

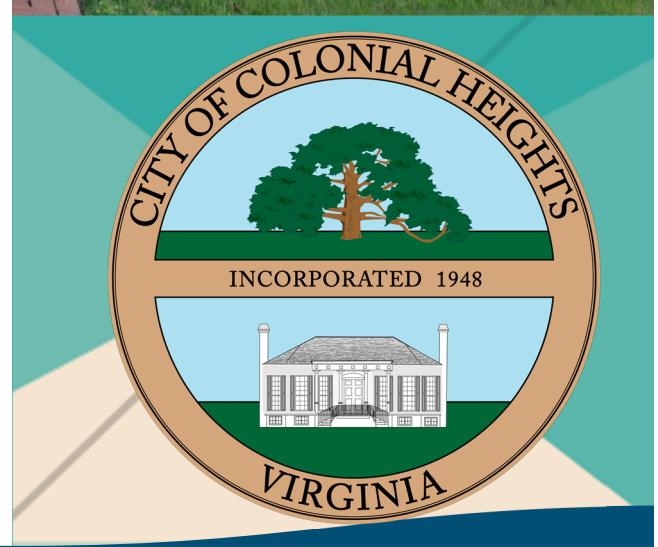
# CITY OF COLONIAL HEIGHTS, VIRGINIA

## Comprehensive Annual Financial Report

FOR THE YEAR  
ENDED JUNE 30, 2019

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





**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED June 30, 2019**



Prepared by the Department of Financial Administration

Sheila Minor  
Director of Finance



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

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

### **DIRECTORY OF PRINCIPAL OFFICIALS** **June 30, 2019**

#### **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. William Sroufe .....	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. Hansen.....	Library Director
Bruce E. Cashion.....	City Assessor
William Feasenmyer.....	Commissioner of the Revenue
Harriet Frenier .....	Treasurer
Alfred Gray Collins, III .....	Commonwealth's Attorney
Todd B. Wilson .....	Sheriff
Stacy L. Stafford.....	Clerk of Circuit Court
Jennifer W. Schott .....	General Registrar
Karen T. Epps .....	Director of Economic Development
A.G. Moore.....	Fire Chief
Jennifer Carpenter .....	Human Resources Director
Andrew Blais .....	Director of Information Technology
Kelly Hall.....	Director of Planning
Eileen M. Brown .....	Director of Youth & Human Services
Maria Yencha .....	Director of Finance, Schools



Government Finance Officers Association

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

Presented to

**City of Colonial Heights  
Virginia**

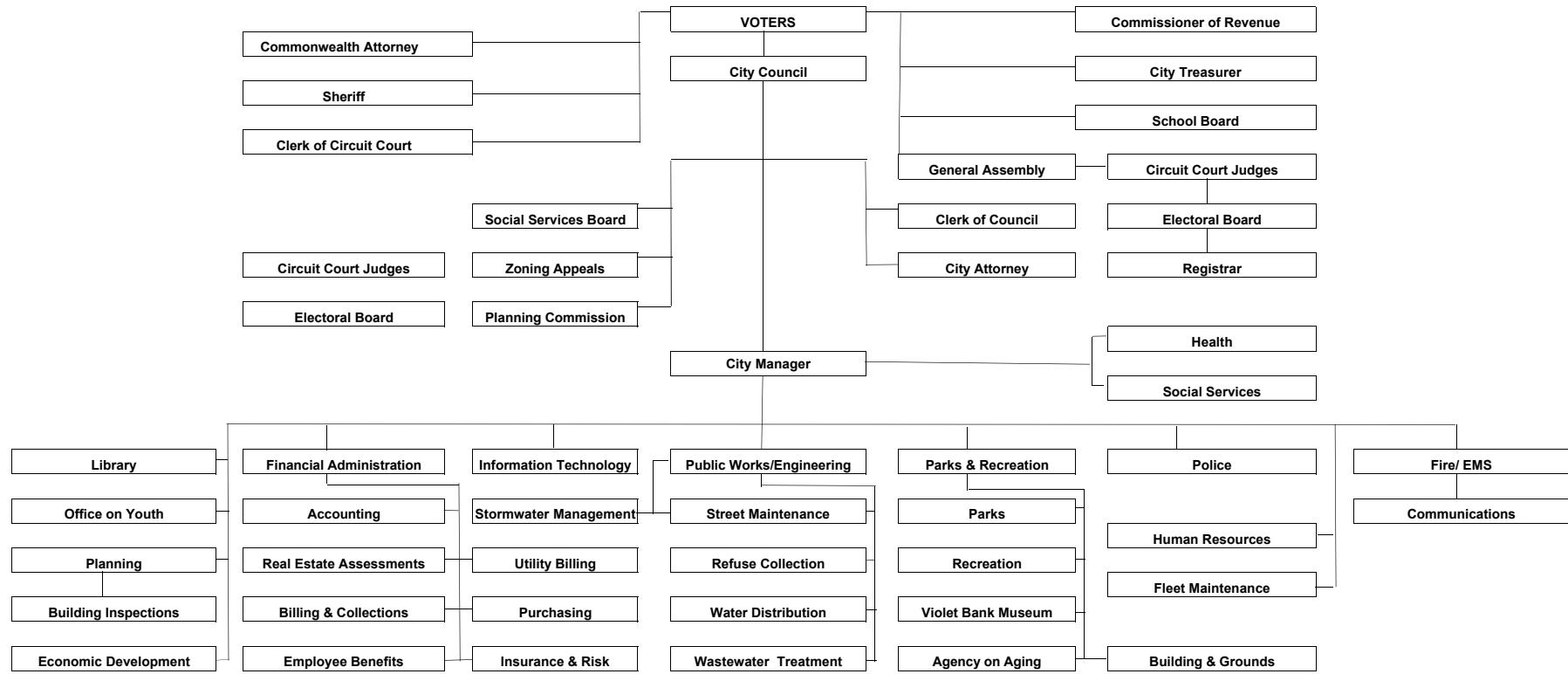
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2018**

*Christopher P. Morill*

Executive Director/CEO

## CITY OF COLONIAL HEIGHTS, VIRGINIA ORGANIZATIONAL CHART





# CITY OF COLONIAL HEIGHTS

Douglas E. Smith  
City Manager

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

Sheila S. Minor, CPA  
Director of Finance

November 27, 2019

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, 2019. The City's management assumes full responsibility for the accuracy of data, completeness and the fairness of presentation. We believe the data, as presented, is accurate in all material respects, and that it is presented in compliance with Generally Accepted Accounting Principles (GAAP) to fairly report the financial position and results of the City's various governmental activities, business-type activities and funds. All disclosures necessary for a reader to fully understand the City's financial affairs have been included.

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

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

Brown Edwards & Company, LLP, Certified Public Accountants, have audited the City's basic financial statements. The goal of this independent audit is to provide reasonable assurance that the basic financial statements are free of material misstatement. The independent auditors concluded, based upon their audit, that there was reasonable basis for rendering an unmodified opinion that the City's basic financial statements for the fiscal year ending June 30, 2019 are fairly presented in conformity with generally accepted accounting principles (GAAP). The independent auditors' report is presented as the first component of the Financial Section.

The City is required to undergo an annual single audit in conformity with provisions of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (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.

Phone 804-520-9332 • Fax 804-524-8723  
[www.colonialheightsva.gov](http://www.colonialheightsva.gov)

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

Discretely presented component units are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position and results of operations from the primary government. The School Board of the City of Colonial Heights and the Economic Development Authority of the City of Colonial Heights are reported as a discretely presented component units. For additional information on the City's financial status, please refer 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, seven Fortune 500 companies, manufacturing, distribution and international trade. Other economic drivers include several major universities, research hospitals, and the Federal Reserve Bank.

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

The City has a civilian labor force of 8,997 and an unemployment rate of 3.3% as of the end of FY2019. The City prioritizes the attraction of new businesses and expansion of existing businesses, both of which increase the tax base and create jobs which enhance the quality of life for its citizens.

The City has over 2.0 million square feet of retail, office and service industry development in the City's regionally based commercial center area known as Southpark. Beginning with the opening of the area's only regional mall in 1989, the area is populated with large retailers, specialty retailers, medical offices, and office space. Two new hotels are planned, one of which was under construction in FY2019, and a 20,000 square foot H&M store opened in Southpark Mall in October 2019. Diverse and easily accessible transportation networks have been key elements in the sustained success of the area. Fort Lee is vital to the City's economy as well as the regional economy.

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

The City has withstood past economic challenges by maintaining a strong local tax base that softened the effects of the Commonwealth's budget and economic cutbacks. Fiscal year 2019 financial operations maintained existing service levels. In Fiscal 2019, retail sales tax revenue increased 4.1% over the prior fiscal year. Meals and lodging taxes experienced growth of 7.3% and 4.4%, respectively. The City realigned revenue estimates in the FY2019 budget to more closely resemble recent trends and adhere to conservative budget principles while keeping existing programs funded. This realignment, coupled with higher than expected growth, led to a material contribution of nearly \$2.6 million to the general fund balance from the result of FY19 operations.

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

## **Accounting System and Budgetary Controls**

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

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

Budgetary control is maintained at the line-item level by the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. Appropriations or transfers are processed should a purchase order be required which would result in an overrun of line item balances. Open encumbrances are recorded as committed fund balances at June 30, 2019.

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

## **Capital Financing and Debt Service**

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

The Constitution of Virginia establishes a debt limit for Virginia cities of 10% of the assessed value of real estate. The City of Colonial Heights could incur bonded debt of up to \$186,279,599, but current debt only represents 2.1% of the assessed value of real estate.

Long-term liabilities, including notes payable, leases, compensated absences, retirement incentive programs and environmental liabilities, for all funds of the primary government as of June 30, 2019, totaled \$44,712,975, of which \$4,450,014 for Enterprise Fund purposes is considered self-supporting and shown only as a liability of the respective fund.

The City's received an upgrade from Standard & Poor's in October 2019 from AA to AA+. The City's bonds are rated as follows:

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

The City develops a Five-Year Capital Improvements Plan annually for major facility, equipment, infrastructure and technological improvements. This plan is proposed to the City's Planning Commission, and once approved by that body, is forwarded to Council for their consideration and approval.

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

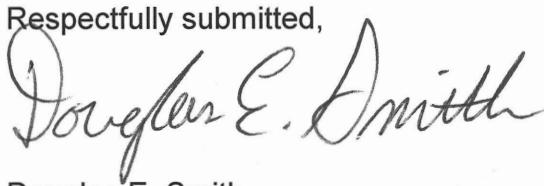
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Colonial Heights, Virginia for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018. The Certificate 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 38 consecutive years (fiscal years ended 1980 through 2018). We believe our current report conforms to the Certificate of Achievement program requirements, and we are submitting it to the GFOA for consideration.

### **Acknowledgments**

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

Respectfully submitted,



Douglas E. Smith  
City Manager



Sheila S. Minor, CPA, CPFO, CGFM  
Director of Finance

## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the City of Colonial Heights, Virginia (the "City"), as of and for the year ended June 30, 2019, 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* and the *Specifications for audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## ***Opinions***

**In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the City, as of June 30, 2019, 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 27, 2019 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Brown, Edwards & Company, S.C.P.*

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
November 27, 2019

**CITY OF COLONIAL HEIGHTS, VIRGINIA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

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, 2019. 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 units) on the government-wide basis, was \$46,873,059 at June 30, 2019, an increase of \$3,940,734 from the City's net position of \$42,932,325 at June 30, 2018 (as restated). Investment in capital assets totaled \$48,362,676 and \$221,514 was restricted for public safety and judicial administration grants. The Primary Government as a whole reported a negative unrestricted net position of (\$1,711,131). (Please see page 4c for further information on negative unrestricted net position.)
- On a government-wide basis for governmental activities, the City's general revenues of \$49,041,639 were \$3,370,735 more than the expenses (net of program revenues) of \$45,670,904.
- Revenues for the City's Business-Type Activities exceeded expenditures by \$569,999, or 10.4%. The City adjusted rates in some areas for FY19, particularly stormwater fees, to provide reserves for future capital projects.
- At June 30, 2019, the City's governmental funds balance sheet reported increased fund balances of \$21,775,194, when compared to \$19,031,104 at June 30, 2018. Of this amount, \$10,528,255 is unassigned and therefore not obligated for other uses.
- The net position of the Component Unit School Board increased \$5,371,056 from \$(19,994,108) to \$(14,623,052). The School Board pension and postemployment liabilities totaled over \$41 million, significantly impacting the net position of the entity.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's financial statements are comprised of two types of statements, each presented in accordance with a different method of accounting as required by Generally Accepted Accounting Principles (GAAP). The first set of statements, known as government-wide statements, focus on the City as a whole and include both short and long-term assets and liabilities. Exhibit 1 and Exhibit 2 are government-wide statements. The second set of statements, known as fund financial statements, focus on the individual parts of City government, reporting the City's operations in more detail than the government-wide statements. These statements, which include Exhibits 3 and 5, are presented on the modified-accrual basis of accounting. Fund financial statements only include short-term assets and liabilities. Exhibits 4 and 6 provide a reconciliation of and show the differences between the two sets of statements. Presentation of both perspectives provides the user a broader overview, enhances the basis for comparisons, and improves the City's accountability.

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements include the Statement of Net Position (Exhibit 1) and the Statement of Activities (Exhibit 2). 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, 2019**

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

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

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

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

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

Component unit – The City includes two discretely presented component units in this report, the School Board of the City of Colonial Heights ("School Board") and the Economic Development Authority of the City of Colonial Heights ("EDA"). Although legally separate, the component units are important because the City provides a significant amount of the School Board's funding, and City Council appoints the membership of the EDA. Fiscal Year 2019 is the second year that the EDA has been presented in the City's financial statements, as the EDA became financially active during FY2018.

**FUND FINANCIAL STATEMENTS**

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

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

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

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.

