766,717 | \$ 32,274,076 | \$ 30,234,997  | \$ 28,261,329 |
| Other local taxes                            | 16,267,037     | 16,309,626      | 15,587,684    | 14,460,149    | 13,943,241     | 13,909,768     | 14,080,755    | -             | -              | -             |
| Permits, fees, and licenses                  | 3,509,526      | 3,633,852       | 3,384,894     | 3,371,767     | 707,554        | 731,615        | 566,042       | 490,709       | 371,758        | 376,808       |
| Fines and forfeitures                        | 540,368        | 729,979         | 718,053       | 747,448       | 1,433,972      | 1,283,848      | 1,274,510     | 1,511,128     | 1,365,311      | 1,829,897     |
| Charges for services                         | 2,533,422      | 2,570,168       | 1,360,622     | 1,363,724     | 3,320,903      | 3,473,403      | 3,446,688     | 3,301,470     | 3,027,272      | 3,132,472     |
| Use of money and property                    | 175,282        | 233,822         | 194,826       | 158,013       | 47,549         | 175,942        | 713,779       | 692,864       | 461,199        | 139,710       |
| Miscellaneous                                | 142,232        | 97,933          | 123,392       | 669,645       | 7,690,484      | 6,627,145      | 6,572,855     | 6,601,152     | 6,244,696      | 6,116,070     |
| Reimbursement from component unit            | 781,768        | 323,897         | 315,449       | 314,345       | 588,934        | 883,248        | 677,514       | -             | -              | -             |
| Intergovernmental                            | 9,970,506      | 8,819,568       | 9,670,653     | 7,221,279     | 195,415        | 465,376        | 364,836       | 334,807       | 355,460        | 1,451,991     |
| Total revenues                               | 55,229,569     | 54,153,097      | 52,760,790    | 49,681,344    | 49,087,901     | 48,447,516     | 47,463,696    | 45,206,206    | 42,060,693     | 41,308,277    |
| <b>Expenditures</b>                          |                |                 |               |               |                |                |               |               |                |               |
| General government                           | 3,929,794      | 7,722,431       | 7,560,760     | 7,330,864     | 7,423,627      | 7,229,137      | 6,742,155     | 6,239,843     | 5,843,080      | 5,665,459     |
| Judicial administration                      | 5,411,741      | 4,595,172       | 4,152,036     | 4,745,029     | 4,541,636      | 4,346,342      | 4,250,944     | 3,721,203     | 3,436,278      | 3,747,335     |
| Public safety                                | 10,969,018     | 8,201,249       | 8,261,480     | 7,439,357     | 7,433,568      | 7,261,713      | 7,162,033     | 6,332,340     | 6,043,497      | 5,846,292     |
| Public works                                 | 4,555,044      | 3,906,864       | 2,894,228     | 2,591,213     | 3,111,361      | 3,031,589      | 2,596,771     | 3,011,234     | 2,790,479      | 3,859,187     |
| Health and welfare                           | 619,986        | 754,603         | 646,245       | 560,453       | 507,299        | 590,148        | 712,298       | 729,275       | 687,192        | 567,767       |
| Parks, recreation, and cultural              | 2,707,146      | 2,056,291       | 2,012,473     | 2,073,329     | 2,135,270      | 2,188,202      | 2,130,976     | 2,066,166     | 1,957,122      | 1,823,671     |
| Community development                        | 568,937        | 487,155         | 465,879       | 476,452       | 522,187        | 553,966        | 538,041       | 436,395       | 326,325        | 298,240       |
| Education                                    | 19,461,176     | 19,296,419      | 18,996,933    | 19,405,770    | 18,598,070     | 20,202,607     | 23,330,795    | 16,738,367    | 15,886,549     | 14,554,047    |
| Human services                               | 490,762        | 444,346         | 433,956       | 509,570       | 397,630        | 435,331        | 406,310       | 482,590       | 353,295        | 292,285       |
| Nondepartmental                              | 249,008        | 269,748         | 361,190       | 366,238       | 258,062        | 279,042        | 467,976       | 283,190       | 286,130        | 355,625       |
| Debt service:                                |                |                 |               |               |                |                |               |               |                |               |
| Principal retirement                         | 2,839,657      | 2,546,199       | 2,028,330     | 1,968,712     | 2,185,490      | 6,082,877      | 1,672,927     | 1,678,558     | 2,325,414      | 1,823,295     |
| Interest and fiscal charges                  | 1,220,379      | 1,511,054       | 788,734       | 865,566       | 1,029,750      | 1,312,510      | 1,162,817     | 904,782       | 786,285        | 837,357       |
| Bond issuance costs                          | -              | -               | 311,693       | -             | -              | -              | -             | -             | -              | 3,000         |
| Capital expenditures                         | 8,486,471      | 13,780,361      | 6,230,285     | 1,496,630     | 2,430,048      | 1,847,651      | 527,628       | 1,975,789     | 6,232,656      | 3,627,702     |
| Total expenditures                           | 61,509,119     | 65,571,892      | 55,144,222    | 49,829,183    | 50,573,998     | 55,361,115     | 51,701,671    | 44,599,732    | 46,954,302     | 43,301,262    |
| Excess of revenues over (under) expenditures | (6,279,550)    | (11,418,795)    | (2,383,432)   | (147,839)     | (1,486,097)    | (6,913,599)    | (4,237,975)   | 606,474       | (4,893,609)    | (1,992,985)   |
| <b>Other Financing Sources (Uses)</b>        |                |                 |               |               |                |                |               |               |                |               |
| Premium on issuance of debt                  | -              | -               | 1,460,910     | -             | 412,680        | -              | -             | -             | -              | -             |
| Payment to refunded bond escrow agent        | -              | -               | (3,970,000)   | -             | (7,267,779)    | -              | -             | -             | -              | -             |
| Issuance of debt                             | -              | -               | 21,830,000    | -             | 6,943,864      | 3,970,000      | 10,000,000    | -             | 3,970,300      | 5,655,000     |
| Transfers in                                 | 657,198        | 311,497         | 366,197       | 115,000       | 368,018        | 933,007        | 1,200,000     | 908,500       | 766,150        | 80,000        |
| Transfers out                                | (657,198)      | (55,000)        | (446,197)     | (223,566)     | (371,068)      | (1,329,615)    | (1,402,000)   | (1,276,618)   | (1,268,650)    | (80,000)      |
| Total other financing sources (uses)         | -              | 256,497         | 19,240,910    | (108,566)     | 85,715         | 3,573,392      | 9,798,000     | (368,118)     | 3,467,800      | 5,655,000     |
| Net change in fund balances                  | \$ (6,279,550) | \$ (11,162,298) | \$ 16,857,478 | \$ (256,405)  | \$ (1,400,382) | \$ (3,340,207) | \$ 5,560,025  | \$ 238,356    | \$ (1,425,809) | \$ 3,662,015  |

