

CITY OF COLONIAL HEIGHTS, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED June 30, 2017



Prepared by the Department of Financial Administration

Sheila Minor
Director of Finance

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

INTRODUCTORY SECTION

	Page
Directory of Principal Officials	i
Certificate of Achievement for Excellence in Financial Reporting	ii
Organizational Chart.....	iii
Letter of Transmittal	iv

FINANCIAL SECTION

Independent Auditor's Report	1
Management's Discussion and Analysis.....	4

Basic Financial Statements

Government-wide Financial Statements

Exhibit 1	Statement of Net Position.....	6
Exhibit 2	Statement of Activities	7

Fund Financial Statements

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

Notes to Financial Statements.....	15
---	-----------

Required Supplementary Information

Exhibit 10	Schedules of Funding Progress – Other Post-employment Benefits.....	66
Exhibit 11	Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual (General Fund)	67
Exhibit 12	Schedule of Changes In Net Pension Liability and Related Ratios – Primary Government.....	71

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

FINANCIAL SECTION
(Continued)

Required Supplementary Information (Continued)

Exhibit 13	Schedule of Changes in Net Pension Liability and Related Ratios – Schools – Nonprofessional Employees	72
Exhibit 14	Schedule of Pension Contributions	73
Exhibit 15	Schedule of Employer’s Share of Net Pension Liability - VRS Teacher Retirement Plan.....	74
Exhibit 16	Schedule of Pension Contributions – VRS Teacher Retirement Plan	75
	Notes to Required Supplementary Information	76

Other Supplemental Schedules

Exhibit 17	DPCU – School Board – Balance Sheet – Governmental Fund	77
Exhibit 18	DPCU – School Board – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund	78
Exhibit 19	DPCU – School Board – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – School Operating Fund.....	79

SUPPORTING SCHEDULE

Schedule 1	Schedule of Expenditures of Federal Awards	81
------------	--	----

STATISTICAL SECTION

Table 1	Net Position by Component	84
Table 2	Change in Net Position by Component	85
Table 3	Fund Balances – Governmental Funds.....	87
Table 4	Changes in Fund Balances – Governmental Funds.....	88
Table 5	Schedule of Revenues, Resources, Expenditures, Contract Commitments, and Unobligated Balance	90
Table 6	Assessed Value and Actual Value of Taxable Property.....	92
Table 7	Direct Property Tax Rates.....	93
Table 8	Principal Property Taxpayers.....	94
Table 9	Property Tax Levies and Collections.....	95
Table 10	Taxable Sales by Category.....	96
Table 11	Taxable Sales by Category.....	97
Table 12	Legal Debt Margin Information.....	98

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

**STATISTICAL SECTION
(Continued)**

Table 13	Ratios of Outstanding Debt by Type	99
Table 14	Demographic Statistics.....	100
Table 15	Principal Employers	101
Table 16	Full-Time Employees.....	102
Table 17	Operating Indicators by Function/Program	103

COMPLIANCE SECTION

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	105
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	107
Summary of Compliance Matters	109
Schedule of Findings and Questioned Costs.....	110
Summary Schedule of Prior Audit Findings.....	112

THIS PAGE INTENTIONALLY BLANK

INTRODUCTORY SECTION

CITY OF COLONIAL HEIGHTS, VIRGINIA

DIRECTORY OF PRINCIPAL OFFICIALS

June 30, 2017

CITY COUNCIL

T. Gregory Kochuba, Mayor

Betsy G. Luck, Vice Mayor

Michael A. Cherry

Kenneth B. Frenier

W. Joe Green, Jr.

John E. Piotrowski

John T. Wood

OTHER OFFICIALS

Douglas E. Smith City Manager
Hugh P. Fisher, III..... City Attorney
Pamela B. Wallace City Clerk
Dr. Joseph O. Cox..... Superintendent of Schools
Sheila S. Minor.....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. HansenLibrary Director
Bruce E. Cashion..... City Assessor
William Feasenmyer Commissioner of the Revenue
Harriet Frenier Treasurer
William B. Bray Commonwealth's Attorney
Todd B. Wilson Sheriff
Stacy L. Stafford Clerk of Circuit Court
Karen T. Epps..... Director of Economic Development
A.G. Moore Fire Chief
Jennifer Carpenter Human Resources Director
Karen Snyder.....Director of Information Technology
C. Scott Davis..... Director of Planning
Eileen M. Brown Director of Youth & Human Services
Maria Yench Director of Finance, Schools



Government Finance Officers Association

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

Presented to

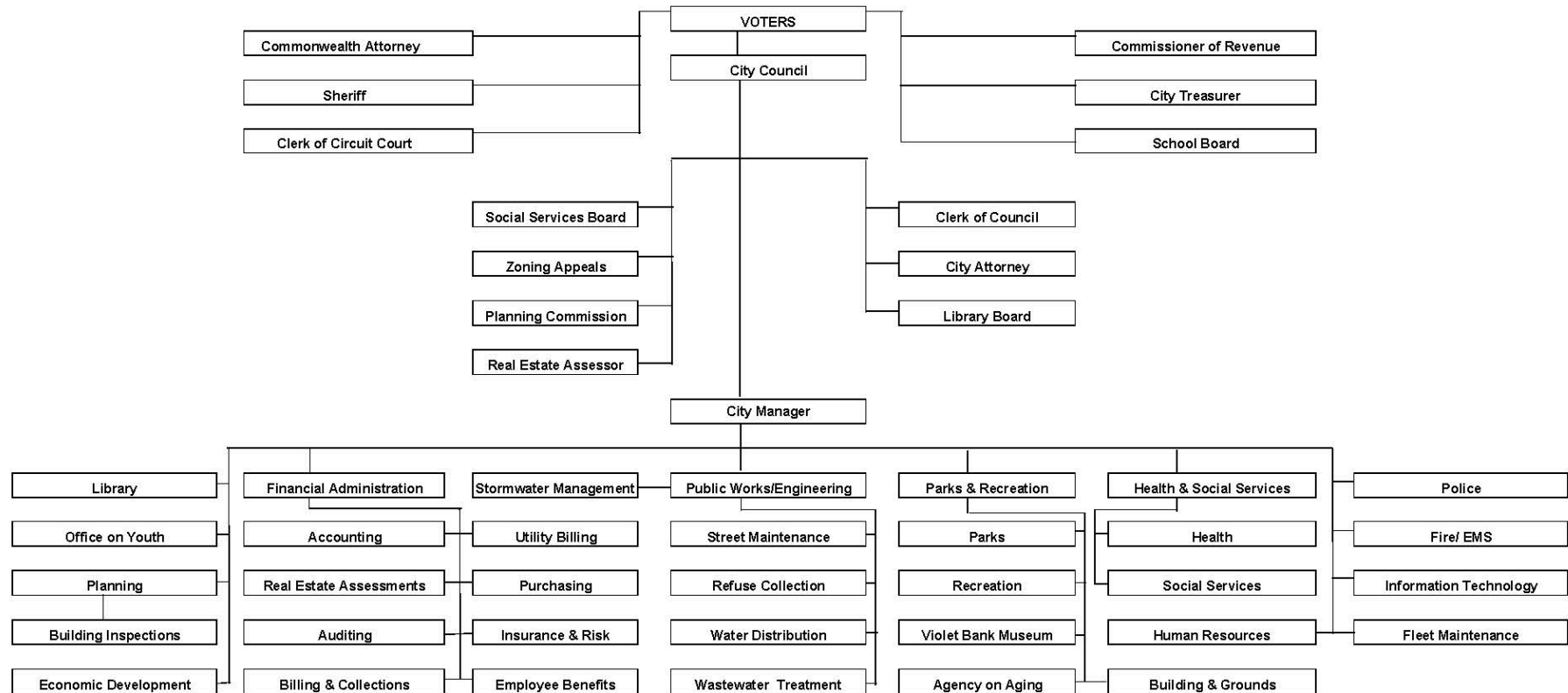
**City of Colonial Heights
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

CITY OF COLONIAL HEIGHTS, VIRGINIA ORGANIZATIONAL CHART





CITY OF COLONIAL HEIGHTS

Douglas E. Smith
City Manager

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

Sheila S. Minor, CPA, CPFO
Director of Finance

November 30, 2017

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

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the City of Colonial Heights, Virginia (the "City") for the fiscal year ending June 30, 2017. The City's management assumes full responsibility for the accuracy of data, completeness and the fairness of presentation. We believe the data, as presented, is accurate in all material respects, and that it is presented in compliance with Generally Accepted Accounting Principles (GAAP) to fairly set forth the financial position and results of the City's various governmental activities, business-type activities and funds. All disclosures necessary for a reader to fully understand the City's financial affairs have been included.

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

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

Brown Edwards & Company, LLP, Certified Public Accountants have audited the City's basic financial statements. The goal of this independent audit is to provide reasonable assurance that the basic financial statements are free of material misstatement. The Independent auditors concluded, based upon 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, 2017 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 Uniform Guidance. The Schedule of Expenditures of Federal Awards and the independent auditors' reports on internal controls and compliance with applicable laws and regulations are included in the Compliance section of this 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 has a land area of 8.14 square miles, and is located in southeastern Virginia. Colonial Heights is strategically located on Interstate 95 near its intersection with I-85, thus giving the City access to the East Coast's major markets.

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

The population of the City is estimated at 17,820 as reported by the U.S. Census Bureau. The City is part of the Richmond Tri-Cities Metropolitan Statistical Area and has immediate access to the area's dynamic business complex. Richmond is the center for a diverse group of business sectors such as the Commonwealth of Virginia's State offices, Federal offices, eight Fortune 500 companies, manufacturing, distribution and international trade. Other economic drivers include several major universities, research hospitals, and the Federal Reserve Bank.

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

The City has a civilian labor force of 9,093 and an unemployment rate of 4.0% as of the end of FY2017. The City's goal is to promote the attraction of new businesses and expansion of existing businesses for the purpose of creating new investment for increasing the tax base, and jobs, which will enhance the quality of life for its citizens.

The City has over 2.0 million square feet of retail, office and service industry development in the City's regionally based commercial center area known as Southpark. Beginning with the opening of the area's only regional mall in 1989, the area is populated with large retailers, specialty retailers, medical offices, and office space. A 12,000 square foot free-standing emergency medical center is under construction in the Roslyn Court area adjacent to Southpark. Recent reuse improvements to a former auto dealership created a multi-tenant medical office space, which has become a strong market in the City within the last few years. Diverse and easily accessible transportation networks have been key elements in the sustained success of the area. Fort Lee is a vital component to the City's economy as well as the regional economy.

The City's older retail areas along the US1/301 corridor/ Boulevard continue to benefit from the increased exposure of the City's regional emphasis and the new Courthouse in the southern end of the corridor. A recently opened grocery store in the northern end of the Boulevard corridor is expected to help anchor retail growth in that area.

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

The City has withstood past economic challenges by maintaining a good local tax base that softened the effects of the Commonwealth's budget and economic cutbacks. Fiscal year 2017 financial operations continued to effectively maintain existing service levels. In Fiscal 2017, retail sales tax revenue was stable in comparison to FY2016 and FY2015. Food and lodging taxes were stable in comparison to FY2016, after a 4% increase from FY2015 to FY2016. 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 has a policy to maintain unassigned Fund Balance at a minimum of 10% of general fund expenditures, and the City has exceeded that policy for many years to maintain cash flow and provide resources in the event of economic downturns or other unexpected challenges. Fund balance has not been utilized as a source in the preparation of the past seven fiscal operating budgets.

Accounting System and Budgetary Controls

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

All internal control evaluations occur within the above framework. 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. Appropriations or transfers are processed should a purchase order be required which would result in an overrun of line item balances. Open encumbrances are recorded as either committed or assigned fund balances at June 30, 2017.

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. 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 financial ratios to ensure ongoing compliance.

The Constitution of Virginia establishes a debt limit for Virginia cities of 10% of the assessed value of real estate. The City of Colonial Heights could incur debt of up to \$166,490,390, but current debt only represents 2.4% of the assessed value of real estate.

Long-term liabilities, excluding notes payable, compensated absences, retirement incentive programs and environmental liabilities, for all funds of the primary government as of June 30, 2017, totaled \$40,213,419, of which \$4,120,720 for Enterprise Fund purposes is considered self-supporting and shown only as a liability of the respective fund.

The City’s bonds are rated as follows:

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

The City annually develops a 5 Year Equipment Plan for all operating equipment proposed for funding in each City department. This recommendation is evaluated and approved by the City's Management and submitted to City Council for future funding consideration.

Certificates of Achievement for Excellence

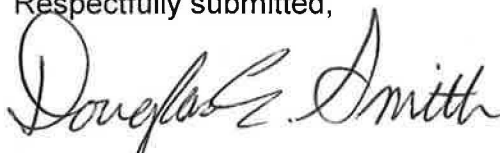
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Colonial Heights, Virginia for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016. The Certificate 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 36 consecutive years (fiscal years ended 1980 through 2016). We believe our current report conforms to the Certificate of Achievement program requirements, and we are submitting it to the GFOA for consideration.

Acknowledgments

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

Respectfully submitted,

A handwritten signature in cursive script that reads "Douglas E. Smith".

Douglas E. Smith
City Manager

A handwritten signature in cursive script that reads "Sheila S. Minor".

Sheila S. Minor, CPA, CPFO
Director of Finance

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Colonial Heights, Virginia (the "City"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2017 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.

A handwritten signature in black ink that reads "Brown, Edwards & Company, L.L.P." in a cursive script.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 30, 2017

**CITY OF COLONIAL HEIGHTS, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

The following discussion and analysis of the financial performance of the City of Colonial Heights, Virginia (the City) provides an overview of the City's financial activities for the fiscal year ended June 30, 2017. It should be read in conjunction with the transmittal letter and the City's basic financial statements.

FINANCIAL HIGHLIGHTS

The City's total net position (excluding the component unit) on the government-wide basis, totaled \$45,629,759 at June 30, 2017. Of this amount, \$49,699,225 is net investment in capital assets; \$590,549 is restricted for public safety and judicial administration grants, which results in a negative unrestricted net position of (\$4,660,015). The *Code of Virginia* requires the School Board to hold title to the capital assets (buildings and equipment) due to their responsibility for maintaining the asset; however, in Virginia, the School Board does not have taxing authority and, therefore, it cannot incur debt 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 \$42,213,485 were \$2,378,440 more than the expenses (net of program revenues) of \$39,835,045.

At June 30, 2017, the City's governmental funds balance sheet reported fund balances of \$22,111,372. Of this amount, \$8,386,885 remains in the various governmental funds of the City as unassigned.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's financial statements are comprised of two types of statements, each presented in accordance with a different method of accounting in accordance with Generally Accepted Accounting Principles (GAAP). The first set of statements (government-wide) focus on the City as a whole, and include both short and long-term assets and liabilities. The second set of statements, known as fund financials, focus on the individual parts of City government, reporting the City's operations in more detail than the government-wide statements, which present a longer-term view. Governmental activities in these statements only include short-term assets and liabilities. Presentation of both perspectives provides the user a broader overview, enhances the basis for comparisons, and improves the City's accountability.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

**CITY OF COLONIAL HEIGHTS, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017
(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 provides a significant amount of the School Board's funding.

FUND FINANCIAL STATEMENTS

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

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

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

**CITY OF COLONIAL HEIGHTS, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017
(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 a statement of cash flows. The City's enterprise funds are the Water & Sewer and Storm Water Management funds.

FINANCIAL ANALYSIS OF THE CITY – GOVERNMENT-WIDE

The following table presents a condensed comparison of net assets:

**Summary Statement of Net Position
June 30, 2017 and 2016
(In Millions)**

	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit	
	2017	2016	2017	2016	2017	2016	2017	2016
Current and Other Assets	\$36.0	\$24.7	\$2.4	\$2.7	\$38.4	\$27.4	\$8.1	\$7.6
Capital Assets, net	65.8	65.3	15.0	14.5	80.8	79.8	19.0	17.6
Total Assets	101.8	90.0	17.4	17.2	119.2	107.2	27.1	25.2
Deferred Outflows	3.8	2.8	0.2	0.2	4.0	3.0	4.8	2.7
Other Liabilities	2.3	1.9	0.4	0.3	2.7	2.2	3.8	3.2
Non-current Liabilities	57.4	47.0	5.5	5.7	62.9	52.7	38.1	34.9
Total Liabilities	59.7	48.9	5.9	6.0	65.6	54.9	41.9	38.1
Deferred Inflows	11.9	12.2	0.1	0.1	12.0	12.3	2.9	5.4
Net Position								
Net Investment in Capital								
Assets	37.9	35.9	11.8	11.9	49.7	47.8	19.0	17.7
Restricted	0.6	0.3	-	-	0.6	0.3	-	-
Unrestricted	(4.5)	(4.6)	(0.2)	(0.6)	(4.7)	(5.2)	(31.8)	(31.8)
Total Net Position	\$ 34.0	\$ 31.6	\$11.6	\$11.3	\$45.6	\$42.9	(\$12.8)	(\$14.1)

The City's combined net position increased from \$42.9 million to \$45.6 million. Net position of the governmental activities increased from \$31.6 million to \$34.0 million. Governmental activities' unrestricted net positions, the portion of net position that can be used to finance the day-to-day operations of the City, reflect an increase of \$0.1 million. Net investment in capital assets increased \$2 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. The component unit net position reflects an increase of \$1.3 million.

**CITY OF COLONIAL HEIGHTS, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017
(Continued)**

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

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

**Summary Statement of Changes in Net Position
Years Ended June 30, 2017 and 2016
(In Millions)**

	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit	
	2017	2016	2017	2016	2017	2016	2017	2016
Revenues:								
Program revenues:								
Charges for services	6.3	\$6.4	\$5.4	\$ 5.2	\$11.7	\$11.6	\$0.4	\$0.4
Operating grants and contributions	5.8	5.5	-	-	5.8	5.5	16.9	15.8
Capital grants and contributions	0.8	0.9	-	-	0.8	0.9	-	-
General revenues:								
Property taxes	22.3	21.6	-	-	22.3	21.6	-	-
Other local taxes	17.6	17.5	-	-	17.6	17.5	-	-
Payment from other governments	-	-	-	-	-	-	20.3	20.5
Intergovernmental, non-categorical aid	1.8	1.8	-	-	1.8	1.8	-	-
Use of money and property	0.4	0.2	-	-	0.4	0.2	-	-
Miscellaneous	0.4	0.2	-	-	0.4	0.2	0.1	0.1
Gain (loss) on sale of capital assets	-	2.0	-	-	-	2.0	-	-
Total revenues	<u>55.4</u>	<u>56.1</u>	<u>5.4</u>	<u>5.2</u>	<u>60.8</u>	<u>61.3</u>	<u>37.7</u>	<u>36.8</u>
Expenses:								
General government	4.0	4.2	-	-	4	4.2	-	-
Judicial administration	5.3	5.3	-	-	5.3	5.3	-	-
Public safety	11.1	11.0	-	-	11.1	11.0	-	-
Public works	5.7	5.9	-	-	5.7	5.9	-	-
Health and welfare	1.1	0.9	-	-	1.1	0.9	-	-
Parks, recreation and cultural	3.1	3.0	-	-	3.1	3.0	-	-
Community development	0.6	0.5	-	-	0.6	0.5	-	-
Education	20.2	20.5	-	-	20.2	20.5	36.4	35.1
Human services	.5	0.5	-	-	0.5	0.5	-	-
Interest	1.1	0.8	-	-	1.1	0.8	-	-
Water, sewer, solid waste, and storm water management	-	-	5.4	5.0	5.4	5.0	-	-
Total expenses	<u>52.7</u>	<u>52.6</u>	<u>5.4</u>	<u>5.0</u>	<u>58.1</u>	<u>57.6</u>	<u>36.4</u>	<u>35.1</u>
Change in Net Position Before Transfers	2.7	3.5	-	0.2	2.7	3.7	1.3	1.7
Transfers	0.3	-	0.3	-	-	-	-	-
Change in Net Position	2.4	3.5	0.3	0.2	2.7	3.7	1.3	1.7
Net Position, beginning	31.6	28.1	11.3	11.1	42.9	39.2	(\$14.1)	(15.8)
Net Position, ending	<u>\$34.0</u>	<u>\$31.6</u>	<u>\$11.6</u>	<u>\$11.3</u>	<u>\$45.6</u>	<u>\$42.9</u>	<u>(\$12.8)</u>	<u>(\$14.1)</u>

**CITY OF COLONIAL HEIGHTS, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017
(Continued)**

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

Governmental Activities

The property tax classification, which comprised 40.4% of total revenue generated by governmental activities, includes real estate tax, the local portion of personal property tax, and public service corporation taxes. Real estate tax revenue, the largest source of revenue for the City totaled \$18.6 million, an increase of 6.3% from the previous fiscal year due to six cent tax rate implemented during FY2017.