**CITY OF COLONIAL HEIGHTS, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2019**

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

The following table presents a condensed comparison of net assets:

**Summary Statement of Net Position**  
**June 30, 2019 and 2018 (as restated)**  
**(In Millions)**

	Governmental Activities		Business- Type Activities		Primary Government		Total Component Units	
	2019	2018	2019	2018	2019	2018	2019	2018
Current and Other Assets	\$38.2	\$34.6	\$4.5	\$3.2	\$42.7	\$37.8	\$9.1	\$8.8
Capital Assets, net	66.6	64.5	13.8	14.0	80.4	78.5	25.0	22.2
Total Assets	104.8	99.1	18.2	17.2	123.0	116.3	34.3	31.1
Deferred Outflows	2.1	2.2	0.1	0.1	2.2	2.3	3.9	3.9
Other Liabilities	3.7	2.8	0.5	0.4	4.2	3.2	3.8	4.4
Non-current Liabilities	53.5	52.7	5.4	5.1	58.9	57.8	43.2	45.4
Total Liabilities	57.2	55.5	5.9	5.5	63.1	61.0	47.0	49.8
Deferred Inflows	15.0	14.5	0.2	0.2	15.3	14.7	5.6	5.2
Net Investment in Capital								
Assets	37.1	36.5	11.2	11.2	48.4	47.7	25.0	22.2
Restricted	0.2	0.2	-	-	0.2	0.2	-	-
Unrestricted	(2.7)	(5.4)	1.0	0.4	(1.7)	(5.0)	(39.5)	(42.2)
Total Net Position	\$34.6	\$31.3	\$12.2	\$11.6	\$46.9	\$42.9	(\$14.5)	(\$20.0)

The City's combined net position increased from \$42.9 million to \$46.9 million. Net position of the governmental activities increased from \$31.3 million to \$34.6 million. Governmental activities' unrestricted net position increased \$2.7 million, but remains negative at (\$2.7) million. Net investment in capital assets increased \$0.6 million. This represents the undepreciated amount of capital assets owned by the City net of any outstanding debt used to fund their purchase or construction. Net position is reported as restricted when constraints on asset use are externally imposed by creditors, grantors, contributors, regulators, or are imposed by law through constitutional provisions or enabling legislation. The net position of component units reflects an increase of \$5.5 million.

The *Code of Virginia* requires the School Board to hold title to the capital assets (buildings and equipment) due to their responsibility for maintaining the asset; however, in Virginia, the School Board does not have taxing authority and, therefore, it cannot incur debt (or therefore report debt) through general obligation bonds to fund the acquisition, construction or improvement to capital assets. This results in the distribution of capital assets to the Component Unit School Board and recording of the corresponding debt by the Primary Government. See the footnote presentation for further clarification. Further, net position for both entities has been impacted by the application of GASB 68 and GASB 75, which resulted in significant pension and postemployment liabilities on the statements for both entities.

**CITY OF COLONIAL HEIGHTS, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2019**

**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, 2019 and 2018 (as restated)**  
**(In Millions)**

	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit	
	2019	2018	2019	2018	2019	2018	2019	2018
<b>Revenues:</b>								
Program revenues:								
Charges for services	\$3.4	\$6.9	\$6.1	\$5.9	\$9.5	\$12.8	\$0.4	\$0.4
Operating grants and contributions	6.6	6.2	-	-	6.6	6.2	18.6	17.4
Capital grants and contributions	1.3	1.6	-	-	1.3	1.6	-	-
General revenues:								
Property taxes	23.7	23.1	-	-	23.7	23.1	-	-
Other local taxes	22.1	18.1	-	-	22.1	18.1	-	-
Payment from other governments			-	-	-	-	24.2	24.5
Intergovernmental, non-categorical aid	2.6	1.8	-	-	2.6	1.8	-	-
Use of money and property	0.5	0.4	-	-	0.5	0.4	-	-
Miscellaneous	0.1	0.1	-	-	0.1	0.1	0.2	0.1
Gain (loss) on sale of capital assets	-	-	-	-	-	-	-	-
<b>Total revenues</b>	<b>60.3</b>	<b>58.2</b>	<b>6.1</b>	<b>5.9</b>	<b>66.4</b>	<b>64.1</b>	<b>43.4</b>	<b>42.4</b>
<b>Expenses:</b>								
General government								
General government	4.3	4.0	-	-	4.3	4.0	-	-
Judicial administration	5.4	5.3	-	-	5.4	5.3	-	-
Public safety	11.0	12.8	-	-	11.0	12.8	-	-
Public works	6.2	6.5	-	-	6.2	6.5	-	-
Health and welfare	1.1	1.1	-	-	1.1	1.1	-	-
Parks, recreation and cultural	2.9	3.0	-	-	2.9	3.0	-	-
Community development	0.5	0.4	-	-	0.5	0.4	-	-
Education	24.2	24.5	-	-	24.2	24.5	38.0	38.0
Human services	0.4	0.5	-	-	0.4	0.5	-	-
Interest	1.0	0.9	-	-	1.0	0.9	-	-
Water, sewer, and storm water management	-	-	5.5	5.7	5.5	5.7	-	-
<b>Total expenses</b>	<b>57.0</b>	<b>59.0</b>	<b>5.5</b>	<b>5.7</b>	<b>62.5</b>	<b>64.7</b>	<b>38.0</b>	<b>38.0</b>
Change in Net Position Before Transfers								
Change in Net Position Before Transfers	3.3	(0.8)	0.6	0.2	3.9	(0.6)	5.4	4.4
Transfers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Change in Net Position</b>	<b>3.3</b>	<b>(0.8)</b>	<b>0.6</b>	<b>0.2</b>	<b>3.9</b>	<b>(0.6)</b>	<b>5.4</b>	<b>4.4</b>
Net Position, beginning (as restated)	31.3	32.1	11.6	11.4	42.9	43.5	(19.9)	(24.4)
<b>Net Position, ending</b>	<b>\$34.6</b>	<b>\$31.3</b>	<b>\$12.2</b>	<b>\$11.6</b>	<b>\$46.8</b>	<b>\$42.9</b>	<b>(\$14.5)</b>	<b>(\$20.0)</b>

**CITY OF COLONIAL HEIGHTS, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2019**  
**(Continued)**

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

**Governmental Activities**

**Revenue**

General property tax revenue, which comprised 39.4% 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 \$19.6 million, a slight increase from the previous fiscal year due to new construction. The City's last general reassessment was January 1, 2018, and the next reassessment of real property will take place January 1, 2020.

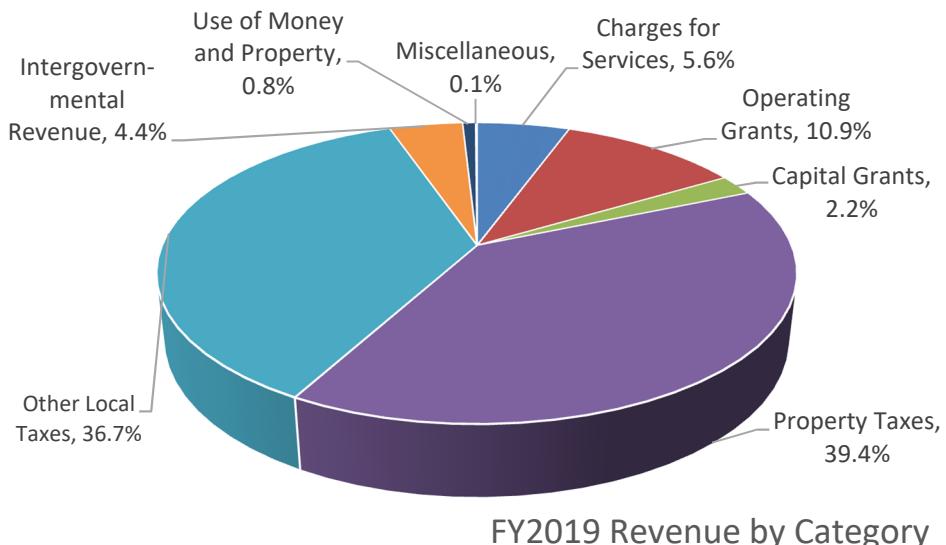
In 1998, the Commonwealth enacted the Personal Property Tax Relief Act (PPTRA). The Commonwealth's share of personal property taxes allocated to the City was \$1.75 million, which represented 55% of eligible assessed value for calendar year 2019. This revenue is included in the intergovernmental category. Personal property tax revenue increased from \$3.0 million to \$3.2 million for fiscal year 2019.

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 36.7% of total revenues generated for governmental activities.

Operating grants and contributions comprised approximately 10.9% of governmental activities revenues. Street maintenance funds, funding received under House Bill 599 for law enforcement, and reimbursement for shared expenses of the constitutional officers are some of the major sources of revenue included in this category.

Charges for services, which include items such as EMS transport fees, court fees, inspection fees, and garbage collection fees, continue to show growth, but are less than the prior year due to the reclassification of business licenses to other local taxes. Charges for services comprised 5.6% of total revenue for governmental activities.

Revenue generated for governmental activities is presented below by category:



**CITY OF COLONIAL HEIGHTS, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2019**  
**(Continued)**

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

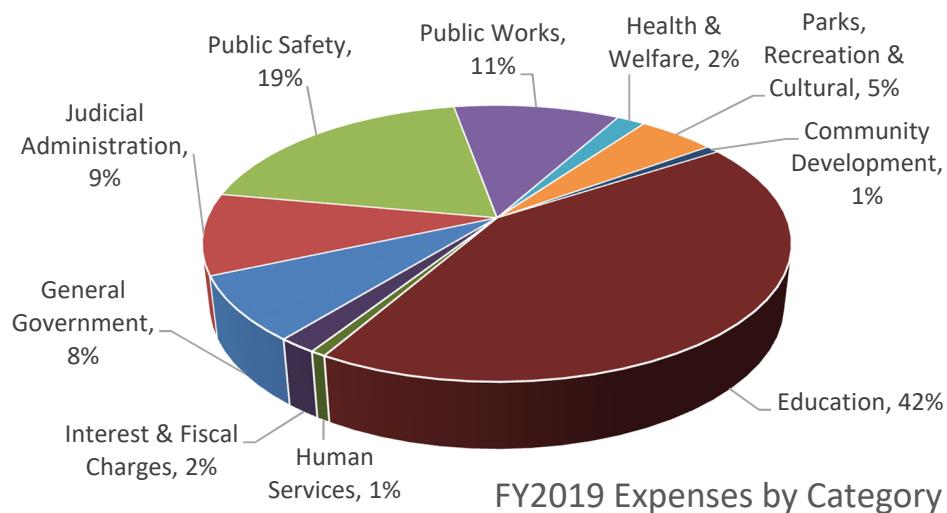
**Expenses**

Education funding represents the largest category of governmental activities expenses. Funding of \$24.2 million was provided to the City of Colonial Heights School Board to support School operations and capital projects. Operating support of \$21.8 million was just over \$700,000 more than the original budget due to the strong collection of revenue sources identified in the funding memorandum of understanding between the City and the School Division. City funding for Colonial Heights School Board is provided in accordance with a revenue sharing agreement between the two entities, last revised in 2011, which stipulates that 50.73% of six major revenue sources will be allocated to the School Division. This amount is estimated at the beginning of the fiscal year and reconciled to actual results as fiscal year end.

Public Safety is the City's second highest expense category, at 19.3% of governmental activity spending. The Public Safety function consists of the Fire and Emergency Medical Services Department, the Police Department, and Emergency Communications.

Public Works expenses comprised 10.9% of governmental activities expenses. Expenses for Building Maintenance, Street Paving, and Street Maintenance are included in the Public Works category. General Government includes City Council, the City Manager, Human Resources, Economic Development, Finance, Purchasing, Risk Management, Tax Administration and Collections, and Voter Registration activities. The Comprehensive Services Act and social services programs incurred the majority of expenses reported in the Health and Welfare category, which comprises 1.8% of governmental activities expenses.

Expenses of the governmental activities are shown by functional area:



**CITY OF COLONIAL HEIGHTS, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2019**  
**(Continued)**

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

**Business-Type Activities**

Total net position of business-type activities increased \$569,999, or 4.9%, during 2019. The business-type activities of the City derive their revenues almost exclusively from charges for services. Rates for water and sewer increased slightly for fiscal year 2019, however, stormwater rates were increased from \$2 per month to \$4 per month in an effort to generate cash reserves for mandated stormwater capital projects. Expenses in the utilities fund declined 3.0% in comparison with the prior year, while revenue increased 3.4%. Management is focused on slowly increasing the cash reserve balances in the utility funds to a fiscally sustainable level.

As mentioned, rates for water and wastewater services increased slightly in FY19, as they have over the past six years following the recommendations of a rate study conducted in 2014. These fee adjustments have helped the City avoid net losses from water and sewer operations as it experienced in 2006-2010. Management commenced a rate study and infrastructure condition assessment in FY19 to address the continued need to adequately fund water and sewer operations as well as establish cash reserves for emergencies and infrastructure replacement. The complete study is expected to be completed in time to establish appropriate rates for water and sewer utilities in the FY21 budget. There were no major changes in operations in FY2019 for either fund.

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

On the modified accrual basis of accounting, for the fiscal year ended June 30, 2019, the governmental funds reflect a total fund balance of \$21,775,194. Nearly 38% of this balance, \$8.2 million, constitutes fund balance of the capital projects fund. The total governmental funds increased by just over \$2.7 million due to stronger than anticipated revenue collections and conservative spending. The City issued a \$5.85 million direct placement bank loan in October 2018 for seven projects: replacement of the City's Enterprise Resource Planning (Financial) System, replacement of the Computer Aided Dispatch System, acquisition of a quint fire apparatus, replacement of the Hrouda pump station, replacement of the generator at the Public Safety Building, and multiple school capital improvements. Several of these projects commenced in FY19 and will continue through FY20.

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

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 \$10,528,255 (an increase of \$1,300,681 or 14%) while the total fund balance was \$13,534,027, an increase of 23.7% compared to the prior year. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 18.9% of the total General Fund expenditures, while total fund balance represents 24.3% of that same amount. The City's adopted financial policies require a minimum unassigned fund balance of 10% of budgeted expenses and a target of 12%.

The General Fund began fiscal year 2019 with budgeted revenue and expenditure amounts that were equal, resulting in no planned use of fund balance to balance operating expenses. During the fiscal year, Council appropriated \$147,221 of restricted, committed, and assigned fund balances for use for their intended purposes. These appropriations included \$129,901 in committed fund balance for prior year encumbrances and \$17,320 in donations and reappropriations of assigned fund balances. Council also appropriated \$86,598 of unassigned fund balance for local matches on transportation projects, which were transferred to the capital projects fund.

**CITY OF COLONIAL HEIGHTS, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2019**  
**(Continued)**

### **FINANCIAL ANALYSIS OF THE CITY (FUND FINANCIALS)**

Local taxes generated the majority of General Fund revenue, totaling approximately \$45.8 million in fiscal year 2019, as compared with \$44.3 million in fiscal year 2018. Sales and meals taxes were stronger than anticipated (4.1% and 7.3% increases over prior year, respectively), requiring a budget adjustment to appropriate the additional transfer to schools as required in the City's memorandum of understanding with the school division. City Council approved the implementation of a cigarette tax effective July 1, 2019. Administration of the tax requires the purchase of a city seal to be affixed to cigarette packs sold at retail within city limits. The City sold stamps during the last month of the fiscal year to retailers, so they could be compliant effective July 1, resulting in \$134,345 in collections of cigarette tax revenue in FY19.