(Continued)

TABLE 4

## CITY OF COLONIAL HEIGHTS, VIRGINIA

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

|  | 2014          | 2013          | 2012          | 2011          | 2010          | 2009          | 2008          | 2007          | 2006          | 2005          |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Debt service as a percentage of noncapital expenditures:</b>                    |               |               |               |               |               |               |               |               |               |               |
| <b>Primary Government</b>  |               |               |               |               |               |               |               |               |               |               |
| Total debt service   | \$ 4,060,036  | \$ 4,057,253  | \$ 2,817,064  | \$ 2,834,278  | \$ 3,215,240  | \$ 7,395,387  | \$ 2,835,744  | \$ 2,583,340  | \$ 3,111,699  | \$ 2,660,652  |
| Total expenditures   | 61,509,119    | 65,571,892    | 55,144,222    | 49,829,183    | 50,573,998    | 55,361,115    | 51,701,671    | 44,599,732    | 46,954,302    | 43,301,262    |
| Capital expenditures   | (9,164,371)   | (14,250,650)  | (6,843,873)   | (1,772,395)   | (2,289,455)   | (3,265,514)   | (1,518,495)   | (4,353,934)   | (6,703,133)   | (3,226,624)   |
| Non-capital expenditures   | \$ 52,344,748 | \$ 51,321,242 | \$ 48,300,349 | \$ 48,056,788 | \$ 48,284,543 | \$ 52,095,601 | \$ 50,183,176 | \$ 40,245,798 | \$ 40,251,169 | \$ 40,074,638 |
| Debt service as a percentage of non-capital expenditures - primary government only | 7.76%         | 7.91%         | 5.83%         | 5.90%         | 6.66%         | 14.20%        | 5.65%         | 6.42%         | 7.73%         | 6.64%         |
| <b>School Board</b>  |               |               |               |               |               |               |               |               |               |               |
| School expenditures, excluding City contribution                                   | \$ 16,273,697 | \$ 15,164,652 | \$ 15,708,729 | \$ 15,565,764 | \$ 15,267,683 | \$ 17,417,113 | \$ 13,672,606 | \$ 14,468,036 | \$ 13,021,346 | \$ 12,513,816 |
| Capital expenditures - Public Schools  | (543,416)     | (280,731)     | (1,550,915)   | (2,496,489)   | (626,065)     | (3,539,692)   | (4,295,018)   | (1,017,186)   | (509,001)     | (349,214)     |
| Non-capital expenditures   | \$ 15,730,281 | \$ 14,883,921 | \$ 14,157,814 | \$ 13,069,275 | \$ 14,641,618 | \$ 13,877,421 | \$ 9,377,588  | \$ 13,450,850 | \$ 12,512,345 | \$ 12,164,602 |
| Debt service as a percentage of non-capital expenditures - total reporting entity  | 6.00%         | 6.13%         | 4.51%         | 4.64%         | 5.11%         | 11.21%        | 4.76%         | 4.81%         | 5.90%         | 5.09%         |

**Notes:**

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

TABLE 5

## CITY OF COLONIAL HEIGHTS, VIRGINIA

**SCHEDULE OF REVENUES, RESOURCES, EXPENDITURES, CONTRACT COMMITMENTS  
AND UNOBLIGATED BALANCE  
Year Ended June 30, 2014  
(Unaudited)**