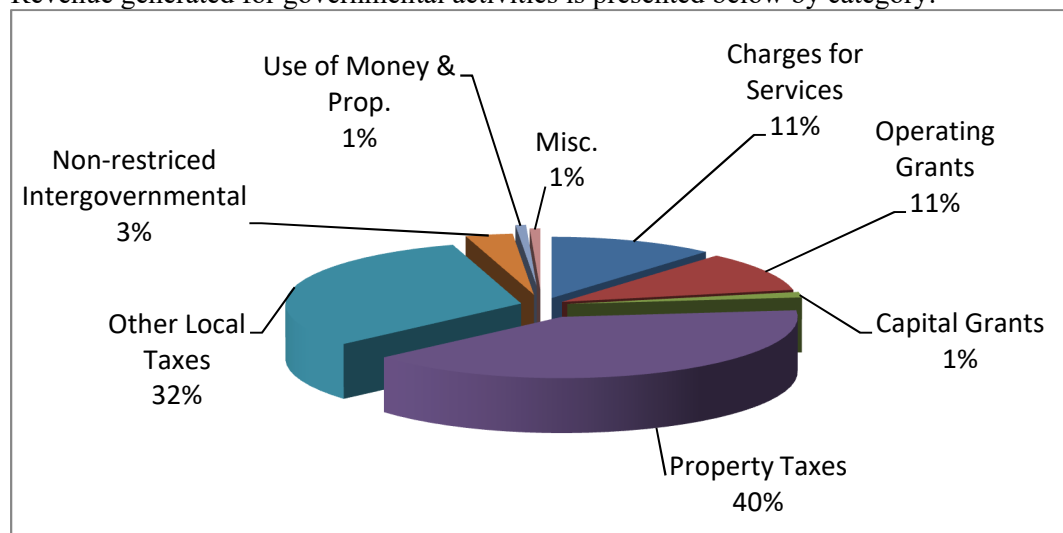
In 1998, the Commonwealth enacted the Personal Property Tax Relief Act (PPTRA). The Commonwealth's share of personal property taxes allocated to the City was 59% of vehicle loan values for the current fiscal year and is included in the intergovernmental category. Personal property tax revenue, including the Commonwealth share, remained \$4.4 million for fiscal year 2017.

Sales tax, utility tax, business and professional occupational tax, prepared food and beverage tax, transient room tax, and utility tax comprise the majority of other local taxes collected by the City which comprised approximately 31.9% of total revenues generated for governmental activities.

Operating grants and contributions comprised approximately 10.65% of governmental activities revenues. Street maintenance funds, funding received under House Bill 599 for law enforcement, and reimbursement for shared expenses of the constitutional officers are some of the major sources of revenue included in this category.

Charges for services, which include items such as EMS transport fees, court fees, inspection fees, reimbursements for housing prisoners, and garbage collection fees, continue to show growth at 11.4% of total revenues.

Revenue generated for governmental activities is presented below by category:



**CITY OF COLONIAL HEIGHTS, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017
(Continued)**

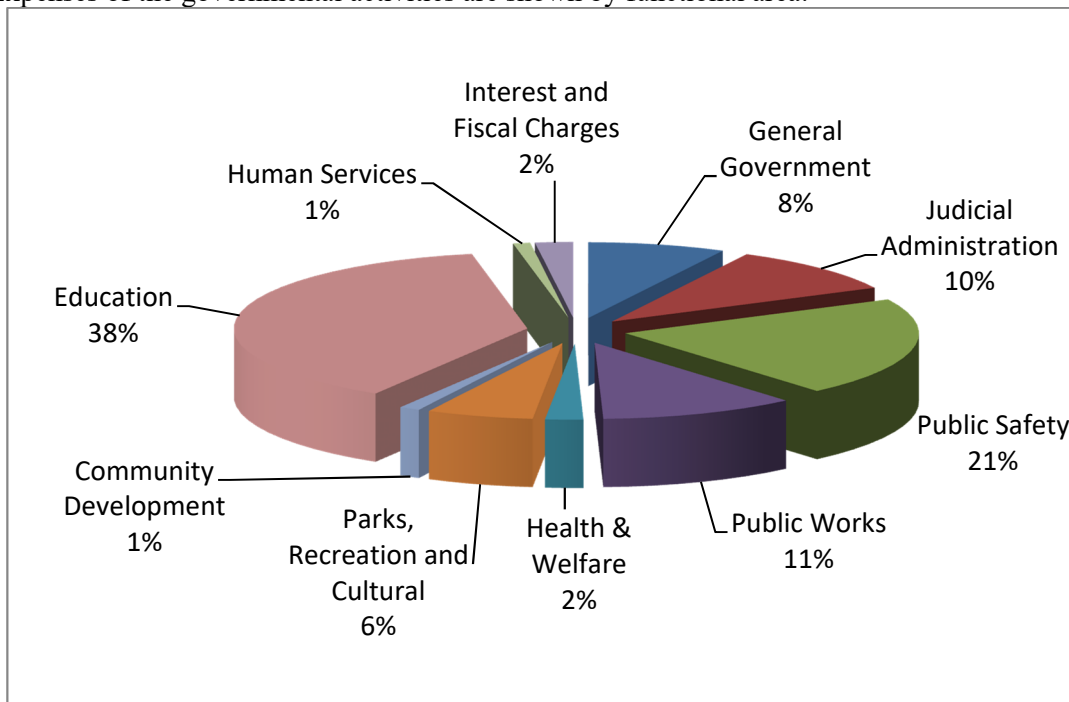
FINANCIAL ANALYSIS OF THE CITY – GOVERNMENT-WIDE (Continued)

Governmental Activities (Continued)

Funding of \$20.3 million was provided to the City of Colonial Heights School Board to support School operations. This was slightly below the original budget estimated at \$20.5 million. City funding for Colonial Heights School Board is provided in accordance with a revenue sharing agreement between the two entities, last revised in 2011, which stipulates that 50.73% of six major revenue sources will be allocated to the School Division. This amount is estimated at the beginning of the fiscal year and reconciled to actual results as fiscal year end.

Public Works and Health and Welfare expenses comprised approximately 10.8% and 2.1%, 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 an increase over last year.

Expenses of the governmental activities are shown by functional area:



**CITY OF COLONIAL HEIGHTS, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017
(Continued)**

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

Business-Type Activities

The net position of business-type activities increased \$374,871 during 2017. The business-type activities of the City derive their revenues almost exclusively from charges for services. A transfer of \$250,044 was made during FY2017 reflecting the transfer of partial proceeds from a sale of City property in 2016 toward a sewer improvement project in the area of the property sold.

The enterprise rate structure was increased in fiscal year 2016 as a result of a rate study conducted in fiscal year 2014 for a 5 year rate plan. The fee structure was continued into fiscal year 2017 and there were no major changes in operations. The City established a Stormwater Management fee in response to state and federal mandates, and has segregated these fees in a business-type fund in order to deal with operational and capital expenses associated with storm water management.

FINANCIAL ANALYSIS OF THE CITY – FUND FINANCIALS

For the fiscal year ended June 30, 2017, the governmental funds reflect a total fund balance of \$22,111,372. Approximately half of this balance, \$11.1 million, constitutes fund balance of the capital projects fund. This significant increase from the end of the prior year is the result of a \$10.285 million bond issuance in October 2016 for the purposes of school capital improvements and the construction of a radio communications system for the City. When combined with the issuance premium of just over \$918,000, this obligation provided \$11.0 million in cash for these projects, net of issuance costs.

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

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the General Fund unassigned fund balance was \$8,735,172 while the total fund balance was \$10,997,185. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 16.2% of the total General Fund expenditures, while total fund balance represents 20.4% of that same amount.

The fund balance of the General Fund reflects an increase of \$222,940 during the current fiscal year. The General Fund began Fiscal Year 2017 with budgeted revenue and expenditure amounts that were equal, resulting in no planned use of fund balance to balance the budget. The original general fund appropriation included \$729,500 transferred to the Capital Projects fund for local share of VDOT projects and street paving. During the year, the use of \$686,414 of fund balance was appropriated for various projects and purposes, much of which was the planned use of assigned and committed reserves. Due to the excess of revenue over expenditures, the fund balance was not used.

**CITY OF COLONIAL HEIGHTS, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017
(Continued)**

FINANCIAL ANALYSIS OF THE CITY – FUND FINANCIALS (Continued)

Local taxes generated the majority of General Fund revenue, totaling approximately \$40.0 million in fiscal year 2017, as compared with \$39.0 million in fiscal year 2016. Lodging taxes were up about \$100,000 to \$1.2 million, increasing for the second year in a row. Food tax collections rose as well, increasing \$100,000 to \$6.6 million, while personal property collections remained steady at \$2.6 million and real estate property collections increased approximately \$900,000, due to a rate change from \$1.14 per \$100 assessed value to \$1.20 per \$100 of assessed value implemented for calendar 2017. The rates were implemented January 1, 2017, impacting only the second half of the fiscal year 2017 levy.

Intergovernmental revenue is the second largest source of General Fund revenues, generating approximately \$7.1 million in fiscal year 2017 as compared to \$6.8 million in fiscal year 2016. The majority of this revenue is received from the Commonwealth and includes law enforcement funding received under Virginia House Bill 599 and street maintenance funds. The City is currently receiving grant funds from the Commonwealth for two School Resource Officers (SROs) at two of the elementary schools. All five Colonial Heights schools now have an assigned SRO.

CAPITAL PROJECTS FUND HIGHLIGHTS

Multiple capital projects were started, under construction, or completed during fiscal year 2017. The Capital Projects Fund reflects the receipt of \$249,113 from the Office of Emergency Medical Services with the Virginia Department of Health for the purchase of an ambulance. Other capital projects continued from prior fiscal years included work on storm water drainage in parts of Bruce Avenue, sewer lines on Temple Avenue near the new roundabout, and various street projects. Three major projects, the Boulevard Enhancement Project, the Boulevard utility modernization and the Dupuy Boulevard Intersection improvements, were completed and moved from construction in progress to infrastructure, resulting in a transfer of \$11.9 million between the two capital asset types.

The City issued \$10.285 million in bonds in October 2016 for various school construction projects and the replacement of the City's radio communications system. The radio communications project was commenced in FY2017. Through a generous donation and some matching City funding, the Animal Shelter was expanded and renovated during FY2017, with the project completed in early FY2018.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund revenues were under original budgeted revenues by \$674,609 and under final budgeted revenues by approximately \$1.0 million or (1.8%). Revenue from business and occupational licenses fell about \$400,000 short of anticipations and sales taxes fell approximately \$320,000 short of the adopted budget. Delinquent taxes were also significantly short of budgeted amounts; however, this is likely due to enhanced collection practices in the most recent fiscal year which have reduced the value of delinquent receivables.

General Fund expenditures and transfers were under the original budget by \$984,662 and were under the final, amended budget by \$2,448,739, or (4.3%). During fiscal year 2017, City Council amended the budget to appropriate proceeds from the issuance of bonds, the awarding of donations, receipt of operational grants, and reappropriation of prior year encumbrances at June 30, 2016.

**CITY OF COLONIAL HEIGHTS, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017
(Continued)**

CAPITAL ASSETS

As of June 30, 2017, the City's capital assets for its governmental and business-type activities amounted to \$80.8 million (net of accumulated depreciation and amortization). These investments include land, easements, construction in progress, land improvements, buildings and structures, equipment, software, and infrastructure. The City has a capitalization threshold of \$5,000. The total net increase (additions less retirements and depreciation and amortization) in the City's investment in capital assets for the current fiscal year was \$959,993 or 0.1%. This increase was the result of new capital investments exceeding the rate of depreciation and amortization of existing assets.

**Summary Statement of
Capital Assets, Net of Accumulated Depreciation and Amortization
June 30, 2017 and 2016
(In Millions)**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land and Easements	\$4.8	\$4.8	\$0.1	\$ 0.1	\$4.9	\$ 4.9
Construction in Process	4.5	14.4	1.7	2.1	6.2	16.5
Building and Structures	26.0	27.0	1.4	1.4	27.4	28.4
Infrastructure	26.6	15.5	9.3	7.8	35.9	23.3
Equipment and Software	3.9	3.6	1.3	1.5	5.2	5.1
Purchased Capacity	-	-	1.2	1.6	1.2	1.6
Total	65.8	\$65.3	\$15.0	\$14.5	\$80.8	\$ 79.8

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

LONG-TERM DEBT

At June 30, 2017, the City's long-term liabilities totaled \$46,631,173 consisting of \$42,085,883 related to governmental activities, and \$4,545,290 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. New debt during the year included the \$10.285 million issuance mentioned previously and the related \$918,669 in issuance premiums used to fund radio communications and school capital projects.

The City maintained ratings of AA and Aa2 from Standard & Poor's and Moody's Investor Service, respectively. The City received an upgrade from AA to AA+ from Fitch Investors' Service. The City continues to maintain a rating with all three rating agencies of AA or higher.

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 general obligation debt of \$40,125,000 is well below the legal debt limit of \$166,490,390.

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.

**CITY OF COLONIAL HEIGHTS, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017
(Continued)**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The unemployment rate for the City at June 30, 2017 was 4.0% compared to a June 30, 2016 rate of 4.3%. This is above the state average of 3.7% for the same period, but compares favorably with the national average unemployment rate of 4.4%. The City had a population of 17,820 in 2016, according to the U.S. Census Bureau, an increase of 871 since the 2000 census.

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

The adopted fiscal year 2018 General Fund budget of \$57,138,345 increased \$2,015,410 over the 2017 adopted budget. The operating budget for fiscal year 2018 maintained basic current services to the community and current operating support for capital investments. In addition, it includes a 2% cost of living adjustment for full-time City staff and the debt service associated with the \$10.285 million bonds issued during fiscal year 2017. Fiscal year 2018 will be the first year where the 6 cent Real Estate Tax increase effective January 1, 2017 will be in effect for the full fiscal year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

THIS PAGE INTENTIONALLY BLANK

BASIC FINANCIAL STATEMENTS

CITY OF COLONIAL HEIGHTS, VIRGINIA

STATEMENT OF NET POSITION

June 30, 2017

	Primary Government			Discretely Presented Component Unit School Board
	Governmental Activities	Business-Type Activities	Totals	
ASSETS				
Cash and investments (Note 2)	\$ 8,863,587	\$ 841,535	\$ 9,705,122	\$ 6,289,667
Receivables, net (Note 3)	12,419,422	959,289	13,378,711	8,691
Due from other governments (Note 4)	3,712,367	23,464	3,735,831	1,715,824
Due from primary government	-	-	-	1,848
Due from component unit	81,849	-	81,849	-
Internal balances (Note 5)	(626,936)	626,936	-	-
Inventories	49,812	-	49,812	132,416
Prepays	10,239	-	10,239	-
Restricted cash (Note 2)	11,462,474	-	11,462,474	-
Capital assets: (Note 7)				
Nondepreciable	9,339,327	1,771,922	11,111,249	1,090,102
Depreciable, net	56,470,079	13,188,219	69,658,298	17,884,839
Total assets	101,782,220	17,411,365	119,193,585	27,123,387
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	330,386	14,609	344,995	-
Pension contributions subsequent to measurement date (Note 11)	1,777,866	110,067	1,887,933	2,797,840
Net difference between projected and actual investment earnings on pension plan investments (Note 11)	1,400,476	86,703	1,487,179	2,040,156
Differences between expected and actual experience (Note 11)	246,003	15,230	261,233	-
Total deferred outflows of resources	3,754,731	226,609	3,981,340	4,837,996
LIABILITIES				
Accounts payable and other current liabilities	1,782,271	271,321	2,053,592	3,638,820
Due to component unit	1,848	-	1,848	-
Due to primary government	-	-	-	81,849
Unearned revenue	-	-	-	26,234
Accrued interest	90,862	10,331	101,193	-
Customer security deposits	439,478	151,930	591,408	-
Noncurrent liabilities:				
Net pension liability (Note 11)	15,319,273	948,406	16,267,679	33,788,458
Due within one year (Note 8)	3,875,263	345,160	4,220,423	89,034
Due in more than one year (Note 8)	38,210,620	4,200,130	42,410,750	4,249,581
Total liabilities	59,719,615	5,927,278	65,646,893	41,873,976
DEFERRED INFLOWS OF RESOURCES				
Property taxes and grants	11,307,707	-	11,307,707	-
Differences between expected and actual experience (Note 11)	556,136	34,430	590,566	1,160,649
Changes in proportion – teacher cost sharing pool (Note 11)	-	-	-	1,714,000
Total deferred inflows of resources	11,863,843	34,430	11,898,273	2,874,649
NET POSITION				
Net investment in capital assets	37,861,696	11,837,529	49,699,225	18,974,941
Restricted for public safety and judicial administration grants	590,549	-	590,549	-
Unrestricted	(4,498,752)	(161,263)	(4,660,015)	(31,762,183)
Total net position	\$ 33,953,493	\$ 11,676,266	\$ 45,629,759	\$ (12,787,242)