Personal property collections also experienced a significant increase of 7.7%. Real estate tax collections increased \$330,116, due to the second half of calendar 2018 collections on the reassessment effective January 1, 2018 and new construction. The next general reassessment will be effective on January 1, 2020.

Intergovernmental revenue is the second largest source of General Fund revenues, generating approximately \$8.4 million in fiscal year 2019 as compared to \$7.7 million in fiscal year 2018. 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. Personal property tax relief is also a significant revenue source from the Commonwealth, providing \$1.75 million in revenue.

### **CAPITAL PROJECTS FUND HIGHLIGHTS**

Multiple capital projects were under construction or completed during FY2019. As mentioned previously, the City issued a \$5.85 million direct placement bank loan in October 2018 for an Enterprise Resource Planning System (ERP), Computer Aided Dispatch System (CAD), a quint fire apparatus, a generator, a pump station, and multiple school capital improvements. Several of these projects commenced in FY19 and will continue through FY20.

The City also received state and federal funding of \$775,278 in reimbursement for various transportation improvements. Projects under construction at fiscal year-end included the radio communications system, the ERP system, the quint fire apparatus, the generator, CAD system, restrooms at White Bank Park, and several transportation improvement projects. Projects completed during FY2019 included improvements at Stratford Drive and Mallard Drive and the resurfacing of portions of Temple Avenue and Boulevard.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

Actual General Fund revenues exceeded the original budget by \$2.2 million and the final budget by \$220,578 or 0.4%. Management reduced revenue budgetary expectations from prior years during the creation of the FY19 budget, after the revenue collections in the prior two fiscal years failed to meet budgetary expectations. This adjustment of revenue expectations combined with stronger growth than the recent trend created the revenue surplus over original budget. The significant revenue sources which fell short of original appropriations included public service corporation taxes, which are assessed by the Commonwealth, administrative charges for services (which are based on expenditures for administrative departments), and rental of property (due to reclassification of vehicle rental tax revenue). Delinquent taxes were short of budgeted amounts; however, this is due to enhanced collection practices in the most recent fiscal years which have reduced the value of delinquent receivables.

General Fund actual expenditures were under the original budget by \$874,223 and were under the final, amended budget by \$2.2 million or (4.3%). During fiscal year 2019, City Council amended the budget to appropriate donations; operational grants; restricted, committed, assigned, and unassigned fund balances; additional operating transfers to schools; and prior year encumbrances.

**CITY OF COLONIAL HEIGHTS, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2019**  
**(Continued)**

**CAPITAL ASSETS**

As of June 30, 2019, the City's capital assets for its governmental and business-type activities amounted to \$80.3 million (net of accumulated depreciation and amortization). These investments include land, easements, construction in progress, land improvements, buildings and structures, equipment, software, and infrastructure. The City has a capitalization threshold of \$5,000. The City's total net capital asset value (additions less retirements and depreciation and amortization) increased \$1.7 million during the current fiscal year. This decrease was the result of depreciation and amortization exceeding the rate of new capital investment.

**Summary Statement of**  
**Capital Assets, Net of Accumulated Depreciation and Amortization**  
**June 30, 2019 and 2018**  
**(In Millions)**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Land and Easements	\$4.9	\$4.9	\$0.1	\$0.1	\$5.0	\$5.0
Construction in Process	6.6	4.9	0.1	-	6.7	4.9
Building and Structures	23.5	23.8	2.7	2.8	26.2	26.6
Infrastructure	28.2	27.4	9.3	9.1	37.5	36.5
Equipment and Software	3.3	3.5	1.1	1.2	4.4	4.7
Purchased Capacity	-	-	0.4	0.8	0.4	0.8
<b>Total</b>	<b>\$66.5</b>	<b>\$64.5</b>	<b>\$13.7</b>	<b>\$14.0</b>	<b>\$80.2</b>	<b>\$78.5</b>

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, 2019, the Primary Government's long-term liabilities totaled \$44,712,975, consisting of \$40,262,961 related to governmental activities, and \$4,450,014 related to business-type activities. As previously mentioned, the City issued a \$5.825 million bank loan in October 2018 for capital projects.

Standard & Poor's upgraded the City's bond rating from AA to AA+ in August 2019. Fitch Investor's Service reaffirmed the City's AA+ bond rating in August 2018.

The Charter of the City and the *Code of Virginia* limit the City's net debt to 10% of the assessed valuation of real estate. The City's entity-wide general obligation debt of \$39,925,000 is well below the legal debt limit of \$186,279,559.

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 and 9 to the Basic Financial Statements.

**CITY OF COLONIAL HEIGHTS, VIRGINIA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2019**  
**(Continued)**

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

The unemployment rate for the City at June 30, 2019 was 3.3% compared to a June 30, 2018 rate of 3.6%. This is above the state average of 2.9% for the same period, but compares favorably with the national average unemployment rate of 3.7%. The City had a population of 17,820 in 2017, according to the U.S. Census Bureau, an increase of 2.4% since the 2010 census.

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

The adopted fiscal year 2020 General Fund budget of \$59,271,136 increased \$2,756,293, or 10.4% in comparison to the 2019 adopted budget. The operating budget for fiscal year 2020 included a 2.5% raise for full-time City employees effective July 1, 2019, and increased the number of full-time employees by 1 to 262. The budget calls for the use of fund balance for one-time capital projects in the amount of \$581,958, and includes \$256,000 in anticipated lease proceeds for a large-scale desktop computer replacement. All major tax and utility rates remained the same for FY20.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

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## **BASIC FINANCIAL STATEMENTS**

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**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**EXHIBIT 1**

**STATEMENT OF NET POSITION**  
**June 30, 2019**

				<b>Component Units</b>	
	<b>Primary Government</b>		<b>Totals</b>	<b>Economic Development Authority</b>	
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>		<b>School Board</b>	<b>Development Authority</b>
<b>ASSETS</b>					
Cash and investments (Note 2)	\$ 13,425,218	\$ 1,624,203	\$ 15,049,421	\$ 6,615,215	\$ 130,411
Receivables, net (Note 3)	12,681,851	1,036,864	13,718,715	-	-
Due from other governments (Note 4)	3,840,800	26,352	3,867,152	1,686,881	-
Due from primary government	-	-	-	595,119	-
Internal balances (Note 5)	(1,777,124)	1,777,124	-	-	-
Inventories	45,132	-	45,132	25,956	-
Prepays	10,239	-	10,239	-	-
Restricted cash (Note 2)	10,022,819	-	10,022,819	-	-
Net pension asset (Note 12)	-	-	-	230,672	-
Capital assets: (Note 7)					
Nondepreciable	11,506,212	203,138	11,709,350	1,090,102	-
Depreciable, net	55,062,016	13,570,579	68,632,595	23,896,989	-
Total assets	<u>104,817,163</u>	<u>18,238,260</u>	<u>123,055,423</u>	<u>34,140,934</u>	<u>130,411</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred charge on refunding	182,163	7,263	189,426	-	-
Deferred outflows related to pensions (Note 12)	1,649,339	102,109	1,751,448	3,392,398	-
Deferred outflows related to other postemployment benefits (Note 14)	247,484	20,552	268,036	478,501	-
Total deferred outflows of resources	<u>2,078,986</u>	<u>129,924</u>	<u>2,208,910</u>	<u>3,870,899</u>	<u>-</u>
<b>LIABILITIES</b>					
Accounts payable and other current liabilities	2,866,465	364,776	3,231,241	3,806,607	-
Due to component unit	595,119	-	595,119	-	-
Unearned revenue	-	-	-	5,785	-
Accrued interest	93,673	11,123	104,796	-	-
Customer security deposits	147,429	167,335	314,764	-	-
Noncurrent liabilities:					
Net pension liability (Note 12)	9,691,645	600,004	10,291,649	27,685,000	-
Net other postemployment benefits/liabilities (Note 14)	3,554,428	311,301	3,865,729	13,327,964	-
Due within one year (Note 8)	3,335,640	274,927	3,610,567	103,431	-
Due in more than one year (Note 8)	36,927,321	4,175,087	41,102,408	2,077,178	-
Total liabilities	<u>57,211,720</u>	<u>5,904,553</u>	<u>63,116,273</u>	<u>47,005,965</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Property taxes and grants	11,818,717	-	11,818,717	-	-
Deferred inflows related to pensions (Note 12)	2,133,637	132,093	2,265,730	4,241,253	-
Deferred inflows related to other postemployment benefits (Note 14)	1,090,778	99,776	1,190,554	1,387,667	-
Total deferred inflows of resources	<u>15,043,132</u>	<u>231,869</u>	<u>15,275,001</u>	<u>5,628,920</u>	<u>-</u>
<b>NET POSITION</b>					
Net investment in capital assets	37,146,892	11,215,784	48,362,676	24,987,091	-
Restricted for public safety and judicial administration grants	221,514	-	221,514	-	-
Unrestricted	(2,727,109)	1,015,978	(1,711,131)	(39,610,143)	130,411
Total net position	<u>\$ 34,641,297</u>	<u>\$ 12,231,762</u>	<u>\$ 46,873,059</u>	<u>\$ (14,623,052)</u>	<u>\$ 130,411</u>

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, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Business-Type Activities	Totals		
					Governmental Activities		School Board	Economic Development Authority	
<b>Primary Government:</b>									
Governmental activities:									
General government	\$ 4,310,884	\$ 430,335	\$ 412,505	\$ 214,774	\$ (3,251,582)		\$ (3,251,582)		
Judicial administration	5,408,092	367,152	1,405,633	110,056	(3,560,368)		(3,560,368)		
Public safety	10,981,125	924,383	724,620	35,550	(9,255,817)		(9,255,817)		
Public works	6,191,810	1,251,874	2,750,205	560,504	(1,626,507)		(1,626,507)		
Health and welfare	1,053,058	7,600	-	-	(1,045,458)		(1,045,458)		
Parks, recreation, and cultural	2,883,843	174,852	146,609	-	(2,562,382)		(2,562,382)		
Community development	481,190	208,684	82,963	-	(199,589)		(199,589)		
Education	24,204,644	-	994,495	400,000	(22,810,149)		(22,810,149)		
Human services	407,476	-	69,080	-	(338,396)		(338,396)		
Interest	1,020,656	-	-	-	(1,020,656)		(1,020,656)		
Total governmental activities	56,942,778	3,364,880	6,586,110	1,320,884	(45,670,904)		(45,670,904)		
Business-type activities:									
Water and sewer	5,125,010	5,333,822	-	-		\$ 208,812	208,812		
Storm water management	357,458	718,645	-	-		361,187	361,187		
Total business-type activities	5,482,468	6,052,467	-	-		569,999	569,999		
Total primary government	\$ 62,425,246	\$ 9,417,347	\$ 6,586,110	\$ 1,320,884	(45,670,904)	\$ 569,999	(45,100,905)		
<b>Discretely Presented Component Units:</b>									
School Board	\$ 37,954,220	\$ 372,572	\$ 18,572,563	\$ -			\$ (19,009,085)		
Economic Development Authority	-	66,406	-	-				\$ 66,406	
Total component units	\$ 37,954,220	\$ 438,978	\$ 18,572,563	\$ -			\$ (19,009,085)	\$ 66,406	
General revenues:									
Taxes:									
General property taxes				23,736,247	-	23,736,247	-	-	-
Other local taxes:									
Local sales and use			8,171,187	-	8,171,187	-	-	-	-
Food and lodging			8,524,496	-	8,524,496	-	-	-	-
Consumer utility and communications sales and use			973,795	-	973,795	-	-	-	-
Motor vehicle license and fees			505,649	-	505,649	-	-	-	-
Business & occupation license			3,148,433	-	3,148,433	-	-	-	-
Other			788,618	-	788,618	-	-	-	-
Payments from City			-	-	-	24,204,644	-	-	-
Intergovernmental, non-categorical aid			2,664,949	-	2,664,949	-	-	-	-
Use of money and property			475,088	-	475,088	-	-	5	
Miscellaneous			53,177	-	53,177	175,497	-	-	-
Total general revenues			49,041,639	-	49,041,639	24,380,141	-	5	
Change in net position			3,370,735	569,999	3,940,734	5,371,056		66,411	
<b>NET POSITION AT JULY 1, AS RESTATED (Note 18)</b>			<b>31,270,562</b>	<b>11,661,763</b>	<b>42,932,325</b>	<b>(19,994,108)</b>		<b>64,000</b>	
<b>NET POSITION AT JUNE 30</b>			<b>\$ 34,641,297</b>	<b>\$ 12,231,762</b>	<b>\$ 46,873,059</b>	<b>\$ (14,623,052)</b>		<b>\$ 130,411</b>	

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

## CITY OF COLONIAL HEIGHTS, VIRGINIA

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2019**

	<b>General</b>	<b>Capital Projects</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and investments	\$ 12,967,705	\$ 457,513	\$ 13,425,218
Receivables, net	12,681,851	-	12,681,851
Due from other governments	3,420,965	419,835	3,840,800
Inventories	45,132	-	45,132
Prepays	10,239	-	10,239
Restricted cash	-	10,022,819	10,022,819
Total assets	<u>\$ 29,125,892</u>	<u>\$ 10,900,167</u>	<u>\$ 40,026,059</u>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	\$ 1,984,589	\$ 881,876	\$ 2,866,465
Due to other funds	-	1,777,124	1,777,124
Due to component unit	595,119	-	595,119
Customer security deposits	147,429	-	147,429
Total liabilities	<u>2,727,137</u>	<u>2,659,000</u>	<u>5,386,137</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable/deferred revenue	<u>12,864,728</u>	<u>-</u>	<u>12,864,728</u>
Total deferred inflows of resources	<u>12,864,728</u>	<u>-</u>	<u>12,864,728</u>
<b>FUND BALANCES (Note 15)</b>			
Nonspendable	55,371	-	55,371
Restricted	221,514	8,241,167	8,462,681
Committed	539,946	-	539,946
Assigned	2,188,941	-	2,188,941
Unassigned	10,528,255	-	10,528,255
Total fund balances	<u>13,534,027</u>	<u>8,241,167</u>	<u>21,775,194</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 29,125,892</u>	<u>\$ 10,900,167</u>	<u>\$ 40,026,059</u>