|  | Revenues and Resources |              |                       |                       |                   | Expenditures and Contract Commitments |              |                        |                        |
|--|------------------------|--------------|-----------------------|-----------------------|-------------------|---------------------------------------|--------------|------------------------|------------------------|
|  | Prior Years            | Current      | Transfers<br>In/(Out) | Uncollected<br>Future | Revised<br>Budget | Prior Years                           | Current      | Contract<br>Commitment | Unobligated<br>Balance |
| General Government:                    |                        |              |                       |                       |                   |                                       |              |                        |                        |
| Allocable to Incomplete Projects:      |                        |              |                       |                       |                   |                                       |              |                        |                        |
| Beautification Committee/Tourism       | \$ 147,213             | \$ -         | \$ -                  | \$ -                  | \$ 147,213        | \$ 133,743                            | \$ -         | \$ -                   | \$ 13,470              |
| Courts Building (Existing)             | 18,603,127             | -            | -                     | -                     | 18,603,127        | 13,742,256                            | 4,651,726    | 262,430                | (53,285)               |
| Courts Building (New)                  | 442,287                | -            | -                     | -                     | 442,287           | -                                     | 187,126      | -                      | 255,161                |
| Ambulance Replacement                  | 111,025                | -            | -                     | 107,500               | 218,525           | 189,825                               | -            | -                      | 28,700                 |
| Total                                  | 19,303,652             | -            | -                     | 107,500               | 19,411,152        | 14,065,824                            | 4,838,852    | 262,430                | 244,046                |
| Total General Government               | 19,303,652             | -            | -                     | 107,500               | 19,411,152        | 14,065,824                            | 4,838,852    | 262,430                | 244,046                |
| Recreational Facilities                |                        |              |                       |                       |                   |                                       |              |                        |                        |
| Allocable to Complete Projects:        |                        |              |                       |                       |                   |                                       |              |                        |                        |
| Appomattox River Greenway              | 481,386                | -            | -                     | -                     | 481,386           | 481,386                               | -            | -                      | -                      |
| Total                                  | 481,386                | -            | -                     | -                     | 481,386           | 481,386                               | -            | -                      | -                      |
| Allocable to Incomplete Projects:      |                        |              |                       |                       |                   |                                       |              |                        |                        |
| Facilities Master Plan                 | 205,000                | -            | -                     | -                     | 205,000           | 147,762                               | -            | -                      | 57,238                 |
| Appomattox River Greenway              | 179,429                | 262,954      | -                     | 705,384               | 1,147,767         | 131,185                               | 288,798      | 413,908                | 313,876                |
| Flora Hill Park                        | -                      | 68,461       | -                     | -                     | 68,461            | -                                     | 62,958       | -                      | 5,503                  |
| Total                                  | 384,429                | 331,415      | -                     | 705,384               | 1,421,228         | 278,947                               | 351,756      | 413,908                | 376,617                |
| Total Recreational Facilities          | 865,815                | 331,415      | -                     | 705,384               | 1,902,614         | 760,333                               | 351,756      | 413,908                | 376,617                |
| Streets and Bridges:                   |                        |              |                       |                       |                   |                                       |              |                        |                        |
| Allocable to Incomplete Projects:      |                        |              |                       |                       |                   |                                       |              |                        |                        |
| Safe Routes to School                  | 11,509                 | -            | -                     | 458,807               | 470,316           | 11,509                                | 923          | -                      | 457,884                |
| Redevelopment Project                  | 53,292                 | -            | -                     | -                     | 53,292            | 33,123                                | -            | -                      | 20,169                 |
| Highway Construction - Local Share     | 104,666                | -            | -                     | -                     | 104,666           | -                                     | -            | -                      | 104,666                |
| Bruce Avenue Drainage                  | 2,878,586              | -            | -                     | -                     | 2,878,586         | 2,618,904                             | 42,201       | 35,217                 | 182,264                |
| Blvd. Modernization Dupuy Intersection | 5,456,136              | 2,972,284    | -                     | 2,851,815             | 11,280,235        | 5,045,737                             | 3,034,815    | 1,804,007              | 1,395,676              |
| Temple Avenue Turning Lane             | 10,512                 | 474          | -                     | 444,096               | 455,082           | 27,623                                | 4,888        | 269                    | 422,302                |
| Southpark & Demmock                    | 166,233                | -            | -                     | 10,984                | 177,217           | 158,314                               | -            | -                      | 18,903                 |
| Dupuy Avenue Modernization             | 344,726                | 54,838       | -                     | 3,683,435             | 4,082,999         | 405,108                               | 54,838       | 337,566                | 3,285,487              |
| Lakeview Ave. Modernization            | 295,918                | 73,269       | -                     | 2,944,813             | 3,314,000         | 282,099                               | 30,197       | 39,067                 | 2,962,637              |
| Temple Avenue/Dummock Turning Lane     | 16,446                 | -            | -                     | 483,554               | 500,000           | 8,182                                 | 234          | -                      | 491,584                |
| Bridge Rehabilitation Project          | -                      | -            | -                     | 650,000               | 650,000           | -                                     | -            | -                      | 650,000                |
| Traffic Signal Coordination            | -                      | -            | -                     | 495,000               | 495,000           | -                                     | -            | -                      | 495,000                |
| White Sands Court Reconstruction       | -                      | 805          | -                     | 165,195               | 166,000           | -                                     | 9,106        | 3,406                  | 153,488                |
| Total                                  | 9,338,024              | 3,101,670    | -                     | 12,187,699            | 24,627,393        | 8,590,599                             | 3,177,202    | 2,219,532              | 10,640,060             |
| Total Streets and Bridges              | 9,338,024              | 3,101,670    | -                     | 12,187,699            | 24,627,393        | 8,590,599                             | 3,177,202    | 2,219,532              | 10,640,060             |
| Utility Improvements:                  |                        |              |                       |                       |                   |                                       |              |                        |                        |
| Allocable to Incomplete Projects:      |                        |              |                       |                       |                   |                                       |              |                        |                        |
| Boulevard Modernization - Utility      | -                      | -            | -                     | 770,660               | 770,660           | -                                     | 614,209      | 600,000                | (443,549)              |
| Dupuy Avenue Modernization - Utility   | -                      | -            | -                     | 505,000               | 505,000           | -                                     | -            | -                      | 505,000                |
| Lakeview Ave. Modernization - Utility  | -                      | -            | -                     | 225,000               | 225,000           | -                                     | 53,650       | 28,280                 | 143,070                |
| Total Utility Improvements             | -                      | -            | -                     | 1,500,660             | 1,500,660         | -                                     | 667,859      | 628,280                | 204,521                |
| Restricted Fund - Apparatus            | 2,052                  | -            | -                     | -                     | 2,052             | -                                     | -            | -                      | 2,052                  |
| Non-Project Related                    | 47,189                 | 3,834        | -                     | -                     | 51,023            | -                                     | -            | -                      | 51,023                 |
| Total Projects                         | \$ 29,556,732          | \$ 3,436,919 | \$ -                  | \$ 14,501,243         | \$ 47,494,894     | \$ 23,416,756                         | \$ 9,035,669 | \$ 3,524,150           | \$ 11,518,319          |

TABLE 6

## CITY OF COLONIAL HEIGHTS, VIRGINIA

## ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

(unaudited)