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, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Totals	Discretely Presented Component Unit School Board
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Business- Type Activities		
Primary Government:								
Governmental activities:								
General government	\$ 4,091,160	\$ 3,316,601	\$ 863,099	\$ -	\$ 88,540		\$ 88,540	
Judicial administration	5,255,271	341,560	779,093	-	(4,134,618)		(4,134,618)	
Public safety	11,137,517	1,289,738	1,118,355	249,113	(8,480,311)		(8,480,311)	
Public works	5,741,092	1,160,682	2,611,356	516,379	(1,452,675)		(1,452,675)	
Health and welfare	1,082,908	-	-	-	(1,082,908)		(1,082,908)	
Parks, recreation, and cultural	3,056,313	178,767	-	-	(2,877,546)		(2,877,546)	
Community development	583,330	-	-	-	(583,330)		(583,330)	
Education	20,289,595	-	538,537	-	(19,751,058)		(19,751,058)	
Human services	468,039	-	-	-	(468,039)		(468,039)	
Interest	1,093,100	-	-	-	(1,093,100)		(1,093,100)	
Total governmental activities	52,798,325	6,287,348	5,910,440	765,492	(39,835,045)		(39,835,045)	
Business-type activities:								
Water and sewer	5,010,173	5,052,084	-	-		\$ 41,911	41,911	
Storm water management	305,173	388,089	-	-		82,916	82,916	
Total business-type activities	5,315,346	5,440,173	-	-		124,827	124,827	
Total primary government	\$ 58,113,671	\$ 11,727,521	\$ 5,910,440	\$ 765,492	(39,835,045)	124,827	(39,710,218)	
Discretely Presented Component Unit:								
School Board	\$ 36,376,383	\$ 389,665	\$ 16,899,977	\$ -				\$ (19,086,741)
General revenues:								
Taxes:								
General property taxes					22,319,312	-	22,319,312	-
Other local taxes:								
Local sales and use					7,567,072	-	7,567,072	-
Food and lodging					7,813,174	-	7,813,174	-
Consumer utility and communications sales and use					1,615,944	-	1,615,944	-
Other					631,241	-	631,241	-
Payments from City					-	-	-	20,289,595
Intergovernmental, non-categorical aid					1,758,517	-	1,758,517	-
Use of money and property					359,133	-	359,133	-
Miscellaneous					368,686	-	368,686	135,032
Gain on sale of capital assets (Note 7)					30,450	-	30,450	-
Transfers (Note 6)					(250,044)	250,044	-	-
Total general revenues					42,213,485	250,044	42,463,529	20,424,627
Change in net position					2,378,440	374,871	2,753,311	1,337,886
NET POSITION AT JULY 1					31,575,053	11,301,394	42,876,447	(14,125,128)
NET POSITION AT JUNE 30					\$ 33,953,493	\$ 11,676,265	\$ 45,629,758	\$ (12,787,242)

CITY OF COLONIAL HEIGHTS, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2017

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash and investments	\$ 8,592,785	\$ 270,802	\$ 8,863,587
Receivables, net	12,419,422	-	12,419,422
Due from other governments	2,579,806	1,132,561	3,712,367
Due from other funds	968,337	-	968,337
Due from component unit	81,849	-	81,849
Inventories	49,812	-	49,812
Prepays	10,239	-	10,239
Restricted cash	-	11,462,474	11,462,474
Total assets	<u>\$ 24,702,250</u>	<u>\$ 12,865,837</u>	<u>\$ 37,568,087</u>
LIABILITIES			
Accounts payable and other current liabilities	\$ 1,625,894	\$ 156,377	\$ 1,782,271
Due to other funds	-	1,595,273	1,595,273
Due to component unit	1,848	-	1,848
Customer security deposits	439,478	-	439,478
Total liabilities	<u>2,067,220</u>	<u>1,751,650</u>	<u>3,818,870</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable/unearned revenue	11,637,845	-	11,637,845
Total deferred inflows of resources	<u>11,637,845</u>	<u>-</u>	<u>11,637,845</u>
FUND BALANCES (Note 13)			
Nonspendable	60,051	-	60,051
Restricted	590,549	11,462,474	12,053,023
Committed	196,092	-	196,092
Assigned	1,415,321	-	1,415,321
Unassigned	8,735,172	(348,287)	8,386,885
Total fund balances	<u>10,997,185</u>	<u>11,114,187</u>	<u>22,111,372</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 24,702,250</u>	<u>\$ 12,865,837</u>	<u>\$ 37,568,087</u>

CITY OF COLONIAL HEIGHTS, VIRGINIA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

June 30, 2017

Total Fund Balance - Governmental Funds	\$ 22,111,372
--	---------------

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

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

Nondepreciable	\$ 9,339,327	
Depreciable, net	56,470,079	
		65,809,406

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

330,138

Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources for 2017 employer contributions	1,777,866	
Deferred outflows of resources for the differences between expected and actual experience	246,003	
Deferred outflows of resources for the net differences between projected and actual investment earnings on pension plan investments	1,400,476	
Deferred inflows of resources for the differences between expected and actual experience	(556,136)	
Net pension liability	(15,319,273)	
		(12,451,064)

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	(38,494,818)	
Deferred charge on refunding	330,386	
Landfill post-closure liability	(68,290)	
Compensated absences	(1,804,076)	
Other post-employment benefits	(1,650,071)	
Capital lease payable	(68,628)	
Accrued interest payable	(90,862)	
		(41,846,359)

Total Net Position - Governmental Activities	<u><u>\$ 33,953,493</u></u>
---	-----------------------------

EXHIBIT 5**CITY OF COLONIAL HEIGHTS****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES****GOVERNMENTAL FUNDS****Year Ended June 30, 2017**

	General	Capital Projects	Total Governmental Funds
REVENUES			
General property taxes	\$ 22,375,525	\$ -	\$ 22,375,525
Other local taxes	17,627,431	-	17,627,431
Permits, privilege fees, and regulatory licenses	3,487,901	-	3,487,901
Fines and forfeitures	341,560	-	341,560
Charges for services	2,457,887	-	2,457,887
Use of money and property	294,198	64,935	359,133
Miscellaneous	368,686	-	368,686
Reimbursement from School Board	538,537	-	538,537
Intergovernmental	7,130,420	765,492	7,895,912
Total revenues	<u>54,622,145</u>	<u>830,427</u>	<u>55,452,572</u>
EXPENDITURES			
Current:			
General government	3,749,469	-	3,749,469
Judicial administration	5,271,039	-	5,271,039
Public safety	11,182,996	-	11,182,996
Public works	4,635,226	-	4,635,226
Health and welfare	1,072,990	-	1,072,990
Parks, recreation, and cultural	2,684,709	-	2,684,709
Community development	583,721	-	583,721
Education	20,289,595	-	20,289,595
Human services	465,663	-	465,663
Nondepartmental	336,656	-	336,656
Debt service:			
Principal retirement	2,398,190	-	2,398,190
Interest and fiscal charges	1,227,077	-	1,227,077
Capital outlays	-	1,889,302	1,889,302
Total expenditures	<u>53,897,331</u>	<u>1,889,302</u>	<u>55,786,633</u>
Excess (deficiency) of revenues over expenditures	<u>724,814</u>	<u>(1,058,875)</u>	<u>(334,061)</u>
OTHER FINANCING SOURCES (USES)			
Issuance of debt	10,285,000	-	10,285,000
Premium on issuance of debt	918,669	-	918,669
Proceeds from sale of capital assets	30,450	-	30,450
Transfers in (Note 6)	-	11,735,993	11,735,993
Transfers out (Note 6)	(11,735,993)	(250,044)	(11,986,037)
Total other financing sources (uses)	<u>(501,874)</u>	<u>11,485,949</u>	<u>10,984,075</u>
Net change in fund balances	222,940	10,427,074	10,650,014
FUND BALANCES AT JULY 1	<u>10,774,245</u>	<u>687,113</u>	<u>11,461,358</u>
FUND BALANCES AT JUNE 30	<u>\$ 10,997,185</u>	<u>\$ 11,114,187</u>	<u>\$ 22,111,372</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, 2017

Net Change in Fund Balances - Governmental Funds \$ 10,650,014

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

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

Capital outlays	\$ 3,145,974	
Depreciation expense	(2,648,672)	
		497,302

Revenues in the Statement of Activities that do not provide current financial
resources are not reported as revenues in the funds. (56,213)

The issuance of long-term debt provides current financial resources to
governmental funds, while the repayment of the principal of long-term debt
consumes current financial resources of governmental funds. Neither transaction
has any effect on net position. This amount is the net effect of those differences. 2,398,190

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	(143,507)	
Change in other post-employment benefits	(64,129)	
Change in landfill post-closure liability	287,710	
		80,074

Governmental funds report employer pension contributions as expenditures.
However, in the Statement of Activities the cost of pension benefits earned net of
employee contributions is reported as pension expense. This is the amount by
which employer pension contributions of \$1,777,866 is less than pension expense
of \$1,899,101 in the current period. (121,235)

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:

Bond proceeds	(10,285,000)	
Bond premium	(918,669)	
Amortization of premiums	236,928	
Amortization of gain/loss from refundings	(87,502)	
Change in accrued interest payable	(15,449)	
		(11,069,692)

Change in Net Position - Governmental Activities \$ 2,378,440

CITY OF COLONIAL HEIGHTS, VIRGINIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2017

	Business-Type Activities – Enterprise Funds		
	Water and Sewer	Storm Water Management	Totals
ASSETS			
Current assets:			
Cash and investments	\$ 648,924	\$ 192,611	\$ 841,535
Receivables, net	880,845	78,444	959,289
Due from other governments	23,464	-	23,464
Due from other funds	314,925	312,011	626,936
Total current assets	1,868,158	583,066	2,451,224
Noncurrent assets:			
Capital assets, net	13,104,977	1,855,164	14,960,141
Total noncurrent assets	13,104,977	1,855,164	14,960,141
Total assets	14,973,135	2,438,230	17,411,365
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	14,609	-	14,609
Pension contributions subsequent to measurement date	94,397	15,670	110,067
Net difference between projected and actual investment earnings on pension plan investments	74,359	12,344	86,703
Differences between expected and actual experience	13,062	2,168	15,230
Total deferred outflows of resources	196,427	30,182	226,609
LIABILITIES			
Current liabilities:			
Accounts payable and other current liabilities	259,810	11,511	271,321
Accrued interest	5,329	5,002	10,331
Customer security deposits	151,930	-	151,930
Compensated absences	45,358	714	46,072
Debt obligations, current	187,062	112,026	299,088
Total current liabilities	649,489	129,253	778,742
Noncurrent liabilities:			
Compensated absences	34,935	2,764	37,699
Other post-employment benefits	135,986	11,188	147,174
Net pension liability	813,384	135,022	948,406
Debt obligations	2,424,000	1,591,257	4,015,257
Total noncurrent liabilities	3,408,305	1,740,231	5,148,536
Total liabilities	4,057,794	1,869,484	5,927,278
DEFERRED INFLOWS OF RESOURCES			
Net difference between projected and actual investment earnings on pension plan investments	29,528	4,902	34,430
NET POSITION			
Net investment in capital assets	11,373,637	463,892	11,837,529
Unrestricted	(291,397)	130,133	(161,264)
Total net position	\$ 11,082,240	\$ 594,025	\$ 11,676,265

CITY OF COLONIAL HEIGHTS, VIRGINIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2017

	Business-Type Activities – Enterprise Funds		
	Water and Sewer	Storm Water Management	Totals
OPERATING REVENUES			
Charges for services	\$ 4,679,908	\$ 384,115	\$ 5,064,023
Connection fees	81,356	-	81,356
Penalties	62,868	3,974	66,842
Miscellaneous	227,952	-	227,952
Total operating revenues	<u>5,052,084</u>	<u>388,089</u>	<u>5,440,173</u>
OPERATING EXPENSES			
Personnel	725,900	114,644	840,544
Fringe benefits	359,989	50,643	410,632
Utilities	80,444	-	80,444
Repairs and maintenance	37,509	637	38,146
Materials and supplies	121,912	4,313	126,225
Sewage treatment costs	1,708,689	-	1,708,689
Water purchased for resale	550,337	-	550,337
Depreciation and amortization	795,242	41,872	837,114
Other charges	575,833	83,162	658,995
Total operating expenses	<u>4,955,855</u>	<u>295,271</u>	<u>5,251,126</u>
Operating income	<u>96,229</u>	<u>92,818</u>	<u>189,047</u>
NONOPERATING EXPENSES			
Interest expense	(54,318)	(9,901)	(64,219)
Total nonoperating expenses	<u>(54,318)</u>	<u>(9,901)</u>	<u>(64,219)</u>
Income before transfers	41,911	82,917	124,828
TRANSFERS IN (Note 6)	<u>250,044</u>	<u>-</u>	<u>250,044</u>
Change in net position	291,955	82,917	374,872
NET POSITION AT JULY 1	<u>10,790,285</u>	<u>511,109</u>	<u>11,301,394</u>
NET POSITION AT JUNE 30	<u><u>\$ 11,082,240</u></u>	<u><u>\$ 594,026</u></u>	<u><u>\$ 11,676,266</u></u>

CITY OF COLONIAL HEIGHTS, VIRGINIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2017

	Business-Type Activities – Enterprise Funds		
	Water and Sewer	Storm Water Management	Totals
OPERATING ACTIVITIES			
Receipts from customers and properties	\$ 4,788,301	\$ 383,258	\$ 5,171,559
Receipts from other sources	222,025	-	222,025
Payments to suppliers	(3,001,506)	(85,534)	(3,087,040)
Payments to employees	(1,066,227)	(160,569)	(1,226,796)
Net cash provided by operating activities	942,593	137,155	1,079,748
NONCAPITAL FINANCING ACTIVITIES			
Transfers in	250,044	-	250,044
Interfund borrowing	-	824,040	824,040
Net cash provided by noncapital financing activities	250,044	824,040	1,074,084
CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(912,160)	(324,757)	(1,236,917)
Transfer of debt	500,000	(500,000)	-
Principal paid	(180,807)	(115,248)	(296,055)
Interest paid	(77,421)	(62,062)	(139,483)
Net cash used in capital and related financing activities	(670,388)	(1,002,067)	(1,672,455)
Net increase (decrease) in cash and cash equivalents	522,249	(40,872)	481,377
CASH AND CASH EQUIVALENTS			
Beginning at July 1	126,675	233,483	360,158
Ending at June 30	\$ 648,924	\$ 192,611	\$ 841,535
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 96,229	\$ 92,818	\$ 189,047
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	795,242	41,872	837,114
Pension expense net of employer contributions	6,436	1,071	7,507
Change in assets and liabilities:			
(Increase) decrease in:			
Receivables, net	(40,800)	(4,831)	(45,631)
Due from other governments	(5,927)	-	(5,927)
Increase (decrease) in:			
Accounts payable and other current liabilities	70,488	4,773	75,261
Customer deposits	4,969	-	4,969
Compensated absences	(1,472)	(151)	(1,623)
Other post-employment benefits	17,428	1,603	19,031
Net cash provided by operating activities	\$ 942,593	\$ 137,155	\$ 1,079,748
SUPPLEMENTAL CASH FLOW INFORMATION			
INTEREST CAPITALIZED	\$ 16,199	\$ 47,320	\$ 63,519

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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, 2017

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, 2017

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, 2017

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, \$12,964,916 in supplemental appropriations were approved by City Council. These amendments consisted primarily of bond proceeds, 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.

Prepaid Items.

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

Property Taxes.

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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 2016 was \$1.14 and 2017 was \$1.20 per \$100 of assessed value.

Personal Property – The City levies personal property taxes on motor vehicles and personal and business property. These levies are assessed on a calendar year basis as of January 1. Personal property taxes are payable in two installments, which are due on June 5 and December 5. Taxes become delinquent if not received by the due date. On January 1, personal property taxes become an enforceable lien on related property. The personal property taxes reported as revenue are the second installment (December 5) of the levy on assessed value at January 1 of the prior year, and the first installment (June 5) of the levy at January 1 of the current year. The tax rate for calendar year 2017 was \$3.50 per \$100 of assessed value. Under the provisions of the Personal Property Tax Relief Act of 1998 (PPTRA), the City received \$1,753,369 for the State's share of the local personal property tax payment with the remainder collected from City residents.

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

Capital Assets. Capital assets with a value of \$5,000 or greater are recorded in the applicable government or business-type activities columns in the government-wide financial statements. Capital assets belonging to proprietary funds are also reported in the applicable fund financial statements. All purchased capital assets are valued at historical or estimated historical cost if actual historical cost is not available. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value. Depreciation and amortization has been provided over the estimated useful lives using the straight-line method. No depreciation or amortization expense is recorded for land, easements, or construction-in-progress. Capital assets placed in service during the year will begin depreciation on 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, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

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

Capital Assets. (Continued)

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

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, \$16,199 and \$47,320 in interest expense was included as part of the cost of capital assets under construction, in the Water and Sewer fund and the Storm Water Management fund, respectively.

Deferred Outflows/Inflows of Resources. In addition to assets, the statements which present financial position report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has four items that qualify for reporting in this category. The first item is the deferred charge on refunding reported in the government-wide and proprietary funds statements 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. The second item consists of contributions subsequent to the measurement date for pensions; this will be applied to the net pension liability in the next fiscal year. The third item consists of differences between expected and actual experience for economic and demographic factors in the total pension liability measurement. The fourth item is the net difference between projected and actual earnings on pension plan investments. This difference will be recognized in pension expense over a closed five year period.

In addition to liabilities, the statements which present financial position report a separate section for deferred inflows of resources. This separate financial statement element 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 four types of items that qualify for reporting in this category. The first 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 deferred inflow reported in the government-wide statement of net position for unearned revenue in the governmental funds. This deferred inflow is a result of resources received in non-exchange transactions, but not yet earned due to allowable costs not yet having been spent or due to their intention to fund subsequent year expenditures. The third item consists of differences between expected and actual experience for economic and demographic factors in the total pension liability measurement. The final deferred inflow results from participation in the Virginia Retirement System's teacher cost sharing pool, where changes in proportion and differences between employer contributions and the proportionate share of employer contributions are reported as a deferred inflow or outflow, as appropriate.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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.

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

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

Fund Equity. (Continued)

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

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

Minimum Fund Balance Policy

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

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

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Significant encumbrances as of June 30 total \$146,092 in the general fund and \$141,275 in the capital projects fund. The capital projects fund encumbrances are listed as committed on Table 5, and are broken out among the various departments.

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

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

Encumbrances: (Continued)

Net Position. (Continued)

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

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

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

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

F. Use of Estimates

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 2. Deposits and Investments

Deposits

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

Investments

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

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

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

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 2. Deposits and Investments (Continued)

Investments (Continued)

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

Deposits:	
Demand deposits	\$ 3,739,002
Cash on hand	<u>12,600</u>
	3,751,602
Investments (Fair Value):	
LGIP	7,081,108
SNAP	<u>10,334,886</u>
Total deposits and investments	<u><u>\$ 21,167,596</u></u>

Exhibit 1 total deposits and investments is composed as follows:

Cash and investments	\$ 9,705,122
Restricted cash	<u>11,462,474</u>
Total deposits and investments	<u><u>\$ 21,167,596</u></u>

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

Deposits:	
Demand deposits	<u><u>\$ 6,289,667</u></u>

Credit Risk

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

Restricted Cash

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 3. Receivables

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

	<u>General</u>	<u>Water and Sewer</u>	<u>Storm Water Management</u>	<u>Total</u>	<u>School Board</u>
Taxes	\$ 12,258,221	\$ -	\$ -	\$ 12,258,221	\$ -
Accounts	296,387	955,845	78,444	1,330,676	8,691
Other	24,114	-	-	24,114	-
Gross receivables	12,578,722	955,845	78,444	13,613,011	8,691
Less allowance for uncollectible accounts	(159,300)	(75,000)	-	(234,300)	-
Net receivables	<u>\$ 12,419,422</u>	<u>\$ 880,845</u>	<u>\$ 78,444</u>	<u>\$ 13,378,711</u>	<u>\$ 8,691</u>

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

Note 4. Due from Other Governmental Units

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>School Board</u>
Federal:			
Highway planning and construction	\$ 1,132,561	\$ -	\$ -
Other grants	11,200	-	588,232
Title I	-	-	475,458
Title II and III	-	-	53,093
Perkins	-	-	43,538
Child nutrition	-	-	38,804
Commonwealth of Virginia:			
Other aid, grants, and reimbursements	356,928	-	-
Sales tax	1,251,413	-	516,699
PPTRA	960,265	-	-
Chesterfield County	-	19,188	-
Virginia State University	-	4,051	-
Other governments	-	225	-
	<u>\$ 3,712,367</u>	<u>\$ 23,464</u>	<u>\$ 1,715,824</u>

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 5. Interfund Obligations

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

	<u>Receivables</u>	<u>Payables</u>
General	\$ 968,337	\$ -
Capital Projects	-	1,595,273
Water and Sewer	314,925	-
Storm Water Management	<u>312,011</u>	<u>-</u>
	<u>\$ 1,595,273</u>	<u>\$ 1,595,273</u>

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

The proceeds from the 2015 and 2016 bond issuance are accounted for as restricted cash in the capital projects fund. A portion of the interfund receivables and payables represents each respective fund's portion of the proceeds. The capital projects fund is being used to account for financial resources to be used for the acquisition or construction of various capital assets for the City.