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

## CITY OF COLONIAL HEIGHTS, VIRGINIA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION**  
June 30, 2019

**Total Fund Balance - Governmental Funds** \$ 21,775,194

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	\$ 11,506,212
Depreciable, net	<u>55,062,016</u>
	66,568,228

Certain receivables are not available to pay for current-period expenditures and therefore are deferred in the funds. 1,046,011

Deferred outflows and inflows of resources related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources - pensions	1,649,339
Deferred outflows of resources - other postemployment benefits	247,484
Deferred inflows of resources - pensions	(2,133,637)
Deferred inflows of resources - other postemployment benefits	(1,090,778)
Net pension liability	(9,691,645)
Net other postemployment benefits liabilities	<u>(3,554,428)</u>
	(14,573,665)

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	(37,829,884)
Deferred charge on refunding	182,163
Landfill post-closure liability	(106,329)
Compensated absences	(2,307,438)
Capital lease payable	(19,310)
Accrued interest payable	<u>(93,673)</u>
	(40,174,471)

**Total Net Position - Governmental Activities** \$ 34,641,297

## CITY OF COLONIAL HEIGHTS

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2019**

	<b>General</b>	<b>Capital Projects</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
General property taxes	\$ 23,721,544	\$ -	\$ 23,721,544
Other local taxes	22,112,178	-	22,112,178
Permits, privilege fees, and regulatory licenses	368,665	-	368,665
Fines and forfeitures	342,061	-	342,061
Charges for services	2,654,154	-	2,654,154
Use of money and property	252,160	222,928	475,088
Miscellaneous	53,177	-	53,177
Reimbursement from School Board	994,495	400,000	1,394,495
Intergovernmental	8,402,170	775,278	9,177,448
<b>Total revenues</b>	<b>58,900,604</b>	<b>1,398,206</b>	<b>60,298,810</b>
<b>EXPENDITURES</b>			
Current:			
General government	4,259,541	-	4,259,541
Judicial administration	5,538,614	-	5,538,614
Public safety	11,321,769	-	11,321,769
Public works	4,328,848	-	4,328,848
Health and welfare	1,040,789	-	1,040,789
Parks, recreation, and cultural	2,648,118	-	2,648,118
Community development	503,584	-	503,584
Education	21,829,850	2,374,794	24,204,644
Human services	440,153	-	440,153
Nondepartmental	151,017	-	151,017
Debt service:			
Principal retirement	2,551,683	-	2,551,683
Interest and fiscal charges	1,116,084	-	1,116,084
Capital outlays	-	4,674,876	4,674,876
<b>Total expenditures</b>	<b>55,730,050</b>	<b>7,049,670</b>	<b>62,779,720</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>3,170,554</b>	<b>(5,651,464)</b>	<b>(2,480,910)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Issuance of debt	-	5,225,000	5,225,000
Transfers in (Note 6)	-	577,758	577,758
Transfers out (Note 6)	(577,758)	-	(577,758)
<b>Total other financing sources (uses)</b>	<b>(577,758)</b>	<b>5,802,758</b>	<b>5,225,000</b>
Net change in fund balances	2,592,796	151,294	2,744,090
<b>FUND BALANCES AT JULY 1</b>	<b>10,941,231</b>	<b>8,089,873</b>	<b>19,031,104</b>
<b>FUND BALANCES AT JUNE 30</b>	<b>\$ 13,534,027</b>	<b>\$ 8,241,167</b>	<b>\$ 21,775,194</b>

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

## CITY OF COLONIAL HEIGHTS, VIRGINIA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2019

<b>Net Change in Fund Balances - Governmental Funds</b>	\$ 2,744,090
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	\$ 5,009,553
Depreciation expense	<u>(2,936,610)</u>
	2,072,943
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
	14,703
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.	
	(2,673,317)
Some expenses reported in the Statement of Activities, such as compensated absences and landfill post-closure costs do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Change in compensated absences	(342,718)
Change in landfill post-closure liability	<u>(2,391)</u>
	(345,109)
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 \$1,649,339 is greater than pension expense of \$199,951 in the current period.	
	1,449,388
Governmental funds report employer other postemployment benefit contributions as expenditures. However, in the statement of activities the cost of these benefits earned, net of employee contributions, is reported as other postemployment benefit expense.	
Employer other postemployment benefit contributions	\$64,718
Other post employment benefits expense	<u>(52,107)</u>
	12,611
Governmental funds report the effect of bond premiums and discounts when debt is first issued; whereas, these amounts are deferred and amortized in the Statement of Activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the Statement of Activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of those differences is as follows:	
Amortization of premiums	165,568
Amortization of gain/loss from refundings	<u>(60,721)</u>
Change in accrued interest payable	<u>(9,421)</u>
	95,426
<b>Change in Net Position - Governmental Activities</b>	<u><u>\$ 3,370,735</u></u>

**CITY OF COLONIAL HEIGHTS, VIRGINIA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2019**

<b>Business-Type Activities – Enterprise Funds</b>			
	<b>Water and Sewer</b>	<b>Storm Water Management</b>	<b>Totals</b>
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 1,127,942	\$ 496,261	\$ 1,624,203
Receivables, net	899,597	137,267	1,036,864
Due from other governments	26,352	-	26,352
Due from other funds	1,465,113	312,011	1,777,124
Total current assets	<u>3,519,004</u>	<u>945,539</u>	<u>4,464,543</u>
Noncurrent assets:			
Capital assets, net	12,048,900	1,724,817	13,773,717
Total noncurrent assets	<u>12,048,900</u>	<u>1,724,817</u>	<u>13,773,717</u>
Total assets	<u>15,567,904</u>	<u>2,670,356</u>	<u>18,238,260</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	7,263	-	7,263
Deferred outflows related to pensions	87,572	14,537	102,109
Deferred outflows related to other postemployment benefits	17,766	2,786	20,552
Total deferred outflows of resources	<u>112,601</u>	<u>17,323</u>	<u>129,924</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and other current liabilities	357,501	7,275	364,776
Accrued interest	6,433	4,690	11,123
Customer security deposits	167,335	-	167,335
Compensated absences	31,124	3,028	34,152
Debt obligations, current	170,264	70,511	240,775
Total current liabilities	<u>732,657</u>	<u>85,504</u>	<u>818,161</u>
Noncurrent liabilities:			
Compensated absences	68,391	5,151	73,542
Net pension liability	514,581	85,423	600,004
Net other postemployment benefit liabilities	269,903	41,398	311,301
Debt obligations	2,639,053	1,462,492	4,101,545
Total noncurrent liabilities	<u>3,491,928</u>	<u>1,594,464</u>	<u>5,086,392</u>
Total liabilities	<u>4,224,585</u>	<u>1,679,968</u>	<u>5,904,553</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	113,286	18,807	132,093
Deferred inflows related to other post employment benefits	86,706	13,070	99,776
Total deferred inflows of resources	<u>199,992</u>	<u>31,877</u>	<u>231,869</u>
<b>NET POSITION</b>			
Net investment in capital assets	10,711,959	503,825	11,215,784
Unrestricted	543,969	472,009	1,015,978
Total net position	<u>\$ 11,255,928</u>	<u>\$ 975,834</u>	<u>\$ 12,231,762</u>

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

## CITY OF COLONIAL HEIGHTS, VIRGINIA

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**Year Ended June 30, 2019**

	<b>Business-Type Activities – Enterprise Funds</b>		
	<b>Water and Sewer</b>	<b>Storm Water Management</b>	<b>Totals</b>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 4,723,131	\$ 712,073	\$ 5,435,204
Connection fees	139,747	-	139,747
Penalties	64,342	6,572	70,914
Miscellaneous	406,602	-	406,602
Total operating revenues	<u>5,333,822</u>	<u>718,645</u>	<u>6,052,467</u>
<b>OPERATING EXPENSES</b>			
Personnel	783,145	133,173	916,318
Fringe benefits	295,324	46,623	341,947
Utilities	93,244	-	93,244
Repairs and maintenance	39,664	1,881	41,545
Materials and supplies	160,334	5,067	165,401
Sewage treatment costs	1,659,788	-	1,659,788
Water purchased for resale	629,043	-	629,043
Depreciation and amortization	845,212	65,206	910,418
Other charges	539,775	56,732	596,507
Total operating expenses	<u>5,045,529</u>	<u>308,682</u>	<u>5,354,211</u>
Operating income	<u>288,293</u>	<u>409,963</u>	<u>698,256</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest expense	(79,481)	(48,776)	(128,257)
Total nonoperating revenues (expenses)	<u>(79,481)</u>	<u>(48,776)</u>	<u>(128,257)</u>
Change in net position	<u>208,812</u>	<u>361,187</u>	<u>569,999</u>
<b>NET POSITION AT JULY 1</b>	<b>11,047,116</b>	<b>614,647</b>	<b>11,661,763</b>
<b>NET POSITION AT JUNE 30</b>	<b>\$ 11,255,928</b>	<b>\$ 975,834</b>	<b>\$ 12,231,762</b>

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

## CITY OF COLONIAL HEIGHTS, VIRGINIA

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2019

	Business-Type Activities – Enterprise Funds		
	Water and Sewer	Storm Water Management	Totals
<b>OPERATING ACTIVITIES</b>			
Receipts from customers and properties	\$ 5,007,461	\$ 702,787	\$ 5,710,248
Receipts from other sources	403,664	-	403,664
Payments to suppliers	(2,973,289)	(65,786)	(3,039,075)
Payments to employees	(1,133,093)	(188,956)	(1,322,049)
Net cash provided by operating activities	<u>1,304,743</u>	<u>448,045</u>	<u>1,752,788</u>
<b>NONCAPITAL FINANCING ACTIVITIES</b>			
Interfund lending	<u>(1,150,188)</u>	<u>-</u>	<u>(1,150,188)</u>
Net cash used in noncapital financing activities	<u>(1,150,188)</u>	<u>-</u>	<u>(1,150,188)</u>
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchases of capital assets	(645,485)	-	(645,485)
Principal paid	(167,394)	(70,965)	(238,359)
Proceeds from long term liabilities	600,000	-	600,000
Interest paid	(81,271)	(54,342)	(135,613)
Net cash used in capital and related financing activities	<u>(294,150)</u>	<u>(125,307)</u>	<u>(419,457)</u>
Net increase (decrease) in cash and cash equivalents	<u>(139,595)</u>	<u>322,738</u>	<u>183,143</u>
<b>CASH AND CASH EQUIVALENTS</b>			
Beginning at July 1	<u>1,267,537</u>	<u>173,523</u>	<u>1,441,060</u>
Ending at June 30	<u>\$ 1,127,942</u>	<u>\$ 496,261</u>	<u>\$ 1,624,203</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating income	\$ 288,293	\$ 409,963	\$ 698,256
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	845,212	65,206	910,418
Pension expense net of employer contributions	(76,958)	(12,772)	(89,730)
Other post-employment benefit expense net of employer contributions	17,342	1,954	19,296
Change in assets and liabilities:			
(Increase) decrease in:			
Receivables, net	66,716	(15,858)	50,858
Due from other governments	(2,938)	-	(2,938)
Increase (decrease) in:			
Accounts payable and other current liabilities	149,579	(3,252)	146,327
Customer deposits	13,525	-	13,525
Compensated absences	3,972	2,804	6,776
Net cash provided by operating activities	<u>\$ 1,304,743</u>	<u>\$ 448,045</u>	<u>\$ 1,752,788</u>

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

## CITY OF COLONIAL HEIGHTS, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS June 30, 2019

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

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

#### A. The Financial Reporting Entity

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

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

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

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

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

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

#### *Discretely Presented Component Unit – Economic Development Authority*

The Colonial Heights Economic Development Authority (the “EDA”) was established under the *Industrial Development and Revenue Act, Code of the Commonwealth of Virginia*. The EDA 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. The EDA is governed by seven directors appointed by the City Council and the City is financially accountable for the EDA. Separate financial statements are not issued.

(Continued)

## CITY OF COLONIAL HEIGHTS, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS June 30, 2019

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

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

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

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

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

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

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

## CITY OF COLONIAL HEIGHTS, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS June 30, 2019

#### **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, 2019

#### **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. A capital improvement plan (CIP) is prepared simultaneously with the budget. The CIP plans the City's major capital projects over a five year period, and once approved, the first year of the CIP is appropriated in conjunction with the operating budget.
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, \$2,003,883 in supplemental general fund appropriations were approved by City Council. These amendments consisted primarily of appropriations of prior year encumbrances, the appropriation of fund balance, and the appropriation of additional intergovernmental grants received during the year.
5. Actual expenditures and operating transfers out may not legally exceed budget appropriations for each function. City Council legally adopts an annual budget for the General Fund.

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

###### *Investments.*

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

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

###### *Prepaid Items.*

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

###### *Property Taxes.*

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

(Continued)

## CITY OF COLONIAL HEIGHTS, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS June 30, 2019

#### **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 2018 and 2019 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 2019 was \$3.50 per \$100 of assessed value. Under the provisions of the Personal Property Tax Relief Act of 1998 (PPTRA), the City received \$1,753,369 for the State's share of the local personal property tax payment with the remainder collected from City residents.

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

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

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

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

(Continued)

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**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.

*Deferred Outflows/Inflows of Resources*

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

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

*Pensions and Other Postemployment Benefits (OPEB):*

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

*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 or forfeited upon termination. Accordingly, in the governmental fund financial statements, no expenditure is reported for compensated absences until they are paid. Compensated absences earned by employees and charged to proprietary funds are expensed and accrued as a liability of the appropriate fund when incurred.

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

(Continued)

## CITY OF COLONIAL HEIGHTS, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS June 30, 2019

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

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

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

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

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

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

#### Minimum Fund Balance Policy

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

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.

## CITY OF COLONIAL HEIGHTS, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS June 30, 2019

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

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

###### **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 \$539,946 in the general fund and \$8,191,088 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.

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.

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

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

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

**Encumbrances (Continued)**

*Net Position. (Continued)*

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

**F. Use of Estimates**

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

**Note 2. Deposits and Investments**

**Deposits**

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

**Investments**

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

## CITY OF COLONIAL HEIGHTS, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS June 30, 2019

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

##### **Investments (Continued)**

The LGIP is a professionally managed money market fund which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Section 2.2-4605 *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. The 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.