| Fiscal<br>Year | Real Property            |                          |                        | Public<br>Service** | Public<br>Safety | Total Taxable<br>Assessed<br>Value | Total Direct<br>Tax Rate | Actual<br>Taxable<br>Value | Value as a<br>Percentage of<br>Assessed<br>Value |
|----------------|--------------------------|--------------------------|------------------------|---------------------|------------------|------------------------------------|--------------------------|----------------------------|--|
|                | Residential<br>Property* | Multi-Family<br>Property | Commercial<br>Property |                     |                  |                                    |                          |                            |  |
| 2014           | \$ 936,946,100           | \$ 87,323,500            | \$ 580,791,400         | \$ 34,376,713       | \$ -             | \$ 1,639,437,713                   | \$ 2.52                  | \$ 1,639,437,713           | 100.00 %   |
| 2013           | 978,270,500              | 95,275,100               | 554,297,500            | 36,333,519          | -                | 1,664,176,619                      | 2.52                     | 1,664,176,619              | 100.00   |
| 2012           | 971,122,700              | 95,265,700               | 551,009,900            | 34,468,630          | -                | 1,651,866,930                      | 2.44                     | 1,651,866,930              | 100.00   |
| 2011           | 1,033,929,400            | 96,926,200               | 552,194,300            | 32,922,680          | -                | 1,715,972,580                      | 2.44                     | 1,715,972,580              | 100.00   |
| 2010           | 1,031,967,800            | 96,461,100               | 549,782,600            | 29,896,895          | -                | 1,708,108,395                      | 2.44                     | 1,708,108,395              | 100.00   |
| 2009           | 1,029,811,100            | 97,597,000               | 546,792,700            | 28,481,719          | -                | 1,702,682,519                      | 2.44                     | 1,702,682,519              | 100.00   |
| 2008           | 1,025,744,200            | 97,651,400               | 530,801,900            | 26,781,992          | -                | 1,680,979,492                      | 2.44                     | 1,680,979,492              | 100.00   |
| 2007           | 829,706,600              | 85,303,900               | 462,662,600            | 28,857,670          | -                | 1,406,530,770                      | 2.60                     | 1,406,530,770              | 100.00   |
| 2006           | 814,763,800              | 85,367,800               | 445,687,100            | 28,182,168          | -                | 1,374,000,868                      | 2.60                     | 1,374,000,868              | 100.00   |
| 2005           | 693,044,400              | 42,963,900               | 399,365,900            | 30,383,492          | 3,457,900        | 1,169,215,592                      | 2.62                     | 1,169,215,592              | 100.00   |

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

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

## CITY OF COLONIAL HEIGHTS, VIRGINIA

## DIRECT PROPERTY TAX RATES

Last Ten Calendar Years

(rate per \$100 of assessed value)

(unaudited)

| Year | Real<br>Estate | Public<br>Service | Public<br>Safety | Total<br>Direct<br>Rate |
|------|----------------|-------------------|------------------|-------------------------|
| 2014 | 1.14           | 1.14              | 0.24             | 2.52                    |
| 2013 | 1.14           | 1.14              | 0.24             | 2.52                    |
| 2012 | 1.10           | 1.10              | 0.24             | 2.44                    |
| 2011 | 1.10           | 1.10              | 0.24             | 2.44                    |
| 2010 | 1.10           | 1.10              | 0.24             | 2.44                    |
| 2009 | 1.10           | 1.10              | 0.24             | 2.44                    |
| 2008 | 1.10           | 1.10              | 0.24             | 2.44                    |
| 2007 | 1.18           | 1.18              | 0.24             | 2.60                    |
| 2006 | 1.18           | 1.18              | 0.24             | 2.60                    |
| 2005 | 1.20           | 1.18              | 0.24             | 2.62                    |

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

TABLE 8

## CITY OF COLONIAL HEIGHTS, VIRGINIA

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

| Taxpayer                    | 2014                  |      |   | 2005                  |      |   |
|-----------------------------|-----------------------|------|---|-----------------------|------|---|
|                             | Assessed Value        | Rank | Percentage of Total City Taxable Assessed Value | Assessed Value        | Rank | Percentage of Total City Taxable Assessed Value |
| Southpark Mall              | \$ 75,804,045         | 1    | 4.62%   | \$ 65,129,200         | 1    | 5.57%   |
| Roslyn Farms Corp           | 34,368,276            | 2    | 2.10%   | 29,866,950            | 2    | 2.55%   |
| Wal-Mart/Sams               | 26,454,454            | 3    | 1.61%   | 20,944,210            | 3    | 1.79%   |
| Roslyn Farms Associates LP  | 19,067,000            | 4    | 1.16%   | 18,872,700            | 4    | 1.61%   |
| Virginia Electric & Power   | 15,701,163            | 5    | 0.96%   | 9,822,942             | 8    | 0.84%   |
| Dunlop House                | 13,734,558            | 6    | 0.84%   | -                     | -    | -   |
| Colonial Square Associated  | 13,538,200            | 7    | 0.83%   | 9,535,800             | 9    | 0.82%   |
| Colonial Heights Operations | 13,019,057            | 8    | 0.79%   | -                     | -    | -   |
| Dimmock Square Marketplace  | 12,764,200            | 9    | 0.78%   | -                     | -    | -   |
| Faison Colonial Heights     | 12,328,500            | 10   | 0.75%   | 11,558,130            | 6    | 0.99%   |
| Southpark Hotel             | -                     | -    | -   | 8,243,944             | 10   | 0.71%   |
| Verizon Virginia Inc.       | -                     | -    | -   | 13,242,230            | 5    | 1.13%   |
| Home Depot USA              | -                     | -    | -   | 9,988,245             | 7    | 0.85%   |
|                             | <u>\$ 236,779,453</u> |      | <u>14.44%</u>                                   | <u>\$ 197,204,351</u> |      | <u>16.86%</u>                                   |

TABLE 9

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

| Calendar<br>Year<br>Ended<br>June 30 | Taxes Levied<br>for the<br>Year | Collected within the<br>Year of the Levy |                       | Collections<br>in Subsequent<br>Years* | Total Collections to Date |                       |
|--------------------------------------|---------------------------------|--|-----------------------|--|---------------------------|-----------------------|
|                                      |                                 | Amount                                   | Percentage<br>of Levy |  | Amount                    | Percentage<br>of Levy |
| 2013                                 | \$ 23,197,067                   | \$ 22,707,550                            | 97.89 %               | \$ 223,502                             | \$ 22,931,052             | 98.85 %               |
| 2012                                 | 23,148,788                      | 22,634,176                               | 97.78                 | 282,918                                | 22,917,094                | 99.00                 |
| 2011                                 | 23,066,409                      | 22,500,624                               | 97.55                 | 485,734                                | 22,986,358                | 99.65                 |
| 2010                                 | 22,920,083                      | 22,666,857                               | 98.90                 | 213,376                                | 22,880,233                | 99.83                 |
| 2009                                 | 22,923,361                      | 22,705,560                               | 99.05                 | 180,655                                | 22,886,215                | 99.84                 |
| 2008                                 | 22,871,135                      | 22,536,288                               | 98.54                 | 304,067                                | 22,840,355                | 99.31                 |
| 2007                                 | 21,303,700                      | 21,063,380                               | 98.87                 | 240,320                                | 21,303,700                | 100.00                |
| 2006                                 | 20,214,991                      | 20,031,441                               | 99.09                 | 183,030                                | 20,214,471                | 100.00                |
| 2005                                 | 17,928,594                      | 17,764,522                               | 99.08                 | 163,170                                | 17,927,692                | 99.47                 |
| 2004                                 | 17,300,956                      | 17,138,769                               | 99.06                 | 161,764                                | 17,300,533                | 100.00                |

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

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

\*Does not include penalties and interest.