Note 6. Interfund Transfers

	<u>General</u>	<u>Capital Projects</u>
Transfer to fund:		
Capital Projects	\$ 11,735,993	\$ -
Water and Sewer	<u>-</u>	<u>250,044</u>
	<u>\$ 11,735,993</u>	<u>\$ 250,044</u>

The transfer from the General Fund to the Capital Projects Fund was for local funding for capital improvement projects. The transfer from the Capital Projects Fund to the Water and Sewer Fund was for the transfer of a portion of the cost for the Temple Avenue sewer lines.

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 7. Capital Assets

Capital asset activity was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated or amortized:				
Land	\$ 2,559,885	\$ -	\$ -	\$ 2,559,885
Easements	2,245,247	24,010	-	2,269,257
Construction in progress	14,428,373	2,000,164	(11,918,352)	4,510,185
	<u>19,233,505</u>	<u>2,024,174</u>	<u>(11,918,352)</u>	<u>9,339,327</u>
Capital assets, depreciated and amortized:				
Buildings and structures	36,399,141	-	-	36,399,141
Infrastructure	58,419,928	12,104,148	-	70,524,076
Equipment	16,565,649	835,186	(133,803)	17,267,032
Intangibles	106,615	100,818	-	207,433
	<u>111,491,333</u>	<u>13,040,152</u>	<u>(133,803)</u>	<u>124,397,682</u>
Less accumulated depreciation and amortization for:				
Buildings and structures	(9,452,085)	(944,931)	-	(10,397,016)
Infrastructure	(42,899,444)	(996,168)	-	(43,895,612)
Equipment	(12,971,154)	(704,038)	133,803	(13,541,389)
Intangibles	(90,051)	(3,535)	-	(93,586)
	<u>(65,412,734)</u>	<u>(2,648,672)</u>	<u>133,803</u>	<u>(67,927,603)</u>
Capital assets, depreciated and amortized, net	<u>46,078,599</u>	<u>10,391,480</u>	<u>-</u>	<u>56,470,079</u>
Governmental activities capital assets, net	<u>\$ 65,312,104</u>	<u>\$ 12,415,654</u>	<u>\$ (11,918,352)</u>	<u>\$ 65,809,406</u>

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

Governmental activities:	
General government	\$ 18,425
Judicial administration	13,728
Public safety	427,106
Public works	1,781,582
Health and welfare	9,918
Parks, recreation, and cultural	397,913
	<u>\$ 2,648,672</u>

Equipment includes capitalized leases of \$121,475 with a net book value of \$60,738.

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 7. Capital Assets (Continued)

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated or amortized:				
Construction in progress	\$ 2,120,872	\$ 1,137,603	\$ (1,622,853)	\$ 1,635,622
Land	136,300	-	-	136,300
	<u>2,257,172</u>	<u>1,137,603</u>	<u>(1,622,853)</u>	<u>1,771,922</u>
Capital assets, depreciated and amortized:				
Land improvements	48,927	-	-	48,927
Buildings and structures	3,790,420	53,804	-	3,844,224
Infrastructure	14,785,387	1,709,659	-	16,495,046
Equipment	3,759,667	21,592	(35,295)	3,745,964
Intangibles	303,982	-	-	303,982
Purchased capacity	9,874,437	-	-	9,874,437
	<u>32,562,820</u>	<u>1,785,055</u>	<u>(35,295)</u>	<u>34,312,580</u>
Less accumulated depreciation and amortization for:				
Land improvements	(40,213)	(249)	-	(40,462)
Buildings and structures	(2,401,019)	(81,264)	-	(2,482,283)
Infrastructure	(6,985,556)	(199,153)	-	(7,184,709)
Equipment	(2,297,245)	(161,471)	35,295	(2,423,421)
Intangibles	(303,982)	-	-	(303,982)
Purchased capacity	(8,294,527)	(394,977)	-	(8,689,504)
	<u>(20,322,542)</u>	<u>(837,114)</u>	<u>35,295</u>	<u>(21,124,361)</u>
Capital assets, depreciated and amortized, net	<u>12,240,278</u>	<u>947,941</u>	<u>-</u>	<u>13,188,219</u>
Business-type activities capital assets, net	<u>\$ 14,497,450</u>	<u>\$ 2,085,544</u>	<u>\$ (1,622,853)</u>	<u>\$ 14,960,141</u>

Equipment includes capitalized leases of \$126,739 with a net book value of \$95,054.

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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	\$ 795,242
Storm Water	<u>41,872</u>
	<u>\$ 837,114</u>

South Central Wastewater Authority (SCWA) treatment plant rights:

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

<u>Component Unit – School Board</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not depreciated or amortized:				
Land	\$ 1,090,102	\$ -	\$ -	\$ 1,090,102
Capital assets, depreciated and amortized:				
Buildings and structures	31,394,786	1,669,738	(342,006)	32,722,518
Equipment	<u>3,014,229</u>	<u>481,286</u>	<u>(132,500)</u>	<u>3,363,015</u>
	<u>34,409,015</u>	<u>2,151,024</u>	<u>(474,506)</u>	<u>36,085,533</u>
Less accumulated depreciation and amortization for:				
Buildings and structures	(15,563,426)	(642,274)	342,006	15,863,694
Equipment	<u>(2,276,666)</u>	<u>(192,834)</u>	<u>132,500</u>	<u>2,337,000</u>
	<u>(17,840,092)</u>	<u>(835,108)</u>	<u>474,506</u>	<u>(18,200,694)</u>
Capital assets, depreciated and amortized, net	<u>16,568,923</u>	<u>1,315,916</u>	<u>-</u>	<u>17,884,839</u>
School Board capital assets, net	<u>\$ 17,659,025</u>	<u>\$ 1,315,916</u>	<u>\$ -</u>	<u>\$ 18,974,941</u>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 8. Long-Term Liabilities

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

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
General obligation bonds	\$ 28,113,743	\$ 10,285,000	\$ (2,374,672)	\$ 36,024,071	\$ 2,980,703
Issuance premiums	1,789,006	918,669	(236,928)	2,470,747	-
Capital lease payable	92,146	-	(23,518)	68,628	24,271
Landfill post-closure liability	356,000	-	(287,710)	68,290	8,536
Compensated absences	1,660,569	943,894	(800,387)	1,804,076	861,753
Other post-employment benefits	1,585,942	226,056	(161,927)	1,650,071	-
	<u>\$ 33,597,406</u>	<u>\$ 12,373,619</u>	<u>\$ (3,885,142)</u>	<u>\$ 42,085,883</u>	<u>\$ 3,875,263</u>

Business-Type Activities

General obligation bonds	\$ 4,371,257	\$ -	\$ (270,328)	\$ 4,100,929	\$ 279,297
Capital lease payable	45,518	-	(25,727)	19,791	19,791
Issuance premiums	209,603	-	(15,978)	193,625	-
Compensated absences	85,394	47,169	(48,792)	83,771	46,072
Other post-employment benefits	128,143	67,084	(48,053)	147,174	-
	<u>\$ 4,839,915</u>	<u>\$ 114,253</u>	<u>\$ (408,878)</u>	<u>\$ 4,545,290</u>	<u>\$ 345,160</u>

**Component Unit –
School Board**

Compensated absences	\$ 1,537,534	\$ 563,282	\$ (320,130)	\$ 1,780,686	\$ 89,034
Other post-employment benefits	2,364,776	640,689	(447,536)	2,557,929	-
	<u>\$ 3,902,310</u>	<u>\$ 1,203,971</u>	<u>\$ (767,666)</u>	<u>\$ 4,338,615</u>	<u>\$ 89,034</u>

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 8. Long-Term Liabilities (Continued)

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

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

	<u>Year Issued</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>
General obligation bonds:			
General improvement			
Series 2010	2010	2.00-4.00%	\$ 560,000
Series 2012	2012	2.50-4.00%	17,775,000
Series 2015	2015	2.00-5.00%	11,505,000
Series 2016	2016	2.00-5.00%	<u>10,285,000</u>
Total general obligation bonds			<u>\$ 40,125,000</u>
Capital leases payable:			
Motor Grader	2014	2.90%	\$ 19,791
Bucket Truck	2015	3.16%	<u>68,628</u>
			<u>\$ 88,419</u>

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

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

<u>Fiscal Year Ending</u>	<u>General Obligation Bonds</u>			
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 2,980,703	\$ 1,074,537	\$ 279,297	\$ 122,975
2019	2,526,637	1,002,491	239,451	117,547
2020	2,591,731	933,550	247,181	112,912
2021	2,200,000	857,762	180,000	100,200
2022	2,280,000	781,312	185,000	94,800
2023-2027	12,565,000	2,747,738	1,010,000	393,050
2028-2032	10,880,000	855,780	1,170,000	226,050
2033-2035	-	-	790,000	47,849
	<u>\$ 36,024,071</u>	<u>\$ 8,253,170</u>	<u>\$ 4,100,929</u>	<u>\$ 1,215,383</u>

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 8. Long-Term Liabilities (Continued)

Fiscal Year Ending	Capital Leases Payable			
	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2018	\$ 24,271	\$ 1,883	\$ 19,791	\$ 240
2019	25,048	1,107	-	-
2020	19,309	306	-	-
	<u>\$ 68,628</u>	<u>\$ 3,296</u>	<u>\$ 19,791</u>	<u>\$ 240</u>

Note 9. Environmental Liabilities

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

The City has completed the process of closing the former City landfill. Effective September 2015, DEQ dismissed the groundwater monitoring portion of the landfill post-closure costs. The new post-closure and corrective action costs for the landfill are currently projected to be approximately \$68,290 based on a minimum eight years of remaining monitoring and remediation. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

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

Note 10. Commitments and Contingent Liabilities

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

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 10. Commitments and Contingent Liabilities

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

Construction Commitments: The City has entered into various construction contracts with \$141,275 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.

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

Note 11. Defined Benefit Pension Plan

Primary Government – City

Plan Description

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

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

Plan 1 – Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 11. Defined Benefit Pension Plan (Continued)

Primary Government – City (Continued)

Plan Description (Continued)

Plan 1

- **Retirement Contributions** – Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% 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 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.
- **Normal Retirement Age** – Age 65 or age 60 for hazardous duty employees.

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 11. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 1 (Continued)

- **Earliest Unreduced Retirement Eligibility** – Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service for hazardous duty employees.
- **Earliest Reduced Retirement Eligibility** – Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. Age 50 with at least five years of creditable service for hazardous duty employees.
- **Cost-of-Living Adjustment (COLA) in Retirement** – The Cost-of-Living Adjustment (COLA) matches the first 3.00% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4.00%) up to a maximum COLA of 5.00%.
 - **Eligibility** – For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.
 - **Exceptions to COLA Effective Dates** – The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:
 - The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
 - The member retires on disability.
 - The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
 - The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
 - The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.
- **Disability Coverage** – Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted. 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, 2017

Note 11. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 1 (Continued)

- **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.

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

- **Hybrid Opt-In Election** – Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.
- **Retirement Contributions** – Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016.
- **Creditable Service** – Same as Plan 1.
- **Vesting** – Same as Plan 1.
- **Calculating the Benefit** – See definition under Plan 1.
- **Average Final Compensation** – A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
- **Service Retirement Multiplier** – Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013. Sheriffs, regional jail superintendents, and hazardous duty employees are same as Plan 1.
- **Normal Retirement Age** – Normal Social Security retirement age. Hazardous duty employees are the same as Plan 1.

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 11. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Plan 2 (Continued)

- **Earliest Unreduced Retirement Eligibility** – Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. Hazardous duty employees are the same as Plan 1.
- **Earliest Reduced Retirement Eligibility** – Age 60 with at least five years (60 months) of creditable service. Hazardous duty employees are the same as Plan 1.
- **Cost-of-Living Adjustment (COLA) in Retirement** – The Cost-of-Living Adjustment (COLA) matches the first 2.00% increase in the CPI-U and half of any additional increase (up to 2.00%), for a maximum COLA of 3.00%.
 - **Eligibility** – Same as Plan 1.
 - **Exceptions to COLA Effective Dates** – Same as Plan 1.
- **Disability Coverage** – Same as Plan 1 except that the retirement multiplier is 1.65%.
- **Purchase of Prior Service** – Same as Plan 1.

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

- **Eligible Members** – Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes political subdivision employees; members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.
- **Non-Eligible Members** – Some employees are not eligible to participate in the Hybrid Retirement Plan. They include political subdivision employees who are covered by enhanced benefits for hazardous duty employees. Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 11. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

- **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 (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.
 - **Defined Contributions Component** – Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. After two years, a member is 50% vested and may withdraw 50% of employer contributions. After three years, a member is 75% vested and may withdraw 75% of employer contributions. After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 11. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

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

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 11. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Hybrid Retirement Plan (Continued)

- **Disability Coverage** – Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
- **Purchase of Prior Service** –
 - **Defined Benefit Component** – Same as Plan 1, with the following exceptions:
 - Hybrid Retirement Plan members are ineligible for ported service.
 - The cost for purchasing refunded service is the higher or 4% of creditable compensation or average final compensation.
 - Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost.
 - **Defined Contribution Component** – Not Applicable.

Employees Covered by Benefit Terms

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>163</u>
Inactive members:	
Vested inactive members	28
Non-vested inactive members	29
Inactive members active elsewhere in VRS	<u>125</u>
Total inactive members	182
Active members	<u>247</u>
Total covered employees	<u><u>592</u></u>

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 11. Defined Benefit Pension Plan (Continued)

Contributions

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

The political subdivision's contractually required contribution rate for the year ended June 30, 2017 was 14.46% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were \$1,887,933 and \$2,096,376 for the years ended June 30, 2017 and June 30, 2016, respectively.

Net Pension Liability

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 11. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

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

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

Mortality rates: General employees – 14% of deaths are assumed to be service related. Public Safety Employees – 60% of deaths are assumed to be service related. Mortality is projected using the applicable RP-2000 Mortality Table Projected to 2020 with various set backs or set forwards for both males and females.

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

General Employees – Largest 10 – Non-LEOS and All Others (Non 10 Largest): Update mortality table; decrease in rates of service retirement; decrease in rates of disability retirement; and reduce rates of salary increase by 0.25% per year.

Public Safety Employees – Largest 10 – Non-LEOS and All Others (Non 10 Largest): Update mortality table; adjustment to rates of service retirement for females (Non 10 Largest); decrease in rates of male disability (Largest 10, only); decrease in male and female rates of disability (Non 10 Largest) and increase in rates of withdrawal.

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 11. Defined Benefit Pension Plan (Continued)

Long-Term Expected Rate of Return

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

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

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 11. Defined Benefit Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Political Subdivision Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2015	\$ 70,163,095	\$ 55,956,103	\$ 14,206,992
Changes for the year:			
Service cost	1,764,320	-	1,764,320
Interest	4,817,132	-	4,817,132
Differences between expected and actual experience	(810,107)	-	(810,107)
Contributions – employer	-	2,096,376	(2,096,376)
Contributions – employee	-	651,691	(651,691)
Net investment income	-	997,365	(997,365)
Benefit payments, including refunds of employee contributions	(2,693,858)	(2,693,858)	-
Administrative expenses	-	(34,358)	34,358
Other changes	-	(416)	416
Net changes	3,077,487	1,016,800	2,060,687
Balances at June 30, 2016	\$ 73,240,582	\$ 56,972,903	\$ 16,267,679

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 11. Defined Benefit Pension Plan (Continued)

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

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Political subdivision's net pension liability	\$ 25,698,789	\$ 16,267,679	\$ 8,412,654

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

For the year ended June 30, 2017, the political subdivision recognized pension expense of \$2,010,831. At June 30, 2017, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 261,233	\$ 590,566
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	1,487,179	-
Employer contributions subsequent to the measurement date	1,887,933	-
Total	\$ 3,636,345	\$ 590,566

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 11. Defined Benefit Pension Plan (Continued)

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

The \$1,887,933 reported as deferred outflows of resources related to pensions resulting from the Political Subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Reduction to Pension Expense
2018	\$ (36,097)
2019	(80,401)
2020	690,294
2021	584,050
2022	-
Thereafter	-

Pension Plan Data

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

Payables to the Pension Plan

At June 30, 2017, approximately \$201,355 was payable to the Virginia Retirement System for the legally required contributions related to June 2017 payroll.

School Nonprofessionals

Plan Description

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 11. Defined Benefit Pension Plan (Continued)

School Nonprofessionals (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>58</u>
Inactive members:	
Vested inactive members	5
Non-vested inactive members	6
Inactive members active elsewhere in VRS	<u>5</u>
Total inactive members	16
Active members	<u>37</u>
Total covered employees	<u><u>111</u></u>

Contributions

The school division's contractually required contribution rate for the year ended June 30, 2017 was 5.95% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

Contributions to the pension plan from the school division were \$73,623 and \$95,491 for the years ended June 30, 2017 and June 30, 2016, respectively.

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 11. Defined Benefit Pension Plan (Continued)

School Nonprofessionals (Continued)

Changes in Net Pension Liability (Assets)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Assets) (a) – (b)
Balances at June 30, 2015	\$ 4,506,232	\$ 4,507,721	\$ (1,489)
Changes for the year:			
Service cost	132,525	-	132,525
Interest	305,624	-	305,624
Differences between expected and actual experience	(98,133)	-	(98,133)
Contributions – employer	-	95,491	(95,491)
Contributions – employee	-	56,470	(56,470)
Net investment income	-	75,984	(75,984)
Benefit payments, including refunds of employee contributions	(280,345)	(280,345)	-
Administrative expenses	-	(2,843)	2,843
Other changes	-	(33)	33
Net changes	59,671	(55,276)	114,947
Balances at June 30, 2016	\$ 4,565,903	\$ 4,452,445	\$ 113,458

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

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
School division's net pension liability	\$ 626,975	\$ 113,458	\$ (322,934)

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 11. Defined Benefit Pension Plan (Continued)

School Nonprofessionals (Continued)

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

For the year ended June 30, 2017, the school division recognized pension expense of \$4,598. At June 30, 2017, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 68,649
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	116,156	-
Employer contributions subsequent to the measurement date	<u>73,623</u>	<u>-</u>
Total	<u>\$ 189,779</u>	<u>\$ 68,649</u>

The \$73,623 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Reduction to Pension Expense
2018	\$ (48,857)
2019	(18,830)
2020	68,200
2021	46,994
2022	-
Thereafter	-

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 11. Defined Benefit Pension Plan (Continued)

School Nonprofessionals (Continued)

Pension Plan Data

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

Payables to the Pension Plan

At June 30, 2017, approximately \$946 was payable to the Virginia Retirement System for the legally required contributions related to June 2017 payroll.