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

##### **Deposits:**

Demand deposits	\$ 4,077,540
Cash on hand	<u>11,600</u>
	4,089,140

##### **Investments (Fair Value):**

LGIP	12,087,868
SNAP	<u>8,895,232</u>
Total deposits and investments	<u>\$ 25,072,240</u>

Exhibit 1 total deposits and investments is composed as follows:

Cash and investments	\$ 15,049,421
Restricted cash	<u>10,022,819</u>
Total deposits and investments	<u>\$ 25,072,240</u>

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

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

**Investments (Continued)**

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

Deposits:	
Demand deposits	<u>\$ 6,615,215</u>

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

Deposits:	
Demand deposits	<u>\$ 130,411</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, 2019**

**Note 3. Receivables**

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

	Water and		Storm Water		<b>Total</b>
	<b>General</b>	<b>Sewer</b>	<b>Management</b>		
Taxes	\$ 12,539,613	\$ -	\$ -		\$ 12,539,613
Accounts	221,681	974,597	137,267		1,333,545
Other	151,481	-	-		151,481
 Gross receivables	 12,912,775	 974,597	 137,267	 14,024,639	
 Less allowance for uncollectible accounts	 (230,924)	 (75,000)	 -	 (305,924)	
 Net receivables	 <u>\$ 12,681,851</u>	 <u>\$ 899,597</u>	 <u>\$ 137,267</u>	 <u>\$ 13,718,715</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:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>School Board</b>
<b>Federal:</b>			
Highway planning and construction	\$ 419,835	\$ -	\$ -
Other grants	-	-	645,276
Title I	-	-	482,554
Title II and III	-	-	109,645
Perkins	-	-	48,917
Child nutrition	-	-	32,874
 <b>Commonwealth of Virginia:</b>			
Other aid, grants, and reimbursements	331,330	-	-
Sales tax	1,336,266	-	367,615
PPTRA	1,753,369	-	-
Chesterfield County	-	15,294	-
Virginia State University	-	10,832	-
Other governments	-	226	-
	<u>\$ 3,840,800</u>	<u>\$ 26,352</u>	<u>\$ 1,686,881</u>

(Continued)

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 5. Interfund Obligations**

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

	<b>Receivables</b>	<b>Payables</b>
Capital Projects	\$ -	\$ 1,777,124
Water and Sewer	1,465,113	-
Storm Water Management	<u>312,011</u>	<u>-</u>
	<u><u>\$ 1,777,124</u></u>	<u><u>\$ 1,777,124</u></u>

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

**Note 6. Interfund Transfers**

	<b>Transfer From Fund</b>
	<b>General</b>
Transfer to fund:	
Capital Projects	<u>\$ 577,758</u>
	<u><u>\$ 577,758</u></u>

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

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 7. Capital Assets**

Capital asset activity was as follows:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets, not depreciated or amortized:				
Land	\$ 2,559,885	\$ -	\$ -	\$ 2,559,885
Easements	2,315,227	-	-	2,315,227
Construction in progress	4,878,371	3,608,151	(1,855,422)	6,631,100
	<u>9,753,483</u>	<u>3,608,151</u>	<u>(1,855,422)</u>	<u>11,506,212</u>
Capital assets, depreciated and amortized:				
Buildings and structures	32,990,763	517,038	-	33,507,801
Infrastructure	72,791,083	2,108,584	-	74,899,667
Equipment	17,706,571	631,202	(21,151)	18,316,622
Intangibles	207,433	-	-	207,433
	<u>123,695,850</u>	<u>3,256,824</u>	<u>(21,151)</u>	<u>126,931,523</u>
Less accumulated depreciation and amortization for:				
Buildings and structures	(9,205,836)	(763,085)	-	(9,968,921)
Infrastructure	(45,347,384)	(1,342,465)	-	(46,689,849)
Equipment	(14,288,236)	(813,174)	21,151	(15,080,259)
Intangibles	(112,592)	(17,886)	-	(130,478)
	<u>(68,954,048)</u>	<u>(2,936,610)</u>	<u>21,151</u>	<u>(71,869,507)</u>
Capital assets, depreciated and amortized, net	<u>54,741,802</u>	<u>320,214</u>	<u>-</u>	<u>55,062,016</u>
Governmental activities capital assets, net	<u>\$ 64,495,285</u>	<u>\$ 3,928,365</u>	<u>\$ (1,855,422)</u>	<u>\$ 66,568,228</u>
Depreciation and amortization expense was charged to functions/programs of the governmental activities as follows:				
Governmental activities:				
General government			\$ 40,533	
Judicial administration			43,387	
Public safety			506,563	
Public works			1,981,451	
Health and welfare			3,798	
Parks, recreation, and cultural			350,832	
Community development			10,046	
			<u>\$ 2,936,610</u>	

Equipment includes capitalized leases of \$121,475 with a net book value of \$0-.

(Continued)

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

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

<b>Business-Type Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets, not depreciated or amortized:				
Construction in progress	\$ 12,767	\$ 54,071	\$ -	\$ 66,838
Land	136,300	-	-	136,300
	<u>149,067</u>	<u>54,071</u>	<u>-</u>	<u>203,138</u>
Capital assets, depreciated and amortized:				
Land improvements	48,927	-	-	48,927
Buildings and structures	5,402,236	-	-	5,402,236
Infrastructure	16,507,487	465,694	-	16,973,181
Equipment	3,775,031	125,720	-	3,900,751
Intangibles	303,982	-	-	303,982
Purchased capacity	9,874,437	-	-	9,874,437
	<u>35,912,100</u>	<u>591,414</u>	<u>-</u>	<u>36,503,514</u>
Less accumulated depreciation and amortization for:				
Land improvements	(40,711)	(249)	-	(40,960)
Buildings and structures	(2,586,816)	(104,596)	-	(2,691,412)
Infrastructure	(7,412,667)	(229,985)	-	(7,642,652)
Equipment	(2,593,860)	(180,610)	-	(2,774,470)
Intangibles	(303,982)	-	-	(303,982)
Purchased capacity	(9,084,481)	(394,978)	-	(9,479,459)
	<u>(22,022,517)</u>	<u>(910,418)</u>	<u>-</u>	<u>(22,932,935)</u>
Capital assets, depreciated and amortized, net	<u>13,889,583</u>	<u>(319,004)</u>	<u>-</u>	<u>13,570,579</u>
Business-type activities capital assets, net	<u>\$ 14,038,650</u>	<u>\$ (264,933)</u>	<u>\$ -</u>	<u>\$ 13,773,717</u>

(Continued)

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**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	\$ 845,212
Storm Water	<u>65,206</u>
	<u><u>\$ 910,418</u></u>

South Central Wastewater Authority (SCWA) treatment plant rights

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

<b>Component Unit – School Board</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets, not depreciated or amortized:				
Land	\$ 1,090,102	\$ -	\$ -	\$ 1,090,102
CIP	<u>3,232,307</u>	<u>2,596,079</u>	<u>(5,828,386)</u>	<u>-</u>
	<u><u>4,322,409</u></u>	<u><u>2,596,079</u></u>	<u><u>(5,828,386)</u></u>	<u><u>1,090,102</u></u>
Capital assets, depreciated and amortized:				
Buildings and structures	32,988,405	6,802,491	(301,383)	39,489,513
Equipment	<u>3,914,810</u>	<u>131,424</u>	<u>(51,060)</u>	<u>3,995,174</u>
	<u><u>36,903,215</u></u>	<u><u>6,933,915</u></u>	<u><u>(352,443)</u></u>	<u><u>43,484,687</u></u>
Less accumulated depreciation and amortization for:				
Buildings and structures	(16,519,588)	(697,437)	301,383	(16,915,642)
Equipment	<u>(2,494,622)</u>	<u>(228,494)</u>	<u>51,060</u>	<u>(2,672,056)</u>
	<u><u>(19,014,210)</u></u>	<u><u>(925,931)</u></u>	<u><u>352,443</u></u>	<u><u>(19,587,698)</u></u>
Capital assets, depreciated and amortized, net	17,889,005	6,007,984	-	23,896,989
School Board capital assets, net	<u><u>\$ 22,211,414</u></u>	<u><u>\$ 8,604,063</u></u>	<u><u>\$(5,828,386)</u></u>	<u><u>\$ 24,987,091</u></u>

(Continued)

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 8. Long-Term Liabilities**

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

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
General obligation bonds	\$ 33,050,862	\$ 5,225,000	\$ (2,526,636)	\$ 35,749,226	\$ 2,599,224
Issuance premiums	2,246,226	-	(165,568)	2,080,658	-
Capital lease payable	44,357	-	(25,047)	19,310	19,310
Landfill post-closure liability	103,938	2,391	-	106,329	-
Compensated absences	1,964,720	1,396,685	(1,053,967)	2,307,438	717,106
	<u>\$ 37,410,103</u>	<u>\$ 6,624,076</u>	<u>\$ (3,771,218)</u>	<u>\$ 40,262,961</u>	<u>\$ 3,335,640</u>
<b>Business-Type Activities</b>					
General obligation bonds	\$ 3,814,133	\$ 600,000	\$ (238,359)	\$ 4,175,774	\$ 240,775
Issuance premiums	177,647	-	(11,101)	166,546	-
Compensated absences	100,918	58,597	(51,821)	107,694	34,152
	<u>\$ 4,092,698</u>	<u>\$ 658,597</u>	<u>\$ (301,281)</u>	<u>\$ 4,450,014</u>	<u>\$ 274,927</u>
<b>Component Unit – School Board</b>					
Compensated absences	\$ 2,068,628	\$ 438,964	\$ (326,983)	\$ 2,180,609	\$ 103,431
	<u>\$ 2,068,628</u>	<u>\$ 438,964</u>	<u>\$ (326,983)</u>	<u>\$ 2,180,609</u>	<u>\$ 103,431</u>

(Continued)

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

**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:

	<b>Year Issued</b>	<b>Interest Rate</b>	<b>Amount Outstanding</b>
General obligation bonds:			
General improvement			
Series 2012	2012	2.50-4.00%	\$ 15,890,000
Series 2015	2015	2.00-5.00%	9,025,000
Series 2016	2016	2.00-5.00%	9,185,000
Series 2018	2018	3.442%	<u>5,825,000</u>
Total general obligation bonds			<u>\$ 39,925,000</u>
Capital leases payable:			
Bucket Truck	2015	3.16%	<u>\$ 19,310</u>

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

The City's outstanding note from direct borrowings of \$5,825,000 contain a provision that if required to prevent default, the City shall levy and collect an annual ad valorem tax, over and above all other taxes authorized or limited by law on all locally taxable property in the City sufficient to pay the principal and interest when due for this borrowing. The direct borrowings are secured by the full faith and credit of the City.

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

<b>Fiscal Year Ending</b>	<b>General Obligation Bonds</b>			
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>	
<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	
2020	\$ 2,599,224	\$ 1,112,350	\$ 240,775	\$ 133,444
2021	2,469,099	1,031,958	210,902	120,203
2022	2,562,554	946,069	217,446	113,719
2023	2,651,524	860,072	223,476	107,041
2024	2,740,494	773,892	229,505	102,078
2025-2029	13,608,412	2,490,364	1,261,587	393,625
2030-2034	8,678,391	587,287	1,471,610	183,351
2035	<u>439,528</u>	<u>7,520</u>	<u>320,473</u>	<u>8,964</u>
	<u>\$ 35,749,226</u>	<u>\$ 7,809,512</u>	<u>\$ 4,175,774</u>	<u>\$ 1,162,425</u>

(Continued)

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

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

<b>Fiscal Year Ending</b>	<b>Capital Leases Payable</b>	
	<b>Governmental Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2020	19,310	306
	<u>\$ 19,310</u>	<u>\$ 306</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 \$106,329 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 THE FINANCIAL STATEMENTS**  
**June 30, 2019**

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

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

Construction Commitments: The City has entered into various construction contracts with \$8,191,088 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 \$257,831.

**Note 11. Defined Benefit Pension Plan**

**Primary Government – City**

**Plan Description**

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

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

- <https://www.varetire.org/members/benefits/defined-benefit/plan1.asp>,
- <https://www.varetire.org/members/benefits/defined-benefit/plan2.asp>,
- <https://www.vareirement.org/hybrid.html>.

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

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

**Primary Government – City (Continued)**

**Employees Covered by Benefit Terms**

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<b>Number</b>
Inactive members or their beneficiaries currently receiving benefits	179
Inactive members:	
Vested inactive members	37
Non-vested inactive members	25
Inactive members active elsewhere in VRS	132
Total inactive members	194
Active members	252
Total covered employees	625

**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.

The political subdivision's contractually required contribution rate for the year ended June 30, 2019 was 12.88% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

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 \$1,751,448 and \$1,873,791 for the years ended June 30, 2019 and June 30, 2018, respectively.

**Net Pension Liability**

The net pension liability is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For political subdivisions, the net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017 rolled forward to the measurement date of June 30, 2018.

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

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

**Primary Government – City (Continued)**

**Actuarial Assumptions**

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2017, 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, 2018.

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

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

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

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

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

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

**Primary Government – City (Continued)**

**Long-Term Expected Rate of Return**

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

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

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

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

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

**Primary Government – City (Continued)**

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions, political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in the FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015, actuarial valuations, whichever is greater. From July 1, 2018 on, participating employers are assumed to continue 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, 2017	\$ 74,518,637	\$ 62,868,646	\$ 11,649,991
Changes for the year:			
Service cost	1,675,436	-	1,675,436
Interest	5,101,751	-	5,101,751
Benefit changes	-	-	-
Differences between expected and actual experience	(1,020,058)	-	(1,020,058)
Assumption changes	-	-	-
Contributions – employer	-	1,873,791	(1,873,791)
Contributions – employee	-	644,771	(644,771)
Net investment income	-	4,640,950	(4,640,950)
Benefit payments, including refunds of employee contributions	(3,272,948)	(3,272,948)	-
Refunds of employee contributions	-	-	-
Administrative expenses	-	(39,901)	39,901
Other changes	-	(4,140)	4,140
Net changes	<u>2,484,181</u>	<u>3,842,523</u>	<u>(1,358,342)</u>
Balances at June 30, 2018	<u>\$ 77,002,818</u>	<u>\$ 66,711,169</u>	<u>\$ 10,291,649</u>

(Continued)

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

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

**Primary Government – City (Continued)**

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

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

	<b>1.00% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1.00% Increase (8.00%)</b>
Political subdivision's net pension liability	<u>\$ 20,034,473</u>	<u>\$ 10,291,649</u>	<u>\$ 2,177,562</u>

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

For the year ended June 30, 2019, the political subdivision recognized pension expense of \$187,159. At June 30, 2019, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 1,655,018
Change in assumptions	-	43,394
Net difference between projected and actual earnings on pension plan investments	-	557,318
Employer contributions subsequent to the measurement date	<u>1,751,448</u>	-
Total	<u>\$ 1,751,448</u>	<u>\$ 2,265,730</u>

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

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

**Primary Government – City (Continued)**

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

The \$1,751,448 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30,</b>	<b>Reduction to Pension Expense</b>
2020	\$ (845,743)
2021	(616,618)
2022	(749,750)
2023	(53,619)
2024	-
Thereafter	-

**Pension Plan Data**

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-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, 2019, approximately \$127,897 was payable to the Virginia Retirement System for the legally required contributions related to June 2019 payroll.