## CITY OF COLONIAL HEIGHTS, VIRGINIA

## TAXABLE SALES BY CATEGORY

Last Ten Calendar Years

(in thousands of dollars)

(unaudited)

|   | 2013              | 2012              | 2011              | 2010              | 2009              | 2008              | 2007              | 2006              | 2005              | 2004              |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Apparel                                   | \$ 71,301         | \$ 68,317         | \$ 64,286         | \$ 61,381         | \$ 59,414         | \$ 55,303         | \$ 56,839         | \$ 85,969         | \$ 40,413         | \$ 49,014         |
| Automotive                                | 3,665             | 4,331             | 5,977             | 12,392            | 14,554            | 14,817            | 13,563            | 24,227            | 23,187            | 24,735            |
| Food                                      | 136,078           | 137,113           | 127,548           | 119,677           | 118,561           | 116,997           | 107,331           | 49,300            | 85,495            | 92,098            |
| Furniture, Home Furnishings and Equipment | 12,944            | 14,781            | 12,205            | 8,100             | 9,186             | 8,313             | 55,986            | 57,665            | 31,649            | 52,337            |
| General Merchandise                       | 282,948           | 280,835           | 302,806           | 275,618           | 279,137           | 293,417           | 295,155           | 234,775           | 227,277           | 269,381           |
| Machinery, Equipment and Supplies         | 31,905            | 34,033            | 28,439            | 37,309            | 39,068            | 43,189            | 46,438            | 42,413            | 6,228             | 8,608             |
| Miscellaneous                             | 144,172           | 82,789            | 83,710            | 76,519            | 69,668            | 86,177            | 114,937           | 176,341           | 162,351           | 123,636           |
| Total                                     | <u>\$ 683,013</u> | <u>\$ 622,199</u> | <u>\$ 624,971</u> | <u>\$ 590,996</u> | <u>\$ 589,588</u> | <u>\$ 618,213</u> | <u>\$ 690,249</u> | <u>\$ 670,690</u> | <u>\$ 576,600</u> | <u>\$ 619,809</u> |
| City Direct Local Option Sales Tax        | 1.00%             | 1.00%             | 1.00%             | 1.00%             | 1.00%             | 1.00%             | 1.00%             | 1.00%             | 1.00%             | 1.00%             |

**Source:** Virginia Department of Taxation.

**Notes:**

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

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

There is no overlapping government taxation.

## CITY OF COLONIAL HEIGHTS, VIRGINIA

## TAXABLE SALES BY CATEGORY

Calendar Years 2013 and 2004

(taxable sales in thousands of dollars)

(unaudited)

|   | Calendar Year 2013  |                        |                  |                        | Calendar Year 2004  |                        |                  |                        |
|---|---------------------|------------------------|------------------|------------------------|---------------------|------------------------|------------------|------------------------|
|   | Number<br>of Filers | Percentage<br>of Total | Taxable<br>Sales | Percentage<br>of Total | Number<br>of Filers | Percentage<br>of Total | Taxable<br>Sales | Percentage<br>of Total |
| Apparel                                   | 68                  | 11.87 %                | \$ 71,301        | 10.44 %                | 61                  | 9.61 %                 | \$ 49,014        | 7.91 %                 |
| Automotive                                | 7                   | 1.22                   | 3,665            | 0.54                   | 39                  | 6.14                   | 24,735           | 3.99                   |
| Food                                      | 103                 | 17.98                  | 136,078          | 19.92                  | 99                  | 15.59                  | 92,098           | 14.86                  |
| Furniture, Home Furnishings and Equipment | 17                  | 2.97                   | 12,944           | 1.90                   | 28                  | 4.41                   | 52,337           | 8.44                   |
| General Merchandise                       | 76                  | 13.26                  | 282,948          | 41.42                  | 58                  | 9.13                   | 269,381          | 43.46                  |
| Machinery, Equipment and Supplies         | 17                  | 2.97                   | 31,905           | 4.67                   | 32                  | 5.04                   | 8,608            | 1.39                   |
| Miscellaneous                             | 285                 | 49.73                  | 144,172          | 21.11                  | 318                 | 50.08                  | 123,636          | 19.95                  |
| Total                                     | 573                 | 100.00 %               | \$ 683,013       | 100.00 %               | 635                 | 100.00 %               | \$ 619,809       | 100.00 %               |

Source: Virginia Department of Taxation.

## Notes:

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

## CITY OF COLONIAL HEIGHTS, VIRGINIA

TABLE 12

**LEGAL DEBT MARGIN INFORMATION**  
**Last Ten Fiscal Years**  
(unaudited)

|   | <u>2014</u>           | <u>2013</u>           | <u>2012</u>           | <u>2011</u>           | <u>2010</u>           | <u>2009</u>           | <u>2008</u>           | <u>2007</u>           | <u>2006</u>           | <u>2005</u>          |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|----------------------|
| Debt limit  | \$ 163,943,771        | \$ 166,417,662        | \$ 165,186,693        | \$ 171,597,258        | \$ 170,810,840        | \$ 170,268,252        | \$ 168,097,949        | \$ 140,653,077        | \$ 137,400,087        | \$ 116,921,559       |
| Total net debt applicable to limit                                      | <u>34,040,000</u>     | <u>37,045,000</u>     | <u>39,750,000</u>     | <u>24,125,000</u>     | <u>26,295,000</u>     | <u>28,855,000</u>     | <u>27,295,000</u>     | <u>19,320,000</u>     | <u>21,250,000</u>     | <u>23,860,000</u>    |
| Legal debt margin   | <u>\$ 129,903,771</u> | <u>\$ 129,372,662</u> | <u>\$ 125,436,693</u> | <u>\$ 147,472,258</u> | <u>\$ 144,515,840</u> | <u>\$ 141,413,252</u> | <u>\$ 140,802,949</u> | <u>\$ 121,333,077</u> | <u>\$ 116,150,087</u> | <u>\$ 93,061,559</u> |
| Total net debt applicable to the limit<br>as a percentage of debt limit | 20.76%                | 22.26%                | 24.06%                | 14.06%                | 15.39%                | 16.95%                | 16.24%                | 13.74%                | 15.47%                | 20.41%               |