Teacher Cost Sharing Plan

General Information about the Teacher Cost Sharing Plan

Plan Description

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

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 11. Defined Benefit Pension Plan (Continued)

Teacher Cost Sharing Plan (Continued)

General Information about the Teacher Cost Sharing Plan (Continued)

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin requiring that the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. Each school division's contractually required contribution rate for the year ended June 30, 2017 was 14.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 16.32%. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 89.84% of the actuarial rate for the year ended June 30, 2017. Contributions to the pension plan from the school division were \$2,724,217 and \$2,576,981 for the years ended June 30, 2017 and June 30, 2016, respectively.

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

At June 30, 2017, the school division reported a liability of \$33,675,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016, the school division's proportion was 0.24029% as compared to 0.24579% at June 30, 2015.

For the year ended June 30, 2017, the school division recognized pension expense of \$2,396,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 11. Defined Benefit Pension Plan (Continued)

Teacher Cost Sharing Plan (Continued)

General Information about the Teacher Cost Sharing Plan (Continued)

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

At June 30, 2017, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,092,000
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	1,924,000	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	-	1,714,000
Employer contributions subsequent to the measurement date	<u>2,724,217</u>	<u>-</u>
Total	<u><u>\$ 4,648,217</u></u>	<u><u>\$ 2,806,000</u></u>

The \$2,724,217 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Reduction to Pension Expense</u>
2018	\$ (725,000)
2019	(725,000)
2020	408,000
2021	293,000
2022	(133,000)
Thereafter	-

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 11. Defined Benefit Pension Plan (Continued)

Teacher Cost Sharing Plan (Continued)

General Information about the Teacher Cost Sharing Plan (Continued)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2016, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	Teacher Employee Retirement Plan
Total Pension Liability	\$ 44,182,326
Plan Fiduciary Net Position	<u>30,168,211</u>
Employers' Net Pension Liability (Asset)	<u>\$ 14,014,115</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.28%

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

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

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement plan net pension liability	<u>\$ 48,003,000</u>	<u>\$ 33,675,000</u>	<u>\$ 21,871,000</u>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 11. Defined Benefit Pension Plan (Continued)

Teacher Cost Sharing Plan (Continued)

General Information about the Teacher Cost Sharing Plan (Continued)

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

At June 30, 2017, approximately \$363,120 was payable to the Virginia Retirement System for the legally required contributions related to June 2017 payroll.

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.

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

The plans do not issue stand-alone financial reports.

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 12. Other Post-employment Benefits (Continued)

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 January 1, 2017. 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 \$135,946 and the annual benefit cost is \$219,106. The percentage of annual OPEB cost contributed is 62.05%. The estimated pay as you go cost for OPEB benefits for the School Board's plan is \$447,536 and the annual benefit cost is \$640,689. The percentage of OPEB cost contributed is 69.85%.

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.

	<u>City</u>	<u>School Board</u>
Annual required contribution (ARC)	\$ 233,147	\$ 648,344
Interest on net OPEB obligation	59,993	82,767
Adjustment to annual required contribution	<u>(74,034)</u>	<u>(90,422)</u>
Annual OPEB cost	219,106	640,689
Estimated contributions made	<u>(135,946)</u>	<u>(447,536)</u>
Increase in net OPEB obligation	83,160	193,153
Net OPEB obligation, beginning of year	<u>1,714,085</u>	<u>2,364,776</u>
Net OPEB obligation, end of year	<u><u>\$ 1,797,245</u></u>	<u><u>\$ 2,557,929</u></u>

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 12. Other Post-employment Benefits (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

City:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2017	\$ 219,106	62.05%	\$ 1,797,245
June 30, 2016	\$ 278,561	43.62%	\$ 1,714,085
June 30, 2015	\$ 264,668	50.06%	\$ 1,557,032

School Board:

June 30, 2017	\$ 640,689	69.85%	\$ 2,557,929
June 30, 2016	\$ 552,919	57.05%	\$ 2,364,776
June 30, 2015	\$ 560,388	67.98%	\$ 2,127,314

Funding Status and Funding Progress

As of January 1, 2017, the most recent actuarial valuation date for the City and School Board, the plans were not funded. The actuarial value of assets was \$0 resulting in an unfunded actuarial liability (UAAL) of \$3,512,744 for the City's plan and a UAAL of \$9,525,002 for the School Board's plan. The covered payroll (annual payroll of active employees covered by the plan) was \$11,233,534 and \$20,661,000 and the ratio of the UAAL to the covered payroll was 31.09% and 46.10% for the City and School Board, respectively.

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

Actuarial Methods and Assumptions

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 12. Other Post-employment Benefits (Continued)

Actuarial Methods and Assumptions (Continued)

The Projected Unit Credit Actuarial Cost Method was used, in the actuarial valuations. The actuarial assumptions include a 2.50% inflation rate, 3.56% rate of return and an annual healthcare cost trend rate of 6.25% initially, reduced by decrements to an ultimate rate of 4.75% after five 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:

	<u>General Fund</u>	<u>Capital Projects Fund</u>
Nonspendable:		
Inventories	\$ 49,812	\$ -
Prepays	10,239	-
	<u>60,051</u>	<u>-</u>
Restricted:		
Judicial administration	114,754	10,334,887
Public safety – funds restricted for forfeited assets and Animal Shelter expansion	462,195	-
Health and Welfare	13,600	-
Other capital projects – funds restricted from 2015 Bond issuance for other capital projects such as Bruce Avenue drainage and other utility infrastructure and repairs	<u>-</u>	<u>1,127,587</u>
Total restricted	<u>590,549</u>	<u>11,462,474</u>
Committed:		
General government	37,306	-
Judicial administration	1,512	-
Public safety – Encumbrances approved by Council for second phase of radio project and Police car purchases	85,619	-
Public works – Encumbrances approved by Council for paving and curbside recycling	15,710	-
Parks, recreation, and cultural	3,904	-
Community development	<u>52,041</u>	<u>-</u>
Total committed	<u>196,092</u>	<u>-</u>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 13. Fund Balances (Continued)

	<u>General Fund</u>	<u>Capital Projects Fund</u>
Assigned:		
General government	\$ 1,112,247	\$ -
Judicial administration	2,050	-
Public safety	202,273	-
Parks, recreation, and cultural	97,571	-
Human Services	1,180	-
Total assigned	<u>1,415,321</u>	<u>-</u>
Unassigned	<u>8,735,172</u>	<u>(348,287)</u>
Total fund balance	<u><u>\$ 10,997,185</u></u>	<u><u>\$ 11,114,187</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.

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.

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 14. Risk Management (Continued)

Risk Pools: (Continued)

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

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

Note 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 2017 was approximately \$2,408,000.

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

Appomattox River Water Authority:

The City, in conjunction with the Counties of Chesterfield, Dinwiddie, and Prince George and the City of Petersburg, participated in the creation of the Authority. The Authority, whose five-member board is comprised of one representative from each participating entity, is responsible for providing a supply of filtered water to be purchased by the members of the Authority. In accordance with the joint venture agreement, each participating entity is required to purchase water from the Authority. The City retains an ongoing financial responsibility for the joint venture due to this requirement of the agreement. The City's purchase of water for 2017 was approximately \$550,000. Complete financial statements for the Authority can be obtained from the Authority's office at 21300 Chesdin Road, Petersburg, Virginia 23803.

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 15. Jointly Governed Organizations (Continued)

South Central Wastewater Authority (SCWWA):

The Authority was created on July 2, 1996, and currently provides wastewater treatment to the Cities of Colonial Heights and Petersburg, the Counties of Chesterfield and Prince George and the Dinwiddie County Water Authority. The City has 4.0 million gallons per day of wastewater treatment capacity reserved at SCWWA's plant pursuant to a long-term service contract which is further described in Note 7. The City's cost of wastewater treatment for 2017 was approximately \$1,709,000. 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 2017 contribution requirement and direct payments for special projects totaled approximately \$659,000. Complete financial statements for the Authority can be obtained from the Authority's office at 2100 W. Laburnum Ave., Suite 105, Richmond, Virginia 23227.

Virginia Gateway Region Board:

The Virginia Gateway Region Board (VGRB) serves the Cities of Colonial Heights, Hopewell, and Petersburg, as well as the Counties of Chesterfield, Dinwiddie, and Prince George in their efforts to provide balanced industrialization to corporation members. The City appoints two members of the Appomattox Basin Industrial Development Corporation (ABIDCO) board and contributed approximately \$0 to ABIDCO during 2017.

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.

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 17. Subsequent Events

On October 17 2017, the School Board entered into several construction contracts in the amount of \$3,622,017 for construction and renovations at North Elementary School and Colonial Heights Middle School.

Note 18. New Accounting Standards

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

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 45 and No. 57 and establishes new accounting requirements for OPEB plans. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements* provides recognition and measurement guidance for situations in which a government is a beneficiary of an irrevocable split-interest agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73* addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding the presentation of payroll related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement will be effective for the year ending June 30, 2018.

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 18. New Accounting Standards (Continued)

GASB Statement No. 83, *Certain Asset Retirement Obligations* establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for Asset Retirement Obligations (AROs). This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. This Statement will be effective for the year ending June 30, 2019.

GASB Statement No. 84, *Fiduciary Activities* establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement will be effective for the year ending June 30, 2020.

GASB Statement No. 85, *Omnibus 2017* addresses practice issues that have been identified during implementation and application of certain GASB Statements, including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
- Reporting amounts previously reported as goodwill and “negative” goodwill
- Classifying real estate held by insurance entities
- Measuring certain money market investments and participating interest earning investment contracts at amortized cost
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
- Classifying employer-paid member contributions for OPEB
- Simplifying certain aspects of the alternative measurement method for OPEB
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

This Statement will be effective for the year ending June 30, 2018.

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 18. New Accounting Standards (Continued)

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 87, *Leases* establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement will be effective for the year ending June 30, 2021.

THIS PAGE INTENTIONALLY BLANK

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COLONIAL HEIGHTS, VIRGINIA

**SCHEDULES OF FUNDING PROGRESS –
OTHER POST EMPLOYMENT BENEFITS
Year Ended June 30, 2017**

	(a)	(b)	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b)	(c)	((b-a)/c)
<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>		<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
A. City:						
July 1, 2013	\$ -	2,896,944	2,896,944	0.00%	11,201,000	25.86%
July 1, 2015	-	3,257,732	3,257,732	0.00	12,746,040	25.56
January 1, 2017	-	3,512,744	3,512,744	0.00	11,233,534	31.27
B. School Board:						
July 1, 2013	\$ -	7,928,338	7,928,338	0.00	19,987,000	39.67%
July 1, 2015	-	8,363,854	8,363,854	0.00	19,340,000	43.25
January 1, 2017	-	9,525,002	9,525,000	0.00	20,661,000	46.10%

CITY OF COLONIAL HEIGHTS, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Revenue from local sources:				
General property taxes:				
Real property	\$ 18,404,095	\$ 18,404,095	\$ 18,612,066	\$ 207,971
Real and personal public service corporation property	425,134	425,134	470,460	45,326
Personal property	2,746,521	2,746,521	2,645,473	(101,048)
Delinquent	729,121	729,121	487,182	(241,939)
Penalties and interest	185,000	185,000	160,344	(24,656)
Total general property taxes	22,489,871	22,489,871	22,375,525	(114,346)
Other local taxes:				
Communication sales and use	722,000	722,000	656,797	(65,203)
Food and lodging	7,847,215	7,847,215	7,813,174	(34,041)
Consumer utility	975,000	975,000	959,147	(15,853)
Bank stock	300,000	300,000	393,488	93,488
Local option sales and use	7,885,816	7,885,816	7,567,072	(318,744)
Recordation	200,000	200,000	237,753	37,753
Total other local taxes	17,930,031	17,930,031	17,627,431	(302,600)
Permits, fees, and licenses:				
Business and occupational licenses	3,081,552	3,081,552	2,684,636	(396,916)
Motor vehicle licenses	515,000	515,000	510,019	(4,981)
Zoning and construction permits	148,000	148,000	171,670	23,670
Other fees	102,020	102,020	121,576	19,556
Total permits, fees, and licenses	3,846,572	3,846,572	3,487,901	(358,671)
Fines and forfeitures	607,500	607,500	341,560	(265,940)
Charges for services:				
Refuse collection fees	994,500	994,500	989,012	(5,488)
Recreation use charges and fees	183,000	183,000	178,767	(4,233)
Administrative	1,297,000	1,295,102	1,279,566	(15,536)
Other	10,000	10,000	10,542	542
Total charges for services	2,484,500	2,482,602	2,457,887	(24,715)
Use of money and property:				
Interest	1,000	1,000	37,281	36,281
Rental of property	175,000	175,000	212,460	37,460
Sale of commodities and property	13,000	13,000	44,457	31,457
Total use of money and property	189,000	189,000	294,198	105,198
Miscellaneous	301,000	365,043	368,686	3,643
Reimbursement from School Board	628,088	628,088	538,537	(89,551)
Total revenue from local sources	48,476,562	48,538,707	47,491,725	(1,046,982)

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues (Continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Personal property tax relief	\$ 1,753,369	\$ 1,753,369	\$ 1,753,369	\$ -
Rolling stock tax	5,563	5,563	5,148	(415)
Total non-categorical aid	1,758,932	1,758,932	1,758,517	(415)
Categorical aid:				
Commissioner of Revenue	89,123	87,586	86,205	(1,381)
Treasurer	84,711	82,714	80,036	(2,678)
Circuit Court	290,381	291,178	290,897	(281)
Sheriff	296,357	299,963	293,713	(6,250)
Commonwealth's attorney	495,143	503,612	488,196	(15,416)
Law enforcement	561,786	579,874	579,872	(2)
Street construction and maintenance	2,517,460	2,610,049	2,611,356	1,307
Other	549,467	618,435	552,985	(65,450)
Total categorical aid	4,884,428	5,073,411	4,983,260	(90,151)
Total revenue from the Commonwealth	6,643,360	6,832,343	6,741,777	(90,566)
Revenue from federal government:				
Categorical aid	176,832	264,972	388,643	123,671
Total intergovernmental	6,820,192	7,097,315	7,130,420	33,105
Total revenue	\$ 55,296,754	\$ 55,636,022	\$ 54,622,145	\$ (1,013,877)
Expenditures				
General government:				
City council	\$ 79,520	\$ 79,520	\$ 70,621	\$ 8,899
Clerk of council	61,595	62,495	52,229	10,266
City manager	224,385	229,466	209,340	20,126
Human resources	104,496	106,086	102,391	3,695
City attorney	222,684	228,224	229,561	(1,337)
Real estate assessor	137,573	151,822	151,360	462
Commissioner of the revenue	208,405	211,554	196,142	15,412
Treasurer	81,059	91,148	90,545	603
Finance	874,503	927,647	571,811	355,836
Information technologies	228,505	242,824	213,859	28,965
Auditing	97,300	103,100	103,100	-
Purchasing	150,082	154,892	134,961	19,931
Insurance and risk management	498,000	499,500	446,535	52,965
Employee benefits	5,163,980	5,250,938	5,180,121	70,817
Board of elections	22,563	22,838	18,608	4,230
Registrar	115,655	117,104	105,762	11,342
Economic development	219,943	221,708	190,241	31,467
Billing & collections	186,752	188,427	177,084	11,343
Total general government	8,677,000	8,889,293	8,244,271	645,022

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Continued)				
Judicial administration:				
Circuit courts	\$ 464,346	\$ 473,493	\$ 435,402	\$ 38,091
General district court	85,900	85,872	41,465	44,407
Probation	5,884	6,129	4,958	1,171
Commonwealth's attorney	595,124	627,530	614,065	13,465
Sheriff	818,255	820,153	785,371	34,782
Incarceration	2,547,500	2,549,462	2,527,136	22,326
Community correction services	117,000	120,800	120,515	285
Community diversion services	57,000	57,000	57,000	-
Victim witness	81,947	133,059	117,239	15,820
Juvenile & Domestic Court	15,350	15,350	3,890	11,460
Total judicial administration	4,788,306	4,888,848	4,707,041	181,807
Public safety:				
Bureau of police	4,048,057	4,147,135	4,058,682	88,453
Bureau of fire	3,284,446	3,395,480	3,236,344	159,136
Emergency preparedness	34,159	59,898	40,157	19,741
Communications	1,149,880	1,283,504	1,228,372	55,132
Total public safety	8,516,542	8,886,017	8,563,555	322,462
Public works:				
Administration	242,105	246,611	168,058	78,553
Engineering division	680,532	715,145	642,049	73,096
Street maintenance	1,698,581	1,884,169	1,634,459	249,710
Building maintenance	654,916	623,218	656,415	(33,197)
Fleet maintenance	288,678	298,678	297,623	1,055
Solid waste	498,687	506,228	466,727	39,501
Recycling	247,842	274,221	215,804	58,417
Total public works	4,311,341	4,548,270	4,081,135	467,135
Health and welfare:				
Health	235,908	236,908	236,144	764
Welfare	325,000	324,000	271,339	52,661
Comprehensive services	200,000	570,000	565,507	4,493
Total health and welfare	760,908	1,130,908	1,072,990	57,918
Parks, recreation, and cultural:				
Parks and recreation	497,131	559,594	481,579	78,015
Parks and grounds	536,471	548,295	490,825	57,470
Agency on aging	256,691	261,662	241,639	20,023
Violet bank museum	82,965	85,570	74,517	11,053
Library	644,752	661,506	658,502	3,004
Recreation trips and classes	152,300	152,300	159,148	(6,848)
Horticulture	101,266	102,614	79,297	23,317
Total parks, recreation, and cultural	2,271,576	2,371,541	2,185,507	186,034

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures: (Continued)				
Community development:				
Planning	\$ 213,860	\$ 219,511	\$ 219,408	\$ 103
Building inspections	238,708	242,328	220,145	22,183
Total community development	452,568	461,839	439,553	22,286
Education:				
Payments to School Board	20,479,697	20,479,697	20,289,595	190,102
Human Services:				
Office of youth	136,861	153,360	148,539	4,821
Better beginnings	2,600	2,600	2,295	305
Juvenile crime	99,924	100,768	90,128	10,640
CDBG	84,367	84,367	80,298	4,069
Kids after school program	28,250	28,250	30,501	(2,251)
Total human services	352,002	369,345	351,761	17,584
Nondepartmental:				
Contributions and subsidies	178,788	228,788	179,523	49,265
Contingencies and miscellaneous	330,927	125,517	157,133	(31,616)
Total nondepartmental	509,715	354,305	336,656	17,649
Debt service:				
Principal retirement	2,398,191	2,398,191	2,398,190	1
Interest and fiscal charges	1,324,147	1,324,147	1,104,503	219,644
Bond issuance costs	40,000	243,669	122,574	121,095
Total debt service	3,762,338	3,966,007	3,625,267	340,740
Total expenditures	54,881,993	56,346,070	53,897,331	2,448,739
Excess of revenues over (under) expenditures	414,761	(710,048)	724,814	1,434,862
Other financing source (uses):				
Issuance of debt	-	11,203,669	10,285,000	(918,669)
Premium on issuance of debt	-	-	918,669	918,669
Proceeds from sale of capital assets	-	609,500	30,450	(579,050)
Transfers out	(82,000)	(11,811,500)	(11,735,993)	75,507
Total other financing sources (uses)	(82,000)	1,669	(501,874)	(503,543)
Net change in fund balance	\$ 332,761	\$ (708,379)	\$ 222,940	\$ 931,319

Note:

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS –
PRIMARY GOVERNMENT
June 30, 2017

	Primary Government		
	Plan Year		
	2016	2015	2014
Total Pension Liability			
Service cost	\$ 1,764,320	\$ 1,776,096	\$ 1,701,944
Interest on total pension liability	4,817,132	4,525,376	4,300,904
Difference between expected and actual experience	(810,107)	566,769	-
Benefit payments, including refunds of employee contributions	(2,693,858)	(2,706,743)	(2,885,463)
Net change in total pension liability	3,077,487	4,161,498	3,117,385
Total pension liability - beginning	70,163,095	66,001,597	62,884,212
Total pension liability - ending	73,240,582	70,163,095	66,001,597
Plan Fiduciary Net Position			
Contributions - employer	2,096,376	2,084,048	2,141,597
Contributions - employee	651,691	684,051	640,031
Net investment income	997,365	2,455,417	7,293,094
Benefit payments, including refunds of employee contributions	(2,693,858)	(2,706,743)	(2,885,463)
Administrative expenses	(34,358)	(33,037)	(39,060)
Other	(416)	(520)	384
Net change in plan fiduciary net position	1,016,800	2,483,216	7,150,583
Plan fiduciary net position - beginning	55,956,103	53,472,887	46,322,304
Plan fiduciary net position - ending	56,972,903	55,956,103	53,472,887
Net pension liability - ending	\$ 16,267,679	\$ 14,206,992	\$ 12,528,710
Plan fiduciary net position as a percentage of total pension liability	78%	80%	81%
Covered employee payroll	\$ 13,089,795	\$ 12,961,992	\$ 12,747,601
Net pension liability as a percentage of covered employee payroll	124%	110%	98%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2016 information was presented in the entity's fiscal year 2017 financial report.