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

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

**School Nonprofessionals**

**Plan Description**

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

**Employees Covered by Benefit Terms**

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<b>Number</b>
Inactive members or their beneficiaries currently receiving benefits	56
Inactive members:	
Vested inactive members	4
Non-vested inactive members	4
Inactive members active elsewhere in VRS	5
Total inactive members	13
Active members	38
Total covered employees	<u>107</u>

**Contributions**

The school division’s contractually required contribution rate for the year ended June 30, 2019 was 4.89% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

Contributions to the pension plan from the school division were \$63,098 and \$73,835 for the years ended June 30, 2019 and June 30, 2018, respectively.

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

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

**School Nonprofessionals (Continued)**

**Changes in Net Pension Asset**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Asset (a) – (b)</b>
Balances at June 30, 2017	\$ 4,725,363	\$ 4,852,089	\$ (126,726)
<b>Changes for the year:</b>			
Service cost	133,737	-	133,737
Interest	320,772	-	320,772
Benefit changes	-	-	-
Differences between expected and actual experience	(71,725)	-	(71,725)
Assumption changes	-	-	-
Contributions – employer	-	73,835	73,835
Contributions – employee	-	62,086	62,086
Net investment income	-	354,248	354,248
Benefit payments, including refunds of employee contributions	(285,805)	(285,805)	-
Refunds of employee contributions	-	-	-
Administrative expenses	-	(3,125)	3,125
Other changes	-	(314)	314
Net changes	<u>96,979</u>	<u>200,925</u>	<u>(103,946)</u>
Balances at June 30, 2018	<u>\$ 4,822,342</u>	<u>\$ 5,053,014</u>	<u>\$ (230,672)</u>

**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:

	<b>1.00% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1.00% Increase (8.00%)</b>
School division's net pension liability (asset)	<u>\$ 293,946</u>	<u>\$ (230,672)</u>	<u>\$ (677,980)</u>

(Continued)

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**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, 2019, the school division recognized pension expense of \$(44,827). At June 30, 2019, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,803	\$ 42,209
Change in assumptions	-	4,861
Net difference between projected and actual earnings on pension plan investments	-	38,183
Employer contributions subsequent to the measurement date	<u>63,098</u>	-
Total	<u>\$ 64,901</u>	<u>\$ 85,253</u>

The \$63,098 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30,</b>	<b>Reduction to Pension Expense</b>
2020	\$ (14,169)
2021	(15,494)
2022	(49,795)
2023	(3,992)
2024	-
Thereafter	-

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**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 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-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, 2019, approximately \$878 was payable to the Virginia Retirement System for the legally required contributions related to June 2019 payroll.

**Teacher Cost Sharing Plan**

**General Information about the Teacher Cost Sharing Plan**

*Plan Description*

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

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

*Contributions*

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each school division's contractually required contribution rate for the year ended June 30, 2019 was 15.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$2,997,497 and \$3,044,775 for the years ended June 30, 2019 and June 30, 2018, respectively.

(Continued)

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

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

**Teacher Cost Sharing Plan (Continued)**

**General Information about the Teacher Cost Sharing Plan (Continued)**

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

At June 30, 2019, the school division reported a liability of \$27,685,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2018 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, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division's proportion was 0.23542% as compared to 0.23693% at June 30, 2017.

For the year ended June 30, 2019, the school division recognized pension expense of \$1,116,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2019, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 2,367,000
Change in assumptions	330,000	-
Net difference between projected and actual earnings on pension plan investments	-	587,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	-	1,202,000
Employer contributions subsequent to the measurement date	<u>2,997,497</u>	-
<b>Total</b>	<b><u>\$ 3,327,497</u></b>	<b><u>\$ 4,156,000</u></b>

(Continued)

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

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

**Teacher Cost Sharing Plan (Continued)**

**General Information about the Teacher Cost Sharing Plan (Continued)**

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

The \$2,997,497 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30,</b>	<b>Reduction to Pension Expense</b>
2020	\$ (880,000)
2021	(988,000)
2022	(1,401,000)
2023	(437,000)
2024	(120,000)
Thereafter	-

*Net Pension Liability*

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

	<b>Teacher Employee Retirement Plan</b>
Total Pension Liability	\$ 46,679,555
Plan Fiduciary Net Position	<u>34,919,563</u>
Employers' Net Pension Liability (Asset)	<u>\$ 11,759,992</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.81%

(Continued)

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

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

**Teacher Cost Sharing Plan (Continued)**

**General Information about the Teacher Cost Sharing Plan (Continued)**

*Net Pension Liability (Continued)*

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

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

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement plan net pension liability	<u>\$ 42,290,000</u>	<u>\$ 27,685,000</u>	<u>\$ 15,596,000</u>

*Pension Plan Fiduciary Net Position*

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-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, 2019, approximately \$399,146 was payable to the Virginia Retirement System for the legally required contributions related to June 2019 payroll.

(Continued)

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 12. Summary of Pension Elements**

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

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total Primary Government</b>	<b>School Board</b>
Net pension asset				
VRS Basic Pension Plan	\$ -	\$ -	\$ -	\$ 230,672
Net pension liability				
VRS Basic Pension Plan	<u>\$ (9,691,645)</u>	<u>\$ (600,004)</u>	<u>\$ (10,291,649)</u>	<u>\$ (27,685,000)</u>
Deferred outflows of resources				
Change in assumptions	\$ -	\$ -	\$ -	\$ 330,000
Differences between expected and actual experience	- -	- -	- -	1,803
Pension contributions subsequent to measurement date	1,649,339	102,109	1,751,448	3,060,595
Total deferred outflows of resources	<u>\$ 1,649,339</u>	<u>\$ 102,109</u>	<u>\$ 1,751,448</u>	<u>\$ 3,392,398</u>
Deferred inflows of resources				
Differences between expected and actual experience	\$ (1,567,947)	\$ (97,071)	\$ (1,665,018)	\$ (2,409,209)
Changes of assumptions	(40,864)	(2,530)	(43,394)	(4,861)
Net difference between projected and actual earnings on plan investments	(524,826)	(32,492)	(557,318)	(625,183)
Change in proportion	- -	- -	- -	(1,202,000)
Total deferred inflows of resources	<u>\$ (2,133,637)</u>	<u>\$ (132,093)</u>	<u>\$ (2,265,730)</u>	<u>\$ (4,241,253)</u>

**Note 13. Other Postemployment Benefits Liabilities**

**Primary Government – City – Local Plan**

**Plan Description and Benefits Provided**

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

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

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

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

(Continued)

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 13. Other Postemployment Benefits Liabilities (Continued)**

**Primary Government – City – Local Plan (Continued)**

**Employees Covered by Benefit Terms**

As of the January 1, 2019 actuarial valuation, the following employees were covered by the benefit terms of the plan:

	<b>Number</b>
Inactive employees or beneficiaries:	
Currently receiving benefits	30
Total inactive employees	30
Active plan members	213
	<u>243</u>

**Total OPEB Liability**

The City's total OPEB liability of \$2,812,729 was measured as of June 30, 2019 and was determined based on an actuarial valuation performed as of January 1, 2019.

**Actuarial Assumptions and other inputs**

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

Inflation	2.5%
Salary increases, including inflation	2.5%
Investment return	3.5%
Healthcare cost trend rates	7.00% initially, grading down to 4.50% ultimate
Discount rate	3.13%

Mortality rates: PUB2010 General (M/F) with SSA 2018 Mortality.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial valuation as of January 1, 2019.

Changes in assumptions and other inputs reflect changes in the discount rate as well as updates to the mortality, retirement, termination, disability rates, and trend.

(Continued)

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 13. Other Postemployment Benefits Liabilities (Continued)**

**Primary Government – City – Local Plan (Continued)**

**Changes in the Total OPEB Liability**

Balance at June 30, 2018	\$ 3,611,509
Changes for the year:	
Service cost	101,489
Interest	133,189
Differences between expected and actual experience	(1,128,599)
Assumption or other input changes	162,634
Benefit payments	<u>(67,493)</u>
Net changes	<u>(798,780)</u>
Balance at June 30, 2019	<u>\$ 2,812,729</u>

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.13%) or one percentage point higher (4.13%) than the current discount rate:

	1.00% Decrease (2.13%)	Current Discount Rate (3.13%)	1.00% Increase (4.13%)
Total OPEB liability	<u>\$ 3,148,460</u>	<u>\$ 2,812,729</u>	<u>\$ 2,523,285</u>

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (3.50%) or one percentage point higher (5.50%) than the current healthcare cost trend rates:

	1.00% Decrease (3.50%)	Current Healthcare Cost Trend Rates (4.50%)	1.00% Increase (5.50%)
Total OPEB liability	<u>\$ 2,573,457</u>	<u>\$ 2,812,729</u>	<u>\$ 2,096,378</u>

(Continued)

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 13. Other Postemployment Benefits Liabilities (Continued)**

**Primary Government – City – Local Plan (Continued)**

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

For the year ended June 30, 2019, the City recognized OPEB expense of \$144,801. At June 30, 2019, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 1,025,999
Change in assumptions	<u>147,849</u>	<u>18,555</u>
Total	<u><u>\$ 147,849</u></u>	<u><u>\$ 1,044,554</u></u>

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

<b>Year Ending June 30,</b>	<b>Increase (Reduction) to OPEB Expense</b>
2020	\$ (89,877)
2021	(89,877)
2022	(89,877)
2023	(89,877)
2024	(89,877)
Thereafter	(447,320)

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 13. Other Postemployment Benefits Liabilities (Continued)**

**Component Unit – School Board – Local Plan**

**Plan Description and Benefits Provided**

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

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

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

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

**Employees Covered by Benefit Terms**

As of the January 1, 2019 actuarial valuation, the following employees were covered by the benefit terms of the plan:

	<u>Number</u>
Inactive employees or beneficiaries:	
Currently receiving benefits	136
Total inactive employees	136
Active plan members	382
	<u>518</u>

**Total OPEB Liability**

The School Board's total OPEB liability of \$8,726,964 was measured as of June 30, 2019 and was determined based on an actuarial valuation performed as of January 1, 2019.

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 13. Other Postemployment Benefits Liabilities (Continued)**

**Component Unit – School Board – Local Plan (Continued)**

**Actuarial Assumptions and other inputs**

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

Inflation	2.50%
Salary increases, including inflation	2.50%
Investment return	3.50%
Healthcare cost trend rates	12.85% (Plan 250) and 12.95% (Plan 750) initially, then 6.75% grading down to 4.25% ultimate
Discount rate	3.13%

Mortality rates: PUB2010T headcount tables with generational mortality improvements using scale SSA18.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study as of January 1, 2019.

Changes in assumptions and other inputs reflect updated mortality rates, retirement, disability and withdrawal rates, and discount rate.

**Changes in the Total OPEB Liability**

Balance at June 30, 2018	\$ <u>9,566,990</u>
<b>Changes for the year:</b>	
Service cost	290,499
Interest	350,691
Differences between expected and actual experience	(1,201,183)
Assumption or other input changes	59,753
Benefit payments	<u>(339,786)</u>
Net changes	<u>(840,026)</u>
Balance at June 30, 2019	\$ <u>8,726,964</u>

(Continued)

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 13. Other Postemployment Benefits Liabilities (Continued)**

**Component Unit – School Board – Local Plan (Continued)**

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

The following presents the total OPEB liability of the School Board, as well as what the School Board's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.13%) or one percentage point higher (4.13%) than the current discount rate:

	<b>1.00% Decrease (2.13%)</b>	<b>Current Discount Rate (3.13%)</b>	<b>1.00% Increase (4.13%)</b>
Total OPEB liability	<u>\$ 9,779,874</u>	<u>\$ 8,726,964</u>	<u>\$ 7,828,730</u>

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

The following presents the total OPEB liability of the School Board, as well as what the School Board's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (3.50%) or one percentage point higher (5.50%) than the current healthcare cost trend rates:

	<b>1.00% Decrease (3.50%)</b>	<b>Current Discount Rate (4.50%)</b>	<b>1.00% Increase (5.50%)</b>
Total OPEB liability	<u>\$ 8,284,468</u>	<u>\$ 8,726,964</u>	<u>\$ 9,251,698</u>

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

For the year ended June 30, 2019, the School Board recognized OPEB expense of \$507,657. At June 30, 2019, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 1,067,718
Change in assumptions	<u>53,114</u>	<u>46,949</u>
Total	<u><u>\$ 53,114</u></u>	<u><u>\$ 1,114,667</u></u>

(Continued)

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 13. Other Postemployment Benefits Liabilities (Continued)**

**Component Unit – School Board – Local Plan (Continued)**

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

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

<b>Year Ending June 30,</b>	<b>Increase (Reduction) to OPEB Expense</b>
2020	\$ (133,533)
2021	(133,533)
2022	(133,533)
2023	(133,533)
2024	(133,533)
Thereafter	(393,888)

**Primary Government – City – Virginia Retirement System Plans**

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

**Plan Descriptions**

**Group Life Insurance Program**

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

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

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

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 13. Other Postemployment Benefits Liabilities (Continued)**

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

**Contributions**

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2017. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

**Group Life Insurance Program**

Governed by:	<i>Code of Virginia 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.</i>
Total rate:	1.31% of covered employee compensation. Rate allocated 60/40; 0.79% employee and 0.52% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2019 Contribution	\$69,187
June 30, 2018 Contribution	\$68,563

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

The net OPEB liabilities were measured as of June 30, 2018 and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by actuarial valuations as of that date. The covered employer's proportion of the net OPEB liabilities were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers.