**Legal Debt Margin Calculation for Fiscal Year 2014**

|                                    |                         |
|------------------------------------|-------------------------|
| Assessed value                     | <u>\$ 1,639,437,713</u> |
| Debt limit (10% of assessed value) | \$ 163,943,771          |
| Less debt applicable to limit:     |                         |
| General obligation bonds           | <u>34,040,000</u>       |
| Legal debt margin                  | <u>\$ 129,903,771</u>   |

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

TABLE 13

## CITY OF COLONIAL HEIGHTS, VIRGINIA

## RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

(unaudited)

| Fiscal<br>Year | Governmental Activities        |   |                                 |   |                       |                                     |
|----------------|--------------------------------|---|---------------------------------|---|-----------------------|-------------------------------------|
|                | General<br>Obligation<br>Bonds | Net<br>Deferred<br>Amounts <sup>(1)</sup> | Total<br>General<br>Bonded Debt | Percentage of<br>Actual Value<br>of Taxable<br>Property | Debt<br>Per<br>Capita | Lease<br>Revenue<br>Note<br>Payable |
| 2014           | \$33,406,897                   | \$ 1,230,564                              | \$ 34,637,461                   | 2.11 %  | \$ 1,989              | \$ -                                |
| 2013           | 36,246,554                     | 1,576,521                                 | 37,823,075                      | 2.27  | 2,172                 | -                                   |
| 2012           | 38,792,753                     | 1,697,691                                 | 40,490,444                      | 2.45  | 2,326                 | -                                   |
| 2011           | 22,961,083                     | 357,951                                   | 23,319,034                      | 1.36  | 1,339                 | -                                   |
| 2010           | 24,929,795                     | 406,075                                   | 25,335,870                      | 1.48  | 1,405                 | -                                   |
| 2009           | 26,855,108                     | 155,712                                   | 27,010,820                      | 1.59  | 1,527                 | -                                   |
| 2008           | 24,997,685                     | 170,672                                   | 25,168,357                      | 1.50  | 1,414                 | 3,970,300                           |
| 2007           | 16,740,612                     | 113,881                                   | 16,854,493                      | 1.20  | 954                   | 3,970,300                           |
| 2006           | 18,361,424                     | *   | 18,361,424                      | 1.34  | 1,039                 | 4,028,046                           |
| 2005           | 20,594,582                     | *   | 20,594,582                      | 1.76  | 1,172                 | 150,000                             |

| Fiscal<br>Year | Business-type Activities       |   |                   |                                |                                     |                       |
|----------------|--------------------------------|---|-------------------|--------------------------------|-------------------------------------|-----------------------|
|                | General<br>Obligation<br>Bonds | Net<br>Deferred<br>Amounts <sup>(1)</sup> | Capital<br>Leases | Total<br>Primary<br>Government | Percentage<br>of Personal<br>Income | Debt<br>Per<br>Capita |
| 2014           | \$ 633,103                     | \$ 8,186                                  | \$ 94,789         | \$ 35,373,539                  | * %                                 | \$ 2,032              |
| 2013           | 798,446                        | 11,846                                    | 32,558            | 38,665,925                     | *                                   | 2,221                 |
| 2012           | 957,247                        | 14,215                                    | 74,490            | 41,536,396                     | *                                   | 2,386                 |
| 2011           | 1,163,917                      | 16,585                                    | 114,795           | 24,614,331                     | *                                   | 1,414                 |
| 2010           | 1,365,205                      | 18,954                                    | 181,587           | 26,901,616                     | *                                   | 1,492                 |
| 2009           | 1,999,892                      | -   | 245,697           | 29,256,409                     | 1.08                                | 1,654                 |
| 2008           | 2,297,315                      | -   | 80,618            | 31,516,590                     | 1.20                                | 1,771                 |
| 2007           | 2,579,388                      | -   | 105,159           | 23,509,340                     | 0.93                                | 1,330                 |
| 2006           | 2,853,576                      | *   | -                 | 25,243,046                     | 1.08                                | 1,428                 |
| 2005           | 3,265,418                      | *   | -                 | 24,010,000                     | 1.10                                | 1,367                 |

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

\*Unavailable

## CITY OF COLONIAL HEIGHTS, VIRGINIA

## DEMOGRAPHIC STATISTICS

Last Ten Calendar Years

(unaudited)

| <b>Fiscal<br/>Year</b> | <b>Population</b> | <b>Personal<br/>Income<br/>(in thousands)</b> | <b>Per Capita<br/>Personal<br/>Income</b> | <b>School<br/>Enrollment</b> | <b>Unemployment<br/>Rate</b> |
|------------------------|-------------------|---|---|------------------------------|------------------------------|
| 2014                   | 17,411            | \$ *  | \$ *                                      | 2,812                        | 6.00%                        |
| 2013                   | 17,411            | *   | *   | 2,829                        | 7.30                         |
| 2012                   | 17,411            | *   | *   | 2,972                        | 6.90                         |
| 2011                   | 17,411            | *   | *   | 2,891                        | 7.60                         |
| 2010                   | 18,035            | *   | *   | 2,836                        | 8.60                         |
| 2009                   | 17,693            | 2,704,120                                     | 35,052                                    | 2,881                        | 8.70                         |
| 2008                   | 17,796            | 2,635,768                                     | 34,187                                    | 2,847                        | 4.80                         |
| 2007                   | 17,676            | 2,515,436                                     | 32,919                                    | 2,856                        | 3.30                         |
| 2006                   | 17,676            | 2,328,236                                     | 30,652                                    | 2,848                        | 3.30                         |
| 2005                   | 17,567            | 2,190,000                                     | 29,141                                    | 2,813                        | 4.00                         |