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
June 30, 2017

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

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2016 information was presented in the entity's fiscal year 2017 financial report.

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
June 30, 2017

Entity Fiscal Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Payroll
Primary Government					
2017	\$ 1,887,933	\$ 1,887,933	\$ -	\$ 13,056,245	14.46%
2016	2,096,376	2,096,376	-	13,053,400	16.06
2015	2,066,219	2,066,219	-	12,961,992	15.94
Schools - Nonprofessional Employees					
2017	\$ 73,623	\$ 73,623	\$ -	\$ 1,237,361	5.95%
2016	95,491	95,491	-	1,147,595	8.32
2015	100,000	100,000	-	1,116,864	8.95

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

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
VRS TEACHER RETIREMENT PLAN
June 30, 2017

Year Ended June 30	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability	Employer's Covered Employee Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2017	0.24029%	\$ 33,675,000	\$ 18,582,653	181%	68.28%
2016	0.24579	30,936,000	18,328,457	169	70.68
2015	0.25511	30,829,000	17,861,181	173	70.88

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

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
VRS TEACHER RETIREMENT PLAN
June 30, 2017**

Entity Fiscal Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2017	\$ 2,724,217	\$ 2,724,217	\$ -	\$ 18,582,653	14.66 %
2016	2,576,981	2,576,981	-	18,328,457	14.06
2015	2,600,000	2,600,000	-	17,861,181	14.56

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

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2017

Note 1. Changes of Benefit Terms

There have been no actuarially material changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 are not material.

Note 2. Changes of Assumptions

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

Largest 10 – Non-LEOS:

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

Largest 10 –LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) – LEOS:

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

Teacher cost-sharing pool

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

CITY OF COLONIAL HEIGHTS, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUND
June 30, 2017

	School Operating Fund
ASSETS	
Cash and investments	\$ 6,289,667
Receivables, net	8,691
Due from other governments	1,715,824
Due from primary government	1,848
Inventories	132,416
Total assets	<u>\$ 8,148,446</u>
LIABILITIES	
Accounts payable and other current liabilities	\$ 3,638,820
Due to primary government	81,849
Unearned revenue	26,234
Total liabilities	<u>3,746,903</u>
FUND BALANCE	
Nonspendable	132,416
Committed	1,011,117
Assigned	3,258,010
Total fund balance	<u>4,401,543</u>
Total liabilities and fund balance	<u>\$ 8,148,446</u>
Adjustments for the Statement of Net Position (Exhibit 1):	
Total Fund Balance - School Board	\$ 4,401,543
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>17,884,839</u>
	18,974,941
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows of resources for 2017 employer contributions	2,797,840
Deferred outflows of resources for the net differences between projected and actual investment earnings on pension plan investments	2,040,156
Deferred inflows of resources due to changes in proportion and differences between employer contributions and proportionate share of contributions – teacher cost sharing pension plan	(1,714,000)
Deferred inflows of resources for differences between expected and actual experience	(1,160,649)
Net pension liability	<u>(33,788,458)</u>
	(31,825,111)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	
Compensated absences	(1,780,686)
Other post-employment benefits	<u>(2,557,929)</u>
	(4,338,615)
Total Net Position - School Board Governmental Activities	<u>\$ (12,787,242)</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, 2017

	School Operating Fund
REVENUES	
Charges for services	\$ 389,665
Miscellaneous	135,032
Payments from City	20,289,595
Intergovernmental	16,899,977
Total revenue	<u>37,714,269</u>
EXPENDITURES	
Education:	
Administration, attendance, and health	2,136,231
Instruction	26,136,420
Operation and maintenance	3,555,163
Pupil transportation	959,578
Food service	1,105,348
Facilities	1,644,389
Technology	1,551,718
Reimbursement to City	538,537
Total expenditures	<u>37,627,384</u>
Net change in fund balance	86,885
FUND BALANCE AT JULY 1	<u>4,314,658</u>
FUND BALANCE AT JUNE 30	<u><u>\$ 4,401,543</u></u>
Reconciliation to the Statement of Activities (Exhibit 2):	
Net Change in Fund Balance - School Board	\$ 86,885
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	\$ 2,151,024
Depreciation and amortization expense	<u>(835,108)</u>
	1,315,916
Governmental funds report employer pension contributions as expenditures. However, in the Statement of Activities the cost of pension benefits earned net of employee contributions is reported as pension expense. This is the amount by which employer pension contributions of \$2,797,840 exceed pension expense of \$2,426,450 in the current period.	
	371,390
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	(243,152)
Other post-employment benefits	<u>(193,153)</u>
	<u>(436,305)</u>
Change in Net Position - School Board Governmental Activities	<u><u>\$ 1,337,886</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, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES				
Revenue from local sources:				
Charges for services:				
Cafeteria	\$ 380,321	\$ 344,366	\$ 344,366	\$ -
Other	44,000	45,299	45,299	-
	424,321	389,665	389,665	-
Miscellaneous	75,000	135,032	135,032	-
Payments from City	20,289,595	20,289,595	20,289,595	-
Total revenue from local sources	20,788,916	20,814,292	20,814,292	-
Intergovernmental:				
Revenue from the Commonwealth of Virginia:				
Categorical aid:				
Basic school aid	6,922,825	7,140,027	7,140,027	-
State sales tax	2,881,422	2,810,491	2,810,491	-
Other	4,447,592	4,678,611	4,678,611	-
	14,251,839	14,629,129	14,629,129	-
Revenue from the federal government:				
Categorical aid:				
Title I Grant	480,896	628,196	628,196	-
Title VI B Grant	582,110	602,299	602,299	-
Other	847,845	984,386	1,040,353	55,967
	1,910,851	2,214,881	2,270,848	55,967
Total intergovernmental	16,162,690	16,844,010	16,899,977	55,967
Total revenues	36,951,606	37,658,302	37,714,269	55,967
EXPENDITURES				
Education:				
Administration, attendance, and health	1,778,107	2,143,530	2,136,231	7,299
Instruction	27,503,874	26,331,861	26,136,420	195,441
Operation and maintenance	3,713,473	4,020,921	3,555,163	465,758
Pupil transportation	1,057,301	969,418	959,578	9,840
Food service	1,101,059	1,032,222	1,105,348	(73,126)
Facilities	-	2,004,360	1,644,389	359,971
Technology	1,649,500	1,614,685	1,551,718	62,967
Contingencies	828,328	203,300	-	203,300
Reimbursement to City	520,496	538,537	538,537	-
Total expenditures	38,152,138	38,858,834	37,627,384	1,231,450
Net change in fund balance	\$ (1,200,532)	\$ (1,200,532)	\$ 86,885	\$ 1,287,417

SUPPORTING SCHEDULE

CITY OF COLONIAL HEIGHTS, VIRGINIA

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

Federal Granting Agency/Recipient State Agency/Grant Program	Federal CFDA Number	Federal Expenditures
U.S. Department of Agriculture		
Pass-through payments:		
Commonwealth of Virginia Department of Agriculture and Consumer Services		
Child Nutrition Cluster		
School Breakfast Program	10.553	\$ 148,785
National School Lunch Program	10.555	583,145
National School Lunch Program - Commodities	10.555	55,967
Special Milk Program for Children	10.556	7,857
Total U.S. Department of Agriculture		<u>795,754</u>
U.S. Department of Housing and Urban Development		
Direct payments:		
Community Development Block Grants/Entitlement Grants	14.218	<u>80,432</u>
Total U.S. Department of Housing and Urban Development		<u>80,432</u>
U.S. Department of Justice		
Pass-through payments:		
Department of Criminal Justice Services		
Crime Victim Assistance	16.575	116,341
Bulletproof Vest Partnership Program	16.607	870
Public Safety Partnership and Community Policing Grants	16.710	87,270
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2,926
Total U.S. Department of Justice		<u>207,407</u>
U.S. Department of Transportation		
Pass-through payments:		
National Highway Traffic Safety Administration		
State and Community Highway Safety	20.600	6,192
Alcohol Open Container Requirements	20.607	8,209
Federal Highway Administration		
Highway Planning and Construction	20.205	<u>516,379</u>
Total U.S. Department of Transportation		<u>530,780</u>
U.S. Department of Education		
Direct payments:		
Impact Aid	84.041	10,364
Pass-through payments:		
Commonwealth of Virginia Department of Education:		
Title I, Part A Cluster		
Title I Grants to Local Educational Agencies	84.010	628,196
Special Education Cluster (IDEA)		
Special Education - Grants to States	84.027	588,231
Special Education - Preschool Grants	84.173	14,068
Career and Technical Education - Basic Grants to States	84.048	43,538
Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	84.330	411
English Language Acquisition State Grants	84.365	6,416
Improving Teacher Quality State Grants	84.367	49,451
Total U.S. Department of Education		<u>1,340,675</u>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

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

Federal Granting Agency/Recipient State Agency/Grant Program	Federal CFDA Number	Federal Expenditures
U.S. Department of Health and Human Services:		
Pass-through Payments:		
Commonwealth of Virginia Department of Medical Assistance Services:		
Medicaid Cluster		
Medical Assistance Program	93.778	\$ 134,418
Total U.S. Department of Health and Human Services		<u>134,418</u>
U.S. Department of Homeland Security:		
Pass-through Payments:		
Department of Emergency Management:		
Emergency Management Performance Grants	97.042	7,500
Homeland Security Grant Program (SHSP)	97.067	<u>39,379</u>
Total U.S. Department of Homeland Security		<u>46,879</u>
Total Expenditures of Federal Awards		<u>\$ 3,136,345</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 the Requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the City's CAFR.

Note 2. Non-Cash Assistance

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

Note 3. De Minimis Indirect Cost Rate

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

STATISTICAL SECTION

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

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

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

TABLE 1

CITY OF COLONIAL HEIGHTS, VIRGINIA

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

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental activities										
Net investment in capital assets	\$ 37,861,696	\$ 35,926,630	\$ 34,894,010	\$ 29,874,492	\$ 27,289,172	\$ 22,707,728	\$ 18,555,807	\$ 21,261,760	\$ 29,035,677	\$ 29,309,034
Restricted	590,549	235,027	332,329	313,998	329,699	-	-	-	-	-
Unrestricted	(4,498,752)	(4,586,604)	(7,129,653)	6,085,816	5,732,421	7,850,461	8,899,613	6,429,655	(1,362,767)	(678,937)
Total governmental activities net position	<u>\$ 33,953,493</u>	<u>\$ 31,575,053</u>	<u>\$ 28,096,686</u>	<u>\$ 36,274,306</u>	<u>\$ 33,351,292</u>	<u>\$ 30,558,189</u>	<u>\$ 27,455,420</u>	<u>\$ 27,691,415</u>	<u>\$ 27,672,910</u>	<u>\$ 28,630,097</u>
Business-type activities										
Net investment in capital assets	\$ 11,837,529	\$ 11,891,771	\$ 11,855,032	\$ 11,926,690	\$ 11,607,652	\$ 11,418,325	\$ 11,273,727	\$ 9,712,661	\$ 9,348,617	\$ 9,162,549
Restricted	-	-	-	364,421	364,421	364,421	364,421	-	-	-
Unrestricted	(161,263)	(590,377)	(763,712)	(277,999)	(59,317)	331,577	417,781	164,831	674,952	641,715
Total business-type activities net position	<u>\$ 11,676,266</u>	<u>\$ 11,301,394</u>	<u>\$ 11,091,320</u>	<u>\$ 12,013,112</u>	<u>\$ 11,912,756</u>	<u>\$ 12,114,323</u>	<u>\$ 12,055,929</u>	<u>\$ 9,877,492</u>	<u>\$ 10,023,569</u>	<u>\$ 9,804,264</u>
Primary government										
Net investment in capital assets	\$ 49,699,225	\$ 47,818,401	\$ 46,749,042	\$ 41,801,182	\$ 38,896,824	\$ 34,126,053	\$ 29,829,534	\$ 30,974,421	\$ 38,384,294	\$ 38,471,583
Restricted	590,549	235,027	332,329	678,419	694,120	364,421	364,421	-	-	-
Unrestricted	(4,660,015)	(5,176,981)	(7,893,365)	5,807,817	5,673,104	8,182,038	9,317,394	6,594,486	(687,815)	(37,222)
Total primary government net position	<u>\$ 45,629,759</u>	<u>\$ 42,876,447</u>	<u>\$ 39,188,006</u>	<u>\$ 48,287,418</u>	<u>\$ 45,264,048</u>	<u>\$ 42,672,512</u>	<u>\$ 39,511,349</u>	<u>\$ 37,568,907</u>	<u>\$ 37,696,479</u>	<u>\$ 38,434,361</u>
School Board										
Net investment in capital assets	\$ 18,974,941	\$ 17,659,025	\$ 18,080,934	\$ 18,710,224	\$ 19,250,268	\$ 19,873,661	\$ 19,170,921	\$ 17,508,207	\$ 18,513,205	\$ 14,734,444
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	(31,762,183)	(31,784,153)	(33,894,001)	67,351	1,611,591	1,985,250	2,406,683	2,104,270	1,877,210	3,275,955
Total component unit net position	<u>\$ (12,787,242)</u>	<u>\$ (14,125,128)</u>	<u>\$ (15,813,067)</u>	<u>\$ 18,777,575</u>	<u>\$ 20,861,859</u>	<u>\$ 21,858,911</u>	<u>\$ 21,577,604</u>	<u>\$ 19,612,477</u>	<u>\$ 20,390,415</u>	<u>\$ 18,010,399</u>
Total reporting entity										
Net investment in capital assets	\$ 58,753,096	\$ 60,186,205	\$ 58,993,061	\$ 54,238,252	\$ 51,380,705	\$ 46,754,260	\$ 41,320,933	\$ 40,380,353	\$ 48,108,917	\$ 43,763,749
Restricted	590,549	235,027	332,329	678,419	694,120	364,421	364,421	-	-	-
Unrestricted	(26,501,128)	(31,669,913)	(35,950,451)	12,148,322	14,051,082	17,412,742	19,403,599	16,801,031	9,977,977	12,681,011
Total reporting entity	<u>\$ 32,842,517</u>	<u>\$ 28,751,319</u>	<u>\$ 23,374,939</u>	<u>\$ 67,064,993</u>	<u>\$ 66,125,907</u>	<u>\$ 64,531,423</u>	<u>\$ 61,088,953</u>	<u>\$ 57,181,384</u>	<u>\$ 58,086,894</u>	<u>\$ 56,444,760</u>

Notes:

GASB Statement No. 68 was adopted in fiscal year 2015

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)

	2017	2016	2015	2014	2013	Fiscal Year 2012	2011	2010	2009	2008
Expenses										
Governmental activities										
General government	\$ 4,091,160	\$ 4,222,021	\$ 4,035,396	\$ 4,229,539	\$ 8,513,050	\$ 8,430,859	\$ 8,252,642	\$ 8,420,688	\$ 8,075,559	\$ 7,617,133
Judicial administration	5,255,271	5,298,386	5,401,538	5,373,484	4,654,684	4,185,393	4,784,397	4,622,336	4,453,918	4,401,401
Public safety	11,137,517	11,043,829	11,268,573	11,299,988	9,019,958	8,862,843	8,132,209	8,157,263	8,007,156	7,446,556
Public works	5,741,092	5,867,451	5,568,423	6,056,945	5,340,369	4,204,531	4,093,809	4,644,140	3,675,598	3,650,407
Health and welfare	1,082,908	900,875	700,961	623,784	758,401	650,043	564,251	511,097	593,946	716,096
Parks, recreation, and cultural	3,056,313	2,978,081	2,860,914	2,914,469	2,388,151	2,262,706	2,332,036	2,420,733	2,450,217	2,350,085
Community development	583,330	536,782	455,683	567,323	500,588	468,981	465,764	613,699	571,243	580,574
Education	20,289,595	20,503,749	19,383,253	19,461,176	19,296,419	18,996,933	19,405,770	18,598,070	20,202,607	23,330,795
Interest	1,093,100	831,949	1,312,329	1,115,804	1,230,148	940,076	846,625	996,773	1,181,785	1,136,041
Human Services	468,039	447,513	437,567	470,011	-	-	-	-	-	-
Total governmental activities	52,798,325	52,630,636	51,424,637	52,112,523	51,701,768	49,002,365	48,877,503	48,984,799	49,212,029	51,229,088
Business-type activities										
Water and Sewer	5,010,173	4,668,983	4,324,991	4,206,290	4,197,076	-	-	-	-	-
Water	-	-	-	-	-	1,599,243	1,599,110	1,692,407	1,625,950	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
Storm water management	305,172	290,846	309,071	298,556	257,289	258,114	231,702	229,545	243,483	-
Total business-type activities expense	5,315,345	4,959,829	4,634,062	4,504,846	4,454,365	5,770,827	5,165,242	5,959,845	5,917,904	5,646,085
Total primary government expenses	58,113,670	57,590,465	56,058,699	56,617,369	56,156,133	54,773,192	54,042,745	54,944,644	55,129,933	56,875,173
Program revenues										
Governmental activities										
Charges for services										
Refuse collection	972,808	978,597	1,109,042	1,109,143	1,125,094	-	-	-	-	-
Parks and recreation	178,767	196,353	181,843	184,839	182,759	150,502	247,439	336,773	254,040	285,497
Other activities	5,135,773	5,267,723	5,294,990	5,289,334	5,626,146	5,313,067	5,235,500	5,125,656	5,234,826	5,001,743
Operating grants and contributions	5,910,440	5,463,958	5,306,971	5,556,569	4,971,475	5,418,602	4,836,631	5,102,144	5,487,211	5,472,945
Capital grants and contributions	765,492	913,850	4,230,162	3,436,635	2,413,293	2,809,970	941,115	1,320,778	151,333	-
Total governmental activities program revenues	12,963,280	12,820,481	16,123,008	15,576,520	14,318,767	13,692,141	11,260,685	11,885,351	11,127,410	10,760,185
Business-type activities										
Charges for services										
Water and sewer	5,052,084	4,784,973	4,181,407	4,164,312	4,144,465	-	-	-	-	-
Water	-	-	-	-	-	1,531,079	1,553,670	1,640,431	1,769,893	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
Storm water management	388,089	384,930	396,082	379,088	372,312	377,976	257,563	-	-	-
Total business-type activities program revenues	5,440,173	5,169,903	4,577,489	4,543,400	4,516,777	5,749,221	5,605,622	5,477,992	5,732,737	5,248,509
Total primary government program revenues	18,403,453	17,990,384	20,700,497	20,119,920	18,835,544	19,441,362	16,866,307	17,363,343	16,860,147	16,008,694