**Group Life Insurance Program**

June 30, 2019 proportionate share of liability	\$1,053,000
June 30, 2018 proportion	0.06934%
June 30, 2017 proportion	0.07106%
June 30, 2019 expense	(\$3,000)

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 13. Other Postemployment Benefits Liabilities (Continued)**

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

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

**Group Life Insurance Program (Continued)**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 51,000	\$ 19,000
Change in assumptions	-	44,000
Net difference between projected and actual earnings on OPEB plan investments	-	34,000
Changes in proportion	-	49,000
Employer contributions subsequent to the measurement date	69,187	-
<b>Total</b>	<b>\$ 120,187</b>	<b>\$ 146,000</b>

The deferred outflows of resources related to OPEB resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year Ending June 30,</b>	<b>Increase (Reduction) to OPEB Expense</b>
2020	\$ (26,000)
2021	(26,000)
2022	(26,000)
2023	(16,000)
2024	(6,000)
Thereafter	5,000

**Payables to the OPEB Plan**

At June 30, 2019, the following amounts were payable to the Virginia Retirement System for the legally required contributions related to the June 2019 payroll.

- Group Life Insurance \$4,691

(Continued)

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 13. Other Postemployment Benefits Liabilities (Continued)**

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

**Actuarial Assumptions and Other Inputs**

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2017, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018:

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

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

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

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 13. Other Postemployment Benefits Liabilities (Continued)**

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

**Net OPEB Liabilities**

The net OPEB liabilities represent each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2018, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	<b>Group Life Insurance Program</b>
Total OPEB Liability	\$ 3,113,508
Plan fiduciary net position	1,594,773
Employers' net OPEB liability (asset)	\$ 1,518,735
Plan fiduciary net position as a percentage of total OPEB liability	51.22%

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

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 13. Other Postemployment Benefits Liabilities (Continued)**

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

**Long-Term Expected Rate of Return**

**Group Life Insurance and Health Insurance Credit Programs**

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

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

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

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 13. Other Postemployment Benefits Liabilities (Continued)**

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

**Discount Rate**

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

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

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

	1.00% Decrease	Current Discount Rate	1.00% Increase
	(6.00%)	(7.00%)	(8.00%)
GLI Net OPEB liability	\$ 1,376,000	\$ 1,053,000	\$ 791,000

**OPEB Plan Fiduciary Net Position**

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 13. Other Postemployment Benefits Liabilities (Continued)**

**Component Unit – School Board – Virginia Retirement System Plans**

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

**Plan Descriptions**

**Group Life Insurance Program**

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

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

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

**Teacher Employee Health Insurance Credit Program**

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

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

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

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 13. Other Postemployment Benefits Liabilities (Continued)**

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

**Contributions**

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2017. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

**Group Life Insurance Program**

Governed by:	Code of Virginia 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to school divisions and governmental agencies by the Virginia General Assembly.
Total rate:	1.31% of covered employee compensation. Rate allocated 60/40; 0.79% employee and 0.52% employer. Employers may elect to pay all or part of the employee contribution.
June 30, 2019 Contribution	\$107,791
June 30, 2018 Contribution	\$105,685

**Teacher Health Insurance Credit Program**

Governed by:	Code of Virginia 51.1-1401(E) and may be impacted as a result of funding provided to school divisions by the Virginia General Assembly.
Total rate:	1.20% of covered employee compensation.
June 30, 2019 Contribution	\$233,596
June 30, 2018 Contribution	\$233,356

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 13. Other Postemployment Benefits Liabilities (Continued)**

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

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

The net OPEB liabilities were measured as of June 30, 2018 and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by actuarial valuations as of that date. The covered employer's proportion of the net OPEB liabilities were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers.

**Group Life Insurance Program**

June 30, 2019 proportionate share of liability	\$1,623,000
June 30, 2018 proportion	0.10688%
June 30, 2017 proportion	0.10806%
June 30, 2019 expense	\$8,000

**Teacher Health Insurance Credit Program**

June 30, 2019 proportionate share of liability	\$2,978,000
June 30, 2018 proportion	0.23459%
June 30, 2017 proportion	0.23620%
June 30, 2019 expense	\$233,000

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

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 13. Other Postemployment Benefits Liabilities (Continued)**

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

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

At June 30, 2019, the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

**Group Life Insurance Program**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 79,000	\$ 30,000
Change in assumptions	-	67,000
Net difference between projected and actual earnings on OPEB plan investments	-	52,000
Changes in proportion	5,000	26,000
Employer contributions subsequent to the measurement date	<u>107,791</u>	-
<b>Total</b>	<b><u>\$ 191,791</u></b>	<b><u>\$ 175,000</u></b>

**Teacher Health Insurance Credit Program**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 15,000
Change in assumptions	-	26,000
Net difference between projected and actual earnings on OPEB plan investments	-	2,000
Changes in proportion	-	55,000
Employer contributions subsequent to the measurement date	<u>233,596</u>	-
<b>Total</b>	<b><u>\$ 233,596</u></b>	<b><u>\$ 98,000</u></b>

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 13. Other Postemployment Benefits Liabilities (Continued)**

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

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

The deferred outflows of resources related to OPEB resulting from the School's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**Group Life Insurance Program**

<b>Year Ending June 30,</b>	<b>Increase (Reduction) to OPEB Expense</b>
2020	\$ (28,000)
2021	(28,000)
2022	(28,000)
2023	(13,000)
2024	4,000
Thereafter	2,000

**Teacher Health Insurance Credit Program**

<b>Year Ending June 30,</b>	<b>Increase (Reduction) to OPEB Expense</b>
2020	\$ (18,000)
2021	(18,000)
2022	(18,000)
2023	(16,000)
2024	(17,000)
Thereafter	(11,000)

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 13. Other Postemployment Benefits Liabilities (Continued)**

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

**Actuarial Assumptions and Other Inputs**

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2017, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018:

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

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

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

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 13. Other Postemployment Benefits Liabilities (Continued)**

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

**Net OPEB Liabilities**

The net OPEB liabilities represent each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2018, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	<b>Group Life Insurance Program</b>	<b>Teacher Employee HIC OPEB Plan</b>
Total OPEB Liability	\$ 3,113,508	\$ 1,381,313
Plan fiduciary net position	1,594,773	111,639
Employers' net OPEB liability (asset)	\$ 1,518,735	\$ 1,269,674
Plan fiduciary net position as a percentage of total OPEB liability	51.22%	8.08%

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

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 13. Other Postemployment Benefits Liabilities (Continued)**

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

**Long-Term Expected Rate of Return**

**Group Life Insurance and Health Insurance Credit Programs**

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

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

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

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 13. Other Postemployment Benefits Liabilities (Continued)**

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

**Discount Rate**

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

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

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
GLI Net OPEB liability	\$ 2,121,000	\$ 1,623,000	\$ 1,219,000
Teacher HIC Net OPEB liability	\$ 3,327,000	\$ 2,978,000	\$ 2,682,000

**OPEB Plan Fiduciary Net Position**

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**Payables to the OPEB Plan**

At June 30, 2019, the following amounts were payable to the Virginia Retirement System for the legally required contributions related to June 2019 payroll.

• Group Life Insurance	\$33,346
• Teacher Employee Health Insurance Credit	30,547

(Continued)

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 14. Summary of Other Post-Employment Benefit Elements**

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

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total Primary Government</b>	<b>School Board</b>
Net other post-employment benefits liability				
Local Sponsored Health Insurance	\$ (2,569,452)	\$ (243,277)	\$ (2,812,729)	\$ (8,726,964)
VRS – Group Life Insurance	(984,976)	(68,024)	(1,053,000)	(1,623,000)
VRS – HIC	-	-	-	(2,978,000)
Total net other post-employment benefit liability	<u><u>\$ (3,554,428)</u></u>	<u><u>\$ (311,301)</u></u>	<u><u>\$ (3,865,729)</u></u>	<u><u>\$ (13,327,964)</u></u>
Deferred outflows of resources				
Change in proportion –				
VRS – Group Life Insurance	\$ -	\$ -	\$ -	\$ 5,000
Contributions subsequent to measurement date –				
VRS – Group Life Insurance	64,718	4,469	69,187	107,791
VRS – HIC	-	-	-	233,596
Difference between expected and actual experience –				
VRS – Group Life Insurance	47,705	3,295	51,000	-
VRS – HIC	-	-	-	79,000
Changes in actuarial assumptions –				
Local Sponsored Health Insurance	135,061	12,788	147,849	53,114
Total deferred outflows of resources	<u><u>\$ 247,484</u></u>	<u><u>\$ 20,552</u></u>	<u><u>\$ 268,036</u></u>	<u><u>\$ 478,501</u></u>
Deferred inflows of resources				
Differences between expected and actual experience –				
Local Sponsored Health Insurance	\$ (937,259)	\$ (88,740)	\$ (1,025,999)	\$ (1,067,718)
VRS – Group Life Insurance	(17,773)	(1,227)	(19,000)	(30,000)
VRS – HIC	-	-	-	(15,000)
Net difference between projected and actual investment earnings –				
VRS – Group Life Insurance	(31,804)	(2,196)	(34,000)	(52,000)
VRS – HIC	-	-	-	(2,000)
Change in actuarial assumptions –				
Local Sponsored Health Insurance	(16,950)	(1,605)	(18,555)	(46,949)
VRS – Group Life Insurance	(41,158)	(2,842)	(44,000)	(67,000)
VRS – HIC	-	-	-	(26,000)
Change in proportion –				
VRS – Group Life Insurance	(45,835)	(3,165)	(49,000)	(26,000)
VRS – HIC	-	-	-	(55,000)
Total deferred inflows of resources	<u><u>\$ (1,090,778)</u></u>	<u><u>\$ (99,776)</u></u>	<u><u>\$ (1,190,554)</u></u>	<u><u>\$ (1,387,667)</u></u>

(Continued)

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 15. Fund Balances**

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

	<b>General Fund</b>	<b>Capital Projects Fund</b>
<b>Nonspendable:</b>		
Inventories	\$ 45,132	\$ -
Prepays	10,239	-
	<hr/>	<hr/>
	55,371	-
<b>Restricted:</b>		
Judicial administration	68,359	-
Public safety – funds restricted for forfeited assets	146,655	-
Health and Welfare	6,500	-
Other capital projects – funds restricted from 2016 and 2018 bond issuances for various capital projects	- <hr/>	8,241,167 <hr/>
<b>Total restricted</b>	<hr/>	<hr/>
	221,514	8,241,167
<b>Committed:</b>		
General government	40,103	-
Judicial administration	7,212	-
Public safety – Encumbrances approved by Council for second phase of radio project and Police car purchases	49,258	-
Public works – Encumbrances approved by Council for paving and curbside recycling	435,649	-
Parks, recreation, and cultural	4,221	-
Community development	2,652	-
Human services	39	-
Nondepartmental	812	-
<b>Total committed</b>	<hr/>	<hr/>
	539,946	-
<b>Assigned:</b>		
General government	477,791	-
Public safety	376,278	-
Public works	1,253,827	-
Parks, recreation, and cultural	79,545	-
Community development	1,500	-
<b>Total assigned</b>	<hr/>	<hr/>
<b>Unassigned</b>	<hr/>	<hr/>
<b>Total fund balance</b>	<hr/>	<hr/>
	\$ 13,534,027	\$ 8,241,167

(Continued)

## CITY OF COLONIAL HEIGHTS, VIRGINIA

### NOTES TO THE FINANCIAL STATEMENTS June 30, 2019

#### **Note 16. Risk Management**

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

##### Risk Pools

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

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

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 VACORP for property, casualty, general liability, and automobile coverage. Workers' compensation insurance is provided through VACORP.

#### **Note 17. Jointly Governed Organizations**

##### Riverside Regional Jail Authority

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

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2019**

**Note 17. Jointly Governed Organizations (Continued)**

Riverside Regional Jail Authority (Continued)

The general purpose of the Authority is to acquire, construct, equip, maintain, and operate a regional jail facility to meet the needs of the participating jurisdictions for additional jail facilities. The Authority completed the feasibility study and conceptual design of the jail and proceeded with the preparation of the Service Agreement. The Service Agreement is a long-term contract regulating usage of the jail and establishing payment terms applicable to participating jurisdictions. It guarantees that the facility will be used and provides for the issuance of revenue bonds to fund the final design and construction of the regional jail facility. The City's cost for adult incarceration services for 2019 was approximately \$2,409,749. This amount includes approximately \$304,149 in funds returned to the City and then reappropriated to the Authority.

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 2019 was approximately \$629,000. Complete financial statements for the Authority can be obtained from the Authority's office at 21300 Chesdin Road, Petersburg, Virginia 23803.

South Central Wastewater Authority (SCWWA)

The Authority was created on July 2, 1996, and currently provides wastewater treatment to the Cities of Colonial Heights and Petersburg, the Counties of Chesterfield and Prince George and the Dinwiddie County Water Authority. The City has 4.0 million gallons per day of wastewater treatment capacity reserved at SCWWA's plant pursuant to a long-term service contract which is further described in Note 7. The City's cost of wastewater treatment for 2019 was approximately \$1,660,000. Complete financial statements for the Authority can be obtained from the Authority's office at 900 Magazine Road, Petersburg, Virginia 23803.

## CITY OF COLONIAL HEIGHTS, VIRGINIA

### NOTES TO THE FINANCIAL STATEMENTS June 30, 2019

#### **Note 17. Jointly Governed Organizations (Continued)**

##### 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 2019 contribution requirement and direct payments for special projects totaled approximately \$905,000. 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 2019.

#### **Note 18. Prior Period Restatement**

	<u>Governmental Activities</u>
Net position, June 30, 2018, as previously stated	\$ 30,477,457
Accrual for November PPTRA receipt that was not previously included and dates back to 2004	<u>793,105</u>
Net position, June 30, 2018, as restated	<u><u>\$ 31,270,562</u></u>

#### **Note 19. Self-Insurance**

City employees are covered by a professionally administered risk sharing program which provides health coverage for employees of the City on a cost-reimbursement basis. Dependents are covered by the program provided they pay a premium to the City. Under the program, health insurance claims are separately rated from other groups, and the City claims experience is factored into the premiums assessed in subsequent periods. However, gains and losses resulting from the City claims experience is not settled directly with the City but instead is shared by the pool. If the City were to exit the risk pool, it could be assessed a settlement charge that would not exceed any net loss resulting from the City's most recent year's claims experience. The City has no plans to exit the pool.