**Sources:**

Weldon Cooper Center for Public Service

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

City of Petersburg and Dinwiddie County

City of Colonial Heights Public Schools

Virginia Employment Commission

US Census

\*Unavailable

## CITY OF COLONIAL HEIGHTS, VIRGINIA

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

| Employer                      | 2014      |      |   | 2005      |      |   |
|-------------------------------|-----------|------|---|-----------|------|---|
|                               | Employees | Rank | Percentage<br>of Total City<br>Employment | Employees | Rank | Percentage<br>of Total City<br>Employment |
| Wal-Mart                      | 650       | 1    | 6.15 %                                    | 575       | 1    | 6.59 %                                    |
| Colonial Heights School Board | 615       | 2    | 5.82                                      | 555       | 2    | 6.36                                      |
| City of Colonial Heights      | 348       | 3    | 3.29                                      | 300       | 3    | 3.44                                      |
| VDOT                          | 250       | 4    | 2.37                                      | -         | -    | -   |
| Randstad US L P               | 235       | 5    | 2.22                                      | -         | -    | -   |
| Colonial Heights Operations   | 229       | 6    | 2.17                                      | 202       | 4    | 2.32                                      |
| Red Lobster and Olive Garden  | 200       | 7    | 1.89                                      | -         | -    | -   |
| J.C. Penny Corporation, Inc.  | 189       | 8    | 1.79                                      | 201       | 5    | 2.30                                      |
| Martin's Food Market          | 187       | 9    | 1.77                                      | -         | -    | -   |
| Care Advantage                | 169       | 10   | 1.60                                      | -         | -    | -   |
| May Department Stores Company | -         | -    | -   | 195       | 6    | 2.23                                      |
| Manpower International        | -         | -    | -   | 192       | 7    | 2.20                                      |
| Ukrops                        | -         | -    | -   | 190       | 8    | 2.18                                      |
| The Home Depot                | -         | -    | -   | 188       | 9    | 2.15                                      |
| The Antioch Company           | -         | -    | -   | *         | 10   | *   |

**Source:** Virginia Employment Commission.

\*Undisclosed, business closed.

TABLE 16

## CITY OF COLONIAL HEIGHTS, VIRGINIA

## FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

Last Ten Fiscal Years

(unaudited)

|                                 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
|---------------------------------|------|------|------|------|------|------|------|------|------|------|
| <b><u>Function/Program</u></b>  |      |      |      |      |      |      |      |      |      |      |
| General government              |      |      |      |      |      |      |      |      |      |      |
| Management services             | 7    | 6    | 6    | 6    | 6    | 6    | 6    | 6    | 6    | 6    |
| Tax collections                 | 9    | 9    | 9    | 11   | 11   | 11   | 11   | 11   | 11   | 11   |
| Finance                         | 11   | 11   | 11   | 9    | 9    | 9    | 9    | 9    | 9    | 9    |
| Information technology          | 2    | 2    | 2    | 1    | 2    | 2    | 2    | 2    | 2    | 2    |
| Board of elections              | 2    | 2    | 2    | 2    | 2    | 2    | 2    | 2    | 2    | 2    |
| Judicial administration         | 22   | 22   | 23   | 21   | 21   | 22   | 22   | 21   | 19   | 19   |
| Public safety                   | 115  | 114  | 113  | 113  | 114  | 117  | 115  | 115  | 115  | 109  |
| Public works                    | 45   | 45   | 30   | 28   | 29   | 30   | 30   | 31   | 29   | 29   |
| Parks, recreation, and cultural | 26   | 25   | 24   | 24   | 25   | 25   | 25   | 25   | 25   | 24   |
| Community development           | 5    | 5    | 5    | 5    | 5    | 6    | 6    | 5    | 5    | 5    |
| Human services                  | 4    | 4    | 4    | 5    | 5    | 5    | 5    | 5    | 5    | 5    |
| Education                       | 436  | 439  | 437  | 430  | 430  | 428  | 391  | 401  | 384  | 393  |
| Total                           | 684  | 684  | 666  | 655  | 659  | 663  | 624  | 633  | 612  | 614  |

Source: City Adopted Budget.