(Continued)

TABLE 2

CITY OF COLONIAL HEIGHTS, VIRGINIA

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

	2017	2016	2015	2014	2013	Fiscal Year 2012	2011	2010	2009	2008
Net (expense) revenue										
Governmental activities	\$ (39,835,045)	\$ (39,810,155)	\$ (35,301,629)	\$ (36,536,003)	\$ (37,383,001)	\$ (35,310,224)	\$ (37,616,818)	\$ (37,099,448)	\$ (38,084,619)	\$ (40,468,903)
Business-type activities	124,828	210,074	(56,573)	38,554	62,412	(21,606)	440,380	(481,853)	(185,167)	(397,576)
Total primary government net expense	(39,710,217)	(39,600,081)	(35,358,202)	(36,497,449)	(37,320,589)	(35,331,830)	(37,176,438)	(37,581,301)	(38,269,786)	(40,866,479)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
General property taxes	22,319,312	21,547,059	21,604,557	21,415,093	21,512,047	20,829,561	20,545,422	21,409,820	21,101,105	20,292,300
Local sales and use	7,567,072	7,602,518	7,505,833	7,192,330	7,174,334	7,066,137	6,662,265	6,687,050	6,998,818	7,247,183
Food and lodging	7,813,174	7,668,016	7,277,458	6,841,952	6,930,069	6,338,213	5,509,401	5,105,057	4,813,420	4,622,383
Other taxes	2,247,185	2,251,352	2,145,835	2,232,755	2,205,223	2,183,334	2,288,483	2,151,134	2,097,530	2,211,189
Intergovernmental, non-categorical aid	1,758,517	1,759,131	1,758,845	1,759,070	1,758,697	1,757,530	1,757,878	1,856,496	1,871,849	1,777,424
Use of money and property	359,133	215,801	167,783	175,282	233,822	194,826	158,013	47,549	175,942	713,779
Miscellaneous	368,686	217,348	218,790	142,232	97,933	123,392	669,645	195,415	465,376	364,836
Transfers	(250,044)	-	-	-	263,979	(80,000)	(108,566)	(334,568)	(396,608)	(202,000)
Gain on sale of capital assets	30,450	2,027,297	-	-	-	-	-	-	-	-
Total governmental activities	42,213,485	43,288,522	40,679,101	39,758,714	40,176,104	38,412,993	37,482,541	37,117,953	37,127,432	37,027,094
Business-type activities:										
Use of money and property	-	-	-	-	-	-	238	1,208	7,864	11,217
Miscellaneous	-	-	-	-	-	-	5,190	-	-	-
Transfers	250,044	-	-	-	(263,979)	80,000	108,566	334,568	396,608	202,000
Total business-type activities	250,044	-	-	-	(263,979)	80,000	113,994	335,776	404,472	213,217
Total primary government	42,463,529	43,288,522	40,679,101	39,758,714	39,912,125	38,492,993	37,596,535	37,453,729	37,531,904	37,240,311
Changes in Net Position										
Governmental activities	2,378,440	3,478,367	5,377,472	3,222,711	2,793,103	3,102,769	(134,277)	18,505	(957,187)	(3,441,809)
Business-type activities	374,872	210,074	(56,573)	38,554	(201,567)	58,394	554,374	(146,077)	219,305	(184,359)
Total primary government	2,753,312	3,688,441	5,320,899	3,261,265	2,591,536	3,161,163	420,097	(127,572)	(737,882)	(3,626,168)
Component Unit:										
Expenses:										
Education	36,376,383	35,087,111	35,871,027	36,905,074	35,569,416	34,304,488	33,698,131	34,245,957	34,453,393	33,178,764
Program revenues										
Charges for services	389,665	390,422	376,249	478,386	573,499	409,019	407,204	432,265	546,183	557,939
Operating grants and contributions	16,899,977	15,801,934	15,234,548	14,765,427	14,599,996	14,838,115	15,001,600	14,186,550	15,817,225	14,434,911
Total program revenues	17,289,642	16,192,356	15,610,797	15,243,813	15,173,495	15,247,134	15,408,804	14,618,815	16,363,408	14,992,850
Net expense	(19,086,741)	(18,894,755)	(20,260,230)	(21,661,261)	(20,395,921)	(19,057,354)	(18,289,327)	(19,627,142)	(18,089,985)	(18,185,914)
General Revenues and Other Changes in Net Position										
Contribution from primary government	20,289,595	20,503,749	19,383,253	19,461,176	19,296,419	18,996,933	19,405,770	18,598,070	20,202,607	23,330,795
Use of money and property	-	-	-	-	-	434	2,477	2,885	12,036	97,462
Miscellaneous	135,032	110,631	103,926	115,801	102,450	341,305	278,643	248,429	255,358	267,880
Loss on sale of capital assets	-	(31,686)	-	-	-	-	-	-	-	-
Total general revenue	20,424,627	20,582,694	19,487,179	19,576,977	19,398,869	19,338,672	19,686,890	18,849,384	20,470,001	23,696,137
Total component unit change in net position	\$ 1,337,886	\$ 1,687,939	\$ (773,051)	\$ (2,084,284)	\$ (997,052)	\$ 281,318	\$ 1,397,563	\$ (777,758)	\$ 2,380,016	\$ 5,510,223

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)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Post-GASB 54 implementation:							
General Fund							
Nonspendable	\$ 60,051	\$ 64,871	\$ 60,599	\$ 68,832	\$ 69,859	\$ 67,373	\$ 109,011
Restricted	590,549	235,027	332,329	313,998	329,699	369,152	350,067
Committed	196,092	554,259	618,698	431,512	327,569	484,422	592,493
Assigned	1,415,321	1,969,999	728,241	1,407,705	1,574,257	873,226	680,712
Unassigned	8,735,172	7,950,089	8,015,011	7,415,836	8,083,102	8,477,484	7,652,961
Total general fund	<u>\$ 10,997,185</u>	<u>\$ 10,774,245</u>	<u>\$ 9,754,878</u>	<u>\$ 9,637,883</u>	<u>\$ 10,384,486</u>	<u>\$ 10,271,657</u>	<u>\$ 9,385,244</u>
Capital Projects Fund							
Restricted	11,462,474	2,192,697	3,388,835	372,795	7,207,335	\$ 16,792,519	\$ -
Committed	-	-	-	-	-	246,683	957,111
Assigned	-	-	-	-	-	197,390	308,416
Unassigned	(348,287)	(1,505,584)	(3,587,598)	(10,080)	(1,245,870)	-	-
Total capital projects fund	<u>\$ 11,114,187</u>	<u>\$ 687,113</u>	<u>\$ (198,763)</u>	<u>\$ 362,715</u>	<u>\$ 5,961,465</u>	<u>\$ 17,236,592</u>	<u>\$ 1,265,527</u>
Pre-GASB 54 implementation:							
	<u>2010</u>	<u>2009</u>	<u>2008</u>				
General Fund							
Reserved	\$ 56,571	\$ 45,085	\$ 54,779				
Unreserved:							
Designated	344,001	305,505	720,761				
Undesignated	7,987,538	8,333,760	9,050,997				
Total general fund	<u>\$ 8,388,110</u>	<u>\$ 8,684,350</u>	<u>\$ 9,826,537</u>				
All Other Governmental Funds							
Reserved	\$ -	\$ -	\$ -				
Unreserved:							
Designated:							
Capital projects fund	1,213,975	2,864,837	612,818				
Undesignated:							
Capital projects fund	1,305,091	758,371	5,208,410				
Total all other governmental funds	<u>\$ 2,519,066</u>	<u>\$ 3,623,208</u>	<u>\$ 5,821,228</u>				

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

TABLE 4

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues										
General property taxes	\$ 22,375,525	\$ 21,520,136	\$ 21,560,377	\$ 21,309,428	\$ 21,434,252	\$ 21,405,217	\$ 21,374,974	\$ 21,159,849	\$ 20,897,171	\$ 19,766,717
Other local taxes	17,627,431	17,521,886	16,929,126	16,267,037	16,309,626	15,587,684	14,460,149	13,943,241	13,909,768	14,080,755
Permits, fees, and licenses	3,487,901	3,766,603	3,541,207	3,509,526	3,633,852	3,384,894	3,371,767	707,554	731,615	566,042
Fines and forfeitures	341,560	438,930	505,391	540,368	729,979	718,053	747,448	1,433,972	1,283,848	1,274,510
Charges for services	2,457,887	2,237,140	2,539,277	2,533,422	2,570,168	1,360,622	1,363,724	3,320,903	3,473,403	3,446,688
Use of money and property	359,133	215,801	167,783	175,282	233,822	194,826	158,013	47,549	175,942	713,779
Miscellaneous	368,686	217,348	245,348	142,232	97,933	123,392	669,645	7,690,484	6,627,145	6,572,855
Reimbursement from component unit	538,537	381,605	377,274	781,768	323,897	315,449	314,345	588,934	883,248	677,514
Intergovernmental	7,895,912	7,755,334	10,892,146	9,970,506	8,819,568	9,670,653	7,221,279	195,415	465,376	364,836
Total revenues	55,452,572	54,054,783	56,757,929	55,229,569	54,153,097	52,760,790	49,681,344	49,087,901	48,447,516	47,463,696
Expenditures										
General government	3,749,469	3,860,820	3,774,029	3,929,794	7,722,431	7,560,760	7,330,864	7,423,627	7,229,137	6,742,155
Judicial administration	5,271,039	5,375,979	5,452,078	5,411,741	4,595,172	4,152,036	4,745,029	4,541,636	4,346,342	4,250,944
Public safety	11,182,996	11,219,742	11,146,037	10,969,018	8,201,249	8,261,480	7,439,357	7,433,568	7,261,713	7,162,033
Public works	4,635,226	4,235,724	4,079,575	4,555,044	3,906,864	2,894,228	2,591,213	3,111,361	3,031,589	2,596,771
Health and welfare	1,072,990	897,077	697,163	619,986	754,603	646,245	560,453	507,299	590,148	712,298
Parks, recreation, and cultural	2,684,709	2,707,421	2,726,632	2,707,146	2,056,291	2,012,473	2,073,329	2,135,270	2,188,202	2,130,976
Community development	583,721	547,914	515,386	568,937	487,155	465,879	476,452	522,187	553,966	538,041
Education	20,289,595	20,503,749	19,383,253	19,461,176	19,296,419	18,996,933	19,405,770	18,598,070	20,202,607	23,330,795
Human services	465,663	458,317	447,668	490,762	444,346	433,956	509,570	397,630	435,331	406,310
Nondepartmental	336,656	417,516	334,301	249,008	269,748	361,190	366,238	258,062	279,042	467,976
Debt service:										
Principal retirement	2,398,190	2,783,005	2,607,026	2,839,657	2,546,199	2,028,330	1,968,712	2,185,490	6,082,877	1,672,927
Interest and fiscal charges	1,227,077	927,997	1,190,669	1,220,379	1,511,054	788,734	865,566	1,029,750	1,312,510	1,162,817
Bond issuance costs	-	-	-	-	-	311,693	-	-	-	-
Capital expenditures	1,889,302	855,647	5,132,587	8,486,471	13,780,361	6,230,285	1,496,630	2,430,048	1,847,651	527,628
Total expenditures	55,786,633	54,790,908	57,486,404	61,509,119	65,571,892	55,144,222	49,829,183	50,573,998	55,361,115	51,701,671
Excess of revenues over (under) expenditures	(334,061)	(736,125)	(728,475)	(6,279,550)	(11,418,795)	(2,383,432)	(147,839)	(1,486,097)	(6,913,599)	(4,237,975)
Other Financing Sources (Uses)										
Premium on issuance of debt	918,669	-	625,569	-	-	1,460,910	-	412,680	-	-
Payment to refunded bond escrow agent	-	-	(8,887,096)	-	-	(3,970,000)	-	(7,267,779)	-	-
Issuance of debt	10,285,000	-	8,424,044	-	-	21,830,000	-	6,943,864	3,970,000	10,000,000
Proceeds from capital lease	-	-	121,475	-	-	-	-	-	-	-
Proceeds from sale of capital assets	30,450	2,641,368	-	-	-	-	-	-	-	-
Transfers in	11,735,993	826,982	378,901	657,198	311,497	366,197	115,000	368,018	933,007	1,200,000
Transfers out	(11,986,037)	(826,982)	(378,901)	(657,198)	(55,000)	(446,197)	(223,566)	(371,068)	(1,329,615)	(1,402,000)
Total other financing sources (uses)	10,984,075	2,641,368	283,992	-	256,497	19,240,910	(108,566)	85,715	3,573,392	9,798,000
Net change in fund balances	\$ 10,650,014	\$ 1,905,243	\$ (444,483)	\$ (6,279,550)	\$ (11,162,298)	\$ 16,857,478	\$ (256,405)	\$ (1,400,382)	\$ (3,340,207)	\$ 5,560,025

(Continued)

TABLE 4

CITY OF COLONIAL HEIGHTS, VIRGINIA

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Debt service as a percentage of noncapital expenditures:										
Primary Government										
Total debt service	\$ 3,625,267	\$ 3,711,002	\$ 3,797,695	\$ 4,060,036	\$ 4,057,253	\$ 2,817,064	\$ 2,834,278	\$ 3,215,240	\$ 7,395,387	\$ 2,835,744
Total expenditures	55,786,633	54,790,908	57,486,404	61,509,119	65,571,892	55,144,222	49,829,183	50,573,998	55,361,115	51,701,671
Capital expenditures	(3,145,974)	(1,541,702)	(5,729,345)	(9,164,371)	(14,250,650)	(6,843,873)	(1,772,395)	(2,289,455)	(3,265,514)	(1,518,495)
Non-capital expenditures	<u>\$ 52,640,659</u>	<u>\$ 53,249,206</u>	<u>\$ 51,757,059</u>	<u>\$ 52,344,748</u>	<u>\$ 51,321,242</u>	<u>\$ 48,300,349</u>	<u>\$ 48,056,788</u>	<u>\$ 48,284,543</u>	<u>\$ 52,095,601</u>	<u>\$ 50,183,176</u>
Debt service as a percentage of non-capital expenditures - primary government only	<u>6.89%</u>	<u>6.97%</u>	<u>7.34%</u>	<u>7.76%</u>	<u>7.91%</u>	<u>5.83%</u>	<u>5.90%</u>	<u>6.66%</u>	<u>14.20%</u>	<u>5.65%</u>
School Board										
School expenditures, excluding City contribution	\$ 17,337,789	\$ 14,570,190	\$ 15,744,708	\$ 16,273,697	\$ 15,164,652	\$ 15,708,729	\$ 15,565,764	\$ 15,267,683	\$ 17,417,113	\$ 13,672,606
Capital expenditures - Public Schools	(2,151,024)	(320,139)	(170,982)	(543,416)	(280,731)	(1,550,915)	(2,496,489)	(626,065)	(3,539,692)	(4,295,018)
Non-capital expenditures	<u>\$ 15,186,765</u>	<u>\$ 14,250,051</u>	<u>\$ 15,573,726</u>	<u>\$ 15,730,281</u>	<u>\$ 14,883,921</u>	<u>\$ 14,157,814</u>	<u>\$ 13,069,275</u>	<u>\$ 14,641,618</u>	<u>\$ 13,877,421</u>	<u>\$ 9,377,588</u>
Debt service as a percentage of non-capital expenditures - total reporting entity	<u>5.34%</u>	<u>5.50%</u>	<u>5.64%</u>	<u>5.96%</u>	<u>6.13%</u>	<u>4.51%</u>	<u>4.64%</u>	<u>5.11%</u>	<u>11.21%</u>	<u>4.76%</u>

Notes:

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

TABLE 5

CITY OF COLONIAL HEIGHTS, VIRGINIA

**SCHEDULE OF REVENUES, RESOURCES, EXPENDITURES, CONTRACT COMMITMENTS,
AND UNOBLIGATED BALANCE
Year Ended June 30, 2017
(Unaudited)**

	Revenues and Resources					Expenditures and Contract Commitments			
	Prior Years	Current	Transfers In/(Out)	Uncollected Future	Revised Budget	Prior Years	Current	Contract Commitment	Unobligated Balance
General Government:									
Allocable to Complete Projects:									
Courts Building	\$ 18,513,127	\$ -	\$ -	\$ -	\$ 18,513,127	\$ 18,424,415	\$ -	\$ -	\$ 88,712
Development Projects	141,359	-	-	-	141,359	50,929	-	-	90,430
Total	18,654,486	-	-	-	18,654,486	18,475,344	-	-	179,142
Allocable to Incomplete Projects:									
Fire Apparatus	-	-	62,278	249,113	311,391	-	306,449	-	4,942
Beautification Committee/Tourism	147,213	-	-	-	147,213	142,701	-	-	4,512
Communications System	-	5,500,000	-	-	5,500,000	-	840,687	-	4,659,313
Sign Replacement	57,212	-	-	-	57,212	51,113	-	-	6,099
Animal Shelter Expansion	225,000	126,493	-	-	351,493	-	195,292	-	156,201
Total	429,425	5,626,493	62,278	249,113	6,367,309	193,814	1,342,428	-	4,831,067
Total General Government	19,083,911	5,626,493	62,278	249,113	25,021,795	18,669,158	1,342,428	-	5,010,209
Recreational Facilities									
Allocable to Incomplete Projects:									
Facilities Master Plan	205,000	-	-	-	205,000	147,762	-	-	57,238
Violet Bank Museum	100,000	-	-	-	100,000	-	-	-	100,000
Appomattox River Greenway	573,220	14,833	-	559,714	1,147,767	873,481	7,021	-	267,265
Flora Hill Park	68,461	-	-	-	68,461	62,958	-	-	5,503
Total	946,681	14,833	-	559,714	1,521,228	1,084,201	7,021	-	430,006
Educational Facilities									
Allocable to Incomplete Projects:									
Transfer to School CIP Projects	-	5,500,000	-	-	5,500,000	-	-	-	5,500,000
Total	-	5,500,000	-	-	5,500,000	-	-	-	5,500,000
Streets and Bridges:									
Allocable to Complete Projects:									
Bruce Avenue Drainage	2,661,105	-	-	-	2,661,105	2,661,105	-	-	-
Blvd Modernization Dupuy Intersection	11,132,823	72,342	-	190,069	11,395,234	11,419,960	-	-	(24,726)
Total	13,793,928	72,342	-	190,069	14,056,339	14,081,065	-	-	(24,726)
Allocable to Incomplete Projects:									
Safe Routes to School	21,051	-	-	419,938	440,989	16,407	-	-	424,582
Redevelopment Project	53,292	-	-	-	53,292	33,123	-	-	20,169
Highway Construction-Local Share	116,455	-	-	-	116,455	64,241	(64,241)	-	116,455
Stormwater Drainage Improvements	-	267,000	-	-	267,000	-	22,710	-	244,290
Boulevard Widening	-	-	-	-	-	1,100	-	-	(1,100)
Snead Avenue Draining	123,538	-	-	-	123,538	123,538	-	-	-
Safe Routes to School- N. Elem.	-	6,000	-	677,581	683,581	6,145	7,500	-	669,936
Conduit/ Ellerslie Intersection	-	342,500	-	-	342,500	-	-	-	342,500