TABLE 17

| CITY OF COLONIAL HEIGHTS, VIRGINIA                 |           |           |           |           |        |        |            |            |            |            |
|--|-----------|-----------|-----------|-----------|--------|--------|------------|------------|------------|------------|
| OPERATING INDICATORS BY FUNCTION/PROGRAM           |           |           |           |           |        |        |            |            |            |            |
| Last Ten Fiscal Years<br>(unaudited)               |           |           |           |           |        |        |            |            |            |            |
|  | 2014      | 2013      | 2012      | 2011      | 2010   | 2009   | 2008       | 2007       | 2006       | 2005       |
| <b>Function/Program</b>                            |           |           |           |           |        |        |            |            |            |            |
| General Government                                 |           |           |           |           |        |        |            |            |            |            |
| Registered voters                                  | 12,050    | 12,056    | 12,282    | 11,971    | 11,936 | 11,938 | 12,179     | 11,433     | 11,512     | 11,569     |
| Structures   |           |           |           |           |        |        |            |            |            |            |
| Detached   | 6,221     | 6,195     | 6,168     | 6,172     | 6,182  | 6,179  | 6,153      | 6,140      | 6,057      | 6,057      |
| Duplex   | 379       | 169       | 170       | 178       | 175    | 179    | 180        | 180        | 183        | 183        |
| Multi-family                                       | 1,198     | 1,198     | 1,211     | 1,211     | 1,211  | 1,211  | 1,211      | 1,211      | 1,201      | 1,201      |
| Parcel with elderly/disabled:<br>Exemptions        | 272       | 296       | 316       | 314       | 330    | 353    | 316        | 325        | 293        | 284        |
| Judicial Administration                            |           |           |           |           |        |        |            |            |            |            |
| Average daily jail population                      | 180       | 179       | 152       | 163       | 185    | 170    | 155        | 124        | 118        | 139        |
| Public safety                                      |           |           |           |           |        |        |            |            |            |            |
| Volunteers   | 53        | 47        | 61        | 60        | 66     | 58     | 66         | 55         | 41         | 38         |
| Public works                                       |           |           |           |           |        |        |            |            |            |            |
| Road mileage maintained:                           |           |           |           |           |        |        |            |            |            |            |
| Arterial   | 31        | 31        | 31        | 31        | 31     | 31     | 31         | 30         | 30         | 30         |
| Local/collector                                    | 162       | 162       | 162       | 162       | 162    | 162    | 161        | 162        | 160        | 160        |
| Parks, Recreational and Cultural                   |           |           |           |           |        |        |            |            |            |            |
| Parks:   |           |           |           |           |        |        |            |            |            |            |
| Number   | 10        | 10        | 10        | 10        | 10     | 9      | 9          | 9          | 9          | 9          |
| Areas  | 75        | 75        | 71        | 71        | 71     | 71     | 71         | 71         | 71         | 71         |
| Recreation:  |           |           |           |           |        |        |            |            |            |            |
| Baseball fields                                    | 11        | 11        | 11        | 11        | 11     | 9      | 9          | 9          | 9          | 9          |
| Tennis courts                                      | 9         | 9         | 9         | 9         | 9      | 9      | 9          | 9          | 9          | 9          |
| Basketball courts                                  | 10        | 11        | 10        | 6         | 6      | 5      | 5          | 5          | 5          | 5          |
| Soccer fields                                      | 11        | 11        | 11        | 11        | 6      | 6      | 6          | 6          | 6          | 6          |
| Library  |           |           |           |           |        |        |            |            |            |            |
| Volumes in collection                              | 61,326    | 60,521    | 64,703    | 63,871    | 62,474 | 62,422 | 63,245     | 64,736     | 63,641     | 61,000     |
| Community development                              |           |           |           |           |        |        |            |            |            |            |
| Building permits issued - calendar                 | 551       | 532       | 407       | 547       | N/A    | N/A    | 237        | 242        | 272        | 241        |
| Value  | 6,957,542 | 6,544,861 | 4,582,561 | 3,560,086 | N/A    | N/A    | 12,636,904 | 21,972,520 | 18,932,440 | 17,242,824 |
| Education  |           |           |           |           |        |        |            |            |            |            |
| Elementary   | 3         | 3         | 3         | 3         | 3      | 3      | 3          | 3          | 3          | 3          |
| Secondary  | 2         | 2         | 2         | 2         | 2      | 2      | 2          | 2          | 2          | 2          |
| Vocational buildings                               | 1         | 1         | 1         | 1         | 1      | 1      | 1          | 1          | 1          | 1          |
| <b>Sources:</b>                                    |           |           |           |           |        |        |            |            |            |            |
| Voters - Registrar                                 |           |           |           |           |        |        |            |            |            |            |
| Structures - City Assessor                         |           |           |           |           |        |        |            |            |            |            |
| Elderly exemptions - Commissioner of the Revenue   |           |           |           |           |        |        |            |            |            |            |
| Average jail population - Riverside Regional Jail  |           |           |           |           |        |        |            |            |            |            |
| Volunteers - Department of Public Safety           |           |           |           |           |        |        |            |            |            |            |
| Education - Colonial Heights School Administration |           |           |           |           |        |        |            |            |            |            |
| Library - Librarian                                |           |           |           |           |        |        |            |            |            |            |
| Building permits - City Planner                    |           |           |           |           |        |        |            |            |            |            |



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## **COMPLIANCE SECTION**

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Colonial Heights, Virginia, (the "City") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 4, 2014.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. **Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 14-1 that we consider to be a significant deficiency.**

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia  
November 4, 2014

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

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

**Report on Compliance for Each Major Federal Program**

We have audited the City of Colonial Heights, Virginia (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2014. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Program***

In our opinion, the City of Colonial Heights, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

### *Other Matters*

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 14-2. Our opinion on each major federal program is not modified with respect to this matter.

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

### **Report on Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia  
November 4, 2014

## **CITY OF COLONIAL HEIGHTS, VIRGINIA**

### **SUMMARY OF COMPLIANCE MATTERS**

**June 30, 2014**

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

#### **STATE COMPLIANCE MATTERS**

##### Code of Virginia:

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

##### State Agency Requirements:

Education  
Highway Maintenance Funds

#### **FEDERAL COMPLIANCE MATTERS**

##### Compliance Supplement for Single Audits of State and Local Governments

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

**CITY OF COLONIAL HEIGHTS, VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2014**

**A. SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **One significant deficiency** relating to the audit of the financial statements was reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. **No instances of noncompliance material** to the financial statements were disclosed during the audit.
4. **No significant deficiencies** relating to the audit of the major federal award programs were reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance required by *OMB Circular A-133*.
5. The auditor's report on compliance for the major federal award programs expresses an **unmodified opinion**.
6. The audit disclosed **one audit finding** relating to major programs.
7. The programs tested as major programs include:

| <u><b>Name of Program:</b></u>               | <u><b>CFDA #</b></u> |
|--|----------------------|
| Title I - Grants to Local Education Agencies | 84.010               |
| Highway Planning and Construction            | 20.205               |

8. The **threshold for** distinguishing Type A and B programs was **\$300,000**.
9. The City **was determined to be a low-risk auditee**.

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

**14-1: Auditor Adjustments – Non-Recurring and Unusual Transactions (Significant Deficiency)**

***Condition:***

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

***Recommendation:***

We recommend the City implement a system for identifying these types of transactions and complete a more detailed review and analysis of them.

***Management Response:***

The auditee concurs with this recommendation.



**CITY OF COLONIAL HEIGHTS, VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2014**

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

**14-2: Cash Management – Highway Planning and Construction (20.205)**

***Condition:***

In five of thirteen expenditures tested, we noted that City personnel did not ensure that costs for which reimbursement was requested were paid prior to the date of reimbursement request.

***Recommendation:***

The City should implement controls to ensure that costs for which reimbursement is requested are paid prior to the date of the reimbursement request.

***Management Response:***

The auditee concurs with the recommendation.

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

**14-3: General Government Budget Appropriations**

***Condition:***

General government and judicial administration expenditures exceeded budgeted appropriations.

***Recommendation:***

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

***Management Response (Unaudited):***

The auditee concurs with the recommendation.