(Continued)

TABLE 5

CITY OF COLONIAL HEIGHTS, VIRGINIA

SCHEDULE OF REVENUES, RESOURCES, EXPENDITURES, CONTRACT COMMITMENTS,
AND UNOBLIGATED BALANCE

Year Ended June 30, 2017

(Unaudited)

	Revenues and Resources					Expenditures and Contract Commitments			
	Prior Years	Current	Transfers In/(Out)	Uncollected Future	Revised Budget	Prior Years	Current	Contract Commitment	Unobligated Balance
Allocable to Incomplete Projects: (Continued)									
Temple Avenue Turning Lane	\$ 192,737	\$ -	\$ -	\$ 262,344	\$ 455,081	\$ 389,403	\$ -	\$ -	\$ 65,678
Southpark & Dimmock	295,134	-	-	10,984	306,118	277,582	-	-	28,536
Dupuy Avenue Modernization	958,340	94,210	-	3,145,449	4,197,999	925,431	90,607	108,647	3,073,314
Lakeview Ave Modernization	569,731	202,206	-	2,542,064	3,314,000	549,239	205,687	2,873	2,556,202
Temple Avenue/Dimmock Turning Lane	422,343	-	-	77,657	500,000	414,079	-	-	85,921
Bridge Rehabilitation Project	-	-	-	650,000	650,000	-	-	-	650,000
Traffic Signal Coordination	-	-	-	495,000	495,000	1,100	-	-	493,900
Holly Avenue	297,747	46,080	-	60,856	404,683	36,167	364,183	-	4,333
Stratford Drive	195,550	2,500	-	180,150	378,200	-	5,000	-	373,200
Mallard Drive	72,200	1,750	-	63,850	137,800	-	-	-	137,800
Total	3,318,118	962,246	-	8,585,874	12,866,237	2,837,555	631,445	111,520	9,285,716
Total Streets and Bridges	17,112,046	1,034,588	-	8,585,874	12,866,237	16,918,619	631,445	111,520	9,285,716
Utility Improvements:									
Allocable to Complete Projects:									
Boulevard Modernization - Utility	980,660	-	-	-	980,660	1,049,083	-	-	(68,423)
Total	980,660	-	-	-	980,660	1,049,083	-	-	(68,423)
Allocable to Incomplete Projects:									
Dupuy Avenue Modernization - Utility	577,223	-	-	-	577,223	7,795	-	28,876	540,552
Lakeview Ave Modernization - Utility	375,000	-	152,130	-	527,130	53,650	-	880	472,600
Lafayette/Hamilton Pipe	340,000	-	-	-	340,000	384,131	-	-	(44,131)
Utility Infrastructure	292,715	-	-	-	292,715	114,631	-	-	178,084
Temple Ave. Sewer Lines	750,044	-	-	-	750,044	-	750,044	-	-
White Sands Reconstruction	135,487	-	-	30,513	166,000	107,608	-	-	58,392
Bruce Avenue Drainage Phase IV	1,967,481	-	-	-	1,967,481	1,138,061	324,041	-	505,379
Total	4,437,950	-	152,130	30,513	4,620,593	1,805,876	1,074,085	29,756	1,710,876
Total Utility Improvements	5,418,610	-	152,130	30,513	5,601,253	2,854,958	1,074,085	29,756	1,642,454
Restricted Fund - Apparatus	197,390	-	(62,278)	-	135,112	-	-	-	135,112
Non-Project Related	630	64,935	-	-	65,565	-	-	-	65,565
Total Projects	\$ 42,759,268	\$ 12,240,849	\$ 152,130	\$ 9,425,214	\$ 50,711,190	\$ 39,526,936	\$ 3,054,978	\$ 141,275	\$ 22,069,065

TABLE 6

CITY OF COLONIAL HEIGHTS, VIRGINIA

ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

(unaudited)

Fiscal Year	Real Property			Public Service**	Total Taxable Assessed Value	Total Direct Tax Rate	Actual Taxable Value	Value as a Percentage of Assessed Value
	Residential Property*	Multi-Family Property	Commercial Property					
2017	\$ 937,034,800	\$ 87,022,300	\$ 603,466,400	\$ 37,380,404	\$ 1,664,903,904	\$ 2.64	\$ 1,664,903,904	100.00 %
2016	936,134,000	87,022,300	598,832,200	35,854,598	1,657,843,098	2.52	1,657,843,098	100.00
2015	937,198,700	87,323,500	590,412,800	33,778,852	1,648,713,852	2.52	1,648,713,852	100.00
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

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

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

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

Year	Real Estate	Public Service	Public Safety	Total Direct Rate
2017	1.20	1.20	0.24	2.64
2016	1.14	1.14	0.24	2.52
2015	1.14	1.14	0.24	2.52
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

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	2017			2008		
	Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Southpark Mall	\$ 71,323,000	1	4.28%	\$ 72,463,027	1	4.31%
Roslyn Farms Corp	30,492,100	2	1.83%	41,364,954	2	2.46%
Wal-Mart/Sams	25,309,700	3	1.52%	25,221,208	3	1.50%
Roslyn Farms Associates LP	24,092,500	4	1.45%	24,886,754	4	1.48%
Virginia Electric & Power	16,682,131	5	1.00%	9,714,372	10	0.58%
Dunlop House	14,129,600	6	0.85%	11,169,900	9	0.66%
Colonial Square Associated	13,948,500	7	0.84%	13,538,200	6	0.81%
Dimmock Square Marketplace	13,151,000	8	0.79%	-	-	0.00%
Colonial Heights Operations	13,008,100	9	0.78%	-	-	0.00%
Faison Colonial Heights	12,673,500	10	0.76%	12,334,985	7	0.73%
Home Depot USA	-	-	-	12,364,177	5	0.74%
Southpark Hotel	-	-	-	11,590,072	8	0.69%
	<u>\$ 234,810,131</u>		<u>14.10%</u>	<u>\$ 234,647,649</u>		<u>13.96%</u>

TABLE 9

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

Calendar Year Ended June 30	Taxes Levied for the Year		Collected within the Year of the Levy		Collections in Subsequent Years*	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2016	\$	23,612,144	\$ 23,056,541	97.65 %	\$ 302,652	\$ 23,359,193	98.93 %
2015		23,205,467	22,622,829	97.49	330,352	22,953,181	98.91
2014		23,087,247	22,546,470	97.66	267,042	22,813,512	98.81
2013		23,197,067	22,707,550	97.89	378,471	23,086,021	99.52
2012		23,148,788	22,634,176	97.78	471,817	23,105,993	99.82
2011		23,066,409	22,500,624	97.55	540,990	23,041,614	99.89
2010		22,920,083	22,666,857	98.90	225,451	22,892,308	99.88
2009		22,923,361	22,705,560	99.05	204,157	22,909,717	99.94
2008		22,871,135	22,536,288	98.54	177,101	22,713,389	99.31
2007		21,303,700	21,063,380	98.87	240,320	21,303,700	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.

TABLE 10

CITY OF COLONIAL HEIGHTS, VIRGINIA

TAXABLE SALES BY CATEGORY

Last Ten Calendar Years

(in thousands of dollars)

(unaudited)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Apparel	\$ 77,638	\$ 73,203	\$ 71,591	\$ 71,301	\$ 68,317	\$ 64,286	\$ 61,381	\$ 59,414	\$ 55,303	\$ 56,839
Automotive	4,053	3,816	3,623	3,665	4,331	5,977	12,392	14,554	14,817	13,563
Food	160,041	158,054	144,188	136,078	137,113	127,548	119,677	118,561	116,997	107,331
Furniture, home furnishings, and equipment	11,536	12,567	12,387	12,944	14,781	12,205	8,100	9,186	8,313	55,986
General merchandise	272,096	283,051	286,433	282,948	280,835	302,806	275,618	279,137	293,417	295,155
Machinery, equipment, and supplies	29,123	28,851	29,887	31,905	34,033	28,439	37,309	39,068	43,189	46,438
Miscellaneous	175,037	161,193	150,454	144,172	82,789	83,710	76,519	69,668	86,177	114,937
Total	<u>\$ 729,524</u>	<u>\$ 720,735</u>	<u>\$ 698,563</u>	<u>\$ 683,013</u>	<u>\$ 622,199</u>	<u>\$ 624,971</u>	<u>\$ 590,996</u>	<u>\$ 589,588</u>	<u>\$ 618,213</u>	<u>\$ 690,249</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.

TABLE 11

CITY OF COLONIAL HEIGHTS, VIRGINIA

TAXABLE SALES BY CATEGORY

Calendar Years 2016 and 2007

(taxable sales in thousands of dollars)

(unaudited)

	Calendar Year 2016				Calendar Year 2007			
	Number of Filers	Percentage of Total	Taxable Sales	Percentage of Total	Number of Filers	Percentage of Total	Taxable Sales	Percentage of Total
Apparel	78	12.36 %	\$ 77,638	10.64 %	72	12.30 %	\$ 56,839	8.23 %
Automotive	8	1.27	4,053	0.56	14	2.40	13,563	1.96
Food	113	17.91	160,041	21.94	95	16.20	107,331	15.55
Furniture, home furnishings, and equipment	19	3.01	11,536	1.58	28	4.80	55,986	8.11
General merchandise	68	10.78	272,096	37.30	67	11.40	295,155	42.76
Machinery, equipment, and supplies	15	2.38	29,123	3.99	23	3.90	46,438	6.73
Miscellaneous	330	52.29	175,037	23.99	287	49.00	114,937	26.30
Total	631	100.00 %	\$ 729,524	100.00 %	586	100.00 %	\$ 690,249	109.64 %

Source: Virginia Department of Taxation.

Notes:

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

TABLE 12

CITY OF COLONIAL HEIGHTS, VIRGINIA

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

(unaudited)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Debt limit	\$ 166,490,390	\$ 165,784,310	\$ 164,871,385	\$ 163,943,771	\$ 166,417,662	\$ 165,186,693	\$ 171,597,258	\$ 170,810,840	\$ 170,268,252	\$ 168,097,949
Total net debt applicable to limit	40,125,000	32,485,000	35,555,000	34,040,000	37,045,000	39,750,000	24,125,000	26,295,000	28,855,000	27,295,000
Legal debt margin	<u>\$ 126,365,390</u>	<u>\$ 133,299,310</u>	<u>\$ 129,316,385</u>	<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>
Total net debt applicable to the limit as a percentage of debt limit	24.10%	19.59%	21.57%	20.76%	22.26%	24.06%	14.06%	15.39%	16.95%	16.24%

Legal Debt Margin Calculation for Fiscal Year 2017

Assessed value	<u>\$ 1,664,903,904</u>
Debt limit (10% of assessed value)	\$ 166,490,390
Less debt applicable to limit:	
General obligation bonds	<u>40,125,000</u>
Legal debt margin	<u>\$ 126,365,390</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 Year	Governmental Activities				Business-type Activities		
	General Obligation Bonds	Net Deferred Amounts ⁽¹⁾	Lease Revenue Note Payable	Capital Leases	General Obligation Bonds	Net Deferred Amounts ⁽¹⁾	Capital Leases
2017	\$ 36,024,071	\$ 2,470,747	\$ -	\$ 68,628	\$ 4,100,929	\$ 193,625	\$ 19,791
2016	28,113,743	1,789,006	-	92,146	4,371,257	209,603	45,518
2015	30,873,958	1,964,688	-	114,936	4,681,042	225,580	70,510
2014	33,406,897	1,230,564	-	-	633,103	8,186	94,789
2013	36,246,554	1,576,521	-	-	798,446	11,846	32,558
2012	38,792,753	1,697,691	-	-	957,247	14,215	74,490
2011	22,961,083	357,951	-	-	1,163,917	16,585	114,795
2010	24,929,795	406,075	-	-	1,365,205	18,954	181,587
2009	26,855,108	155,712	-	-	1,999,892	-	245,697
2008	24,997,685	170,672	3,970,300	-	2,297,315	-	80,618
Fiscal Year	Total Net General Bonded Debt ⁽²⁾	Net General Bonded Debt Per Capita	Net General Bonded Debt to Estimated Actual Value of Taxable Property	Total Primary Government Outstanding Debt	Total Outstanding Debt Per Capita	Total Outstanding Debt to Estimated Actual Value of Taxable Property ⁽³⁾	
2017	\$ 42,789,372	\$ 2,401	2.57 %	\$ 42,877,791	\$ 2,406	2.58 %	
2016	34,483,609	1,935	2.08	34,621,273	1,943	2.09	
2015	37,745,268	2,168	2.29	37,930,714	2,179	2.30	
2014	35,278,750	2,026	2.15	35,373,539	2,032	2.16	
2013	38,633,367	2,219	2.32	38,665,925	2,221	2.32	
2012	41,461,906	2,387	2.51	41,536,396	2,386	2.51	
2011	24,499,536	1,407	1.43	24,614,331	1,414	1.43	
2010	26,720,029	1,482	1.56	26,901,616	1,492	1.57	
2009	29,010,712	1,640	1.70	29,256,409	1,654	1.72	
2008	27,465,672	1,543	1.63	31,516,590	1,771	1.87	

(1) Net deferred amounts include premiums and discounts.

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

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

DEMOGRAPHIC STATISTICS

Last Ten Calendar Years

(unaudited)

Fiscal Year	Population	Personal Income (in thousands)	Per Capita Personal Income	School Enrollment	Unemployment Rate
2017	17,820	*	*	2,814	4.00%
2016	17,820	*	*	2,799	4.30
2015	17,411	*	*	2,796	5.30
2014	17,411	*	*	2,812	6.00
2013	17,411	*	*	2,829	7.30
2012	17,411	*	*	2,972	6.90
2011	17,411	*	*	2,891	7.60
2010	18,035	*	*	2,836	8.60
2009	17,693	2,704,120	35,052	2,881	8.70
2008	17,796	2,635,768	34,187	2,847	4.80

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	2017		2008	
	Employees	Rank	Employees	Rank
Wal-Mart	500 to 999	1	500 to 999	1
Colonial Heights School Board	250 to 499	2	500 to 999	2
City of Colonial Heights	250 to 499	3	250 to 499	3
VDOT	250 to 499	4	-	-
Colonial Heights Operations	250 to 499	5	100 to 249	4
Randstad US L P	100 to 249	6	-	-
The Logistics Company, Inc	100 to 249	7	-	-
J.C. Penny Corporation, Inc.	100 to 249	8	100 to 249	5
The Home Depot	100 to 249	9	100 to 249	8
Care Advantage	100 to 249	10	-	-
Ukrops			100 to 249	6
Sears Roebuck & Company			100 to 249	7
Red Lobster & Olive Garden			100 to 249	9
Target Division of Dayton Huds Corp.			100 to 249	10

Source: Virginia Employment Commission.

TABLE 16

CITY OF COLONIAL HEIGHTS, VIRGINIA

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

Last Ten Fiscal Years

(unaudited)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<u>Function/Program</u>										
General government										
Management services	7	7	7	7	6	6	6	6	6	6
Tax collections	6	9	9	9	9	9	11	11	11	11
Finance	15	11	11	11	11	11	9	9	9	9
Information technology	2	2	2	2	2	2	1	2	2	2
Board of elections	2	2	2	2	2	2	2	2	2	2
Judicial administration	26	25	25	22	22	23	21	21	22	22
Public safety	118	115	115	115	114	113	113	114	117	115
Public works	48	48	48	45	45	30	28	29	30	30
Parks, recreation, and cultural	27	27	26	26	25	24	24	25	25	25
Community development	6	6	5	5	5	5	5	5	6	6
Human services	3	3	3	4	4	4	5	5	5	5
Education	464	456	453	436	439	437	430	430	428	391
Total	724	711	706	684	684	666	655	659	663	624

Source: City Adopted Budget.

TABLE 17

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

Function/Program	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Government										
Registered voters	12,172	12,113	11,775	12,050	12,056	12,282	11,971	11,936	11,938	12,179
Structures										
Detached	6,152	6,159	6,161	6,221	6,195	6,168	6,172	6,182	6,179	6,153
Duplex	357	357	379	379	169	170	178	175	179	180
Multi-family	1,198	1,198	1,198	1,198	1,198	1,211	1,211	1,211	1,211	1,211
Parcel with elderly/disabled:										
Exemptions	178	207	234	272	296	316	314	330	353	316
Judicial Administration										
Average daily jail population	165	172	181	180	179	152	163	185	170	155
Public safety										
Volunteers	46	54	46	53	47	61	60	66	58	66
Public works										
Road mileage maintained:										
Arterial	30	31	31	31	31	31	31	31	31	31
Local/collector	163	162	162	162	162	162	162	162	162	161
Parks, Recreational, and Cultural										
Parks:										
Number	10	10	10	10	10	10	10	10	9	9
Areas	75	75	75	75	75	71	71	71	71	71
Recreation:										
Baseball fields	11	11	11	11	11	11	11	11	9	9
Tennis courts	9	9	9	9	9	9	9	9	9	9
Basketball courts	10	10	10	10	11	10	6	6	5	5
Soccer fields	11	11	11	11	11	11	11	6	6	6
Library										
Volumes in collection	62,663	62,399	60,789	61,326	60,521	64,703	63,871	62,474	62,422	63,245
Community development										
Building permits issued - calendar	647	491	520	551	532	407	547	N/A	N/A	237
Value	\$ 5,856,620	\$ 6,849,319	\$ 6,827,056	\$ 6,957,542	\$ 6,544,861	\$ 4,582,561	\$ 3,560,086	N/A	N/A	\$ 12,636,904
Education										
Elementary	3	3	3	3	3	3	3	3	3	3
Secondary	2	2	2	2	2	2	2	2	2	2
Vocational buildings	1	1	1	1	1	1	1	1	1	1

Sources:

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

COMPLIANCE SECTION

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* 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, and each major fund of the City of Colonial Heights, Virginia, (the "City") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 30, 2017.

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.**

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2017-001 and 2017-002.**

City of Colonial Heights, Virginia's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 30, 2017

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Colonial Heights, Virginia (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for 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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for 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 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, 2017.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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

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

Roanoke, Virginia
November 30, 2017

CITY OF COLONIAL HEIGHTS, VIRGINIA

SUMMARY OF COMPLIANCE MATTERS

June 30, 2017

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, 2017

A. SUMMARY OF AUDITOR'S RESULTS

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

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

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

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

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

None.

D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

2017-001: Highway Maintenance

Condition:

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

Recommendation:

Steps should be taken to ensure that only acceptable costs as defined by the Urban Highway Manual are performed on the streets.

Management Response (Unaudited):

The auditee concurs with the recommendation.

CITY OF COLONIAL HEIGHTS, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2017

D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA (Continued)

2017-002: Disclosure Statements

Condition:

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

Recommendation:

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

Management Response (Unaudited):

The auditee concurs with the recommendation.

CITY OF COLONIAL HEIGHTS, VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2017

A. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

2016-001: General Government Budget Appropriations

Condition:

Health and welfare, nondepartmental, and debt service expenditures exceeded budgeted appropriations.

Current Status:

Condition not noted during the current year.

2016-002: Highway Maintenance

Condition:

Unacceptable costs were incurred for items that did not relate to maintenance, construction, or reconstruction of streets for 3 out of 20 transactions tested.

Current Status:

Condition still present.