## CITY OF COLONIAL HEIGHTS, VIRGINIA

### NOTES TO THE FINANCIAL STATEMENTS June 30, 2019

#### **Note 20. New Accounting Standards**

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

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

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

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

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

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

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

The GASB issued **Statement No. 91**, Conduit Debt Obligations in May 2019. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

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

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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## CITY OF COLONIAL HEIGHTS, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND**  
**Year Ended June 30, 2019**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Revenue from local sources:				
General property taxes:				
Real property	\$ 19,714,227	\$ 19,714,227	\$ 19,585,336	\$ (128,891)
Real and personal public service corporation property	446,154	446,154	413,745	(32,409)
Personal property	2,604,999	3,248,149	3,176,524	(71,625)
Delinquent	391,617	391,617	331,551	(60,066)
Penalties and interest	167,761	167,761	214,388	46,627
Total general property taxes	<u>23,324,758</u>	<u>23,967,908</u>	<u>23,721,544</u>	<u>(246,364)</u>
Other local taxes:				
Food and lodging	8,155,170	8,504,170	8,524,496	20,326
Consumer utility	936,765	936,765	973,796	37,031
Bank stock	388,465	388,465	465,094	76,629
Local option sales and use	7,803,463	8,134,813	8,171,187	36,374
Recordation	189,186	189,186	189,178	(8)
Business and occupation licenses	2,895,481	2,895,481	3,148,433	252,952
Motor vehicle license and fees	514,100	514,100	505,649	(8,451)
Cigarette sales tax	-	19,000	134,345	115,345
Total other local taxes	<u>20,882,630</u>	<u>21,581,980</u>	<u>22,112,178</u>	<u>530,198</u>
Permits, fees, and licenses:				
Zoning and construction permits	132,999	132,999	250,090	117,091
Other fees	134,635	134,635	118,575	(16,060)
Total permits, fees, and licenses	<u>267,634</u>	<u>267,634</u>	<u>368,665</u>	<u>101,031</u>
Fines and forfeitures				
Charges for services:				
Refuse collection fees	1,212,584	1,212,584	1,203,544	(9,040)
Recreation use charges and fees	168,339	168,339	174,852	6,513
Administrative	413,300	413,300	374,048	(39,252)
Emergency medical transport fees	882,325	882,325	883,181	856
Other	8,210	8,210	18,529	10,319
Total charges for services	<u>2,684,758</u>	<u>2,684,758</u>	<u>2,654,154</u>	<u>(30,604)</u>
Use of money and property:				
Interest	58,995	58,995	191,164	132,169
Rental of property	222,963	222,963	59,602	(163,361)
Sale of commodities and property	1,000	1,000	1,394	394
Total use of money and property	<u>282,958</u>	<u>282,958</u>	<u>252,160</u>	<u>(30,798)</u>
Miscellaneous				
Reimbursement from School Board	50,190	617,268	53,177	(564,091)
Total revenue from local sources	<u>971,769</u>	<u>971,769</u>	<u>994,495</u>	<u>22,726</u>
	<u>48,796,417</u>	<u>50,705,995</u>	<u>50,498,434</u>	<u>(207,561)</u>

(Continued)

## CITY OF COLONIAL HEIGHTS, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND**  
**Year Ended June 30, 2019**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>	
	<b>Original</b>	<b>Final</b>	<b>Actual</b>		
<b>Revenues (Continued)</b>					
Intergovernmental:					
Revenue from the Commonwealth:					
Non-categorical aid:					
Personal property tax relief	\$ 1,753,369	\$ 1,753,369	\$ 1,753,369	\$ -	
Rolling stock tax	5,383	5,383	5,432	49	
Vehicle rental tax	-	-	267,150	267,150	
Communications sales and use tax	631,977	631,977	590,262	(41,715)	
Recordation tax	57,000	57,000	48,735	(8,265)	
Total non-categorical aid	<u>2,447,729</u>	<u>2,447,729</u>	<u>2,664,948</u>	<u>217,219</u>	
Categorical aid:					
Commissioner of Revenue	90,984	90,984	88,448	(2,536)	
Treasurer	84,259	84,259	93,530	9,271	
Circuit Court	296,087	296,087	258,756	(37,331)	
Sheriff	313,539	313,539	319,352	5,813	
Commonwealth's attorney	508,626	525,121	523,376	(1,745)	
Library	146,431	146,431	146,609	178	
Law enforcement	615,186	615,186	601,328	(13,858)	
Street construction and maintenance	2,731,113	2,731,113	2,743,998	12,885	
Other	423,826	472,976	688,236	215,260	
Total categorical aid	<u>5,210,051</u>	<u>5,275,696</u>	<u>5,463,633</u>	<u>187,937</u>	
Total revenue from the Commonwealth	<u>7,657,780</u>	<u>7,723,425</u>	<u>8,128,581</u>	<u>405,156</u>	
Revenue from federal government:					
Categorical aid	<u>221,946</u>	<u>250,606</u>	<u>273,589</u>	<u>22,983</u>	
Total intergovernmental	<u>7,879,726</u>	<u>7,974,031</u>	<u>8,402,170</u>	<u>428,139</u>	
Total revenue	<u><u>\$ 56,676,143</u></u>	<u><u>\$ 58,680,026</u></u>	<u><u>\$ 58,900,604</u></u>	<u><u>\$ 220,578</u></u>	
<b>Expenditures</b>					
General government:					
City council	\$ 111,403	\$ 117,863	\$ 117,311	\$ 552	
Clerk of council	91,001	91,907	91,744	163	
City manager	296,007	296,407	296,254	153	
Human resources	134,325	133,925	130,372	3,553	
City attorney	310,934	313,434	300,057	13,377	
Real estate assessor	196,011	196,011	194,866	1,145	
Commissioner of the revenue	286,594	285,494	272,231	13,263	
Treasurer	131,794	132,894	132,448	446	
Finance	759,652	754,652	751,191	3,461	
Information technologies	425,851	408,451	278,277	130,174	
Auditing	104,500	108,400	108,400	-	
Purchasing	201,009	194,009	171,095	22,914	
Insurance and risk management	522,723	514,723	510,896	3,827	
Employee benefits	134,290	231,690	231,407	283	
Board of elections	28,251	28,251	23,956	4,295	
Registrar	170,248	170,248	142,259	27,989	
Economic development	338,371	273,371	239,768	33,603	
Billing & collections	262,015	277,115	267,009	10,106	
Total general government	<u>4,504,979</u>	<u>4,528,845</u>	<u>4,259,541</u>	<u>269,304</u>	

(Continued)

## CITY OF COLONIAL HEIGHTS, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND**  
**Year Ended June 30, 2019**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Positive (Negative)</b>
<b>Expenditures (Continued)</b>				
Judicial administration:				
Circuit courts	\$ 594,627	\$ 598,027	\$ 569,954	\$ 28,073
General district court	21,400	86,400	34,408	51,992
Probation	5,884	5,884	4,397	1,487
Commonwealth's attorney	833,556	850,987	830,638	20,349
Sheriff	1,078,163	1,091,400	1,031,135	60,265
Incarceration	2,578,000	2,878,149	2,692,467	185,682
Community correction services	188,500	192,500	192,079	421
Community diversion services	57,000	57,000	57,000	-
Victim witness	128,472	128,472	122,320	6,152
Juvenile & Domestic Court	13,850	13,850	4,216	9,634
Total judicial administration	<u>5,499,452</u>	<u>5,902,669</u>	<u>5,538,614</u>	<u>364,055</u>
Public safety:				
Police	5,520,799	5,584,796	5,420,712	164,084
Fire and emergency medical services	4,493,476	4,534,410	4,465,526	68,884
Emergency preparedness	41,315	42,015	41,588	427
Communications	1,476,545	1,495,428	1,393,943	101,485
Total public safety	<u>11,532,135</u>	<u>11,656,649</u>	<u>11,321,769</u>	<u>334,880</u>
Public works:				
Administration	322,423	322,423	319,130	3,293
Engineering division	805,697	895,958	844,350	51,608
Street maintenance	1,964,238	1,952,209	1,289,782	662,427
Building maintenance	597,944	598,150	568,459	29,691
Fleet maintenance	415,844	417,844	378,196	39,648
Solid waste	708,776	678,776	653,067	25,709
Recycling	249,020	279,020	275,864	3,156
Total public works	<u>5,063,942</u>	<u>5,144,380</u>	<u>4,328,848</u>	<u>815,532</u>
Health and welfare:				
Health	256,214	257,914	257,831	83
Welfare	337,260	335,560	260,397	75,163
Mental health	79,953	79,953	79,953	-
Comprehensive services	375,000	480,000	442,608	37,392
Total health and welfare	<u>1,048,427</u>	<u>1,153,427</u>	<u>1,040,789</u>	<u>112,638</u>
Parks, recreation, and cultural:				
Parks and recreation	631,866	635,791	620,757	15,034
Parks and grounds	673,925	656,025	601,406	54,619
Agency on aging	314,671	316,887	286,657	30,230
Violet bank museum	109,024	109,024	82,149	26,875
Library	775,043	810,110	804,080	6,030
Recreation trips and classes	161,300	161,300	146,209	15,091
Horticulture	125,283	125,283	106,860	18,423
Total parks, recreation, and cultural	<u>2,791,112</u>	<u>2,814,420</u>	<u>2,648,118</u>	<u>166,302</u>

(Continued)

## CITY OF COLONIAL HEIGHTS, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND**  
**Year Ended June 30, 2019**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Expenditures: (Continued)</b>				
Community development:				
Planning	\$ 270,004	\$ 271,252	\$ 265,830	\$ 5,422
Building inspections	310,162	310,373	237,754	72,619
Total community development	<u>580,166</u>	<u>581,625</u>	<u>503,584</u>	<u>78,041</u>
Education:				
Payments to School Board	21,121,071	21,830,071	21,829,850	221
Human Services:				
Office of youth	212,071	226,845	225,267	1,578
Better beginnings	2,600	2,600	1,446	1,154
Juvenile crime	98,753	98,890	91,560	7,330
CDBG	87,108	94,495	79,559	14,936
Kids after school program	36,486	42,347	42,321	26
Total human services	<u>437,018</u>	<u>465,177</u>	<u>440,153</u>	<u>25,024</u>
Nondepartmental:				
Contributions and subsidies	81,704	81,704	56,962	24,742
Contingencies and miscellaneous	289,800	290,100	94,055	196,045
Total nondepartmental	<u>371,504</u>	<u>371,804</u>	<u>151,017</u>	<u>220,787</u>
Debt service:				
Principal retirement	2,551,685	2,539,485	2,551,683	(12,198)
Interest and fiscal charges	1,092,782	1,104,982	1,113,859	(8,877)
Bond issuance costs	10,000	10,000	2,225	7,775
Total debt service	<u>3,654,467</u>	<u>3,654,467</u>	<u>3,667,767</u>	<u>(13,300)</u>
Total expenditures	<u>56,604,273</u>	<u>58,103,534</u>	<u>55,730,050</u>	<u>2,373,484</u>
Excess of revenues over (under) expenditures	<u>71,870</u>	<u>576,492</u>	<u>3,170,554</u>	<u>2,594,062</u>
Other financing source (uses):				
Issuance of debt	600,000	600,000	-	(600,000)
Proceeds from sale of capital assets	370,000	370,000	-	(370,000)
Transfers in	600,000	600,000	-	(600,000)
Transfers out	(71,870)	(577,759)	(577,758)	1
Total other financing sources (uses)	<u>1,498,130</u>	<u>992,241</u>	<u>(577,758)</u>	<u>(1,569,999)</u>
Net change in fund balance	<u><u>\$ 1,570,000</u></u>	<u><u>\$ 1,568,733</u></u>	<u><u>\$ 2,592,796</u></u>	<u><u>\$ 1,024,063</u></u>

## CITY OF COLONIAL HEIGHTS, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS –**  
**PRIMARY GOVERNMENT**  
**June 30, 2019**

	<b>Primary Government</b> <b>Plan Year</b>				
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Total Pension Liability</b>					
Service cost	\$ 1,675,436	\$ 1,767,349	\$ 1,764,320	\$ 1,776,096	\$ 1,701,944
Interest on total pension liability	5,101,751	5,005,168	4,817,132	4,525,376	4,300,904
Changes of assumptions	-	(104,084)	-	-	-
Difference between expected and actual experience	(1,020,058)	(1,914,015)	(810,107)	566,769	-
Benefit payments, including refunds of employee contributions	(3,272,948)	(3,476,363)	(2,693,858)	(2,706,743)	(2,885,463)
Net change in total pension liability	2,484,181	1,278,055	3,077,487	4,161,498	3,117,385
<b>Total pension liability - beginning</b>	<u>74,518,637</u>	<u>73,240,582</u>	<u>70,163,095</u>	<u>66,001,597</u>	<u>62,884,212</u>
<b>Total pension liability - ending</b>	<u>77,002,818</u>	<u>74,518,637</u>	<u>73,240,582</u>	<u>70,163,095</u>	<u>66,001,597</u>
<b>Plan Fiduciary Net Position</b>					
Contributions - employer	1,873,791	1,866,696	2,096,376	2,084,048	2,141,597
Contributions - employee	644,771	650,821	651,691	684,051	640,031
Net investment income	4,640,950	6,900,717	997,365	2,455,417	7,293,094
Benefit payments, including refunds of employee contributions	(3,272,948)	(3,476,363)	(2,693,858)	(2,706,743)	(2,885,463)
Administrative expenses	(39,901)	(39,983)	(34,358)	(33,037)	(39,060)
Other	(4,140)	(6,145)	(416)	(520)	384
Net change in plan fiduciary net position	3,842,523	5,895,743	1,016,800	2,483,216	7,150,583
<b>Plan fiduciary net position - beginning</b>	<u>62,868,646</u>	<u>56,972,903</u>	<u>55,956,103</u>	<u>53,472,887</u>	<u>46,322,304</u>
<b>Plan fiduciary net position - ending</b>	<u>66,711,169</u>	<u>62,868,646</u>	<u>56,972,903</u>	<u>55,956,103</u>	<u>53,472,887</u>
<b>Net pension liability - ending</b>	<u><u>\$ 10,291,649</u></u>	<u><u>\$ 11,649,991</u></u>	<u><u>\$ 16,267,679</u></u>	<u><u>\$ 14,206,992</u></u>	<u><u>\$ 12,528,710</u></u>
Plan fiduciary net position as a percentage of total pension liability	<u>87%</u>	<u>84%</u>	<u>78%</u>	<u>80%</u>	<u>81%</u>
Covered payroll	<u>\$ 13,175,927</u>	<u>\$ 13,056,245</u>	<u>\$ 13,053,400</u>	<u>\$ 12,961,992</u>	<u>\$ 12,747,601</u>
Net pension liability as a percentage of covered payroll	<u>78%</u>	<u>89%</u>	<u>125%</u>	<u>110%</u>	<u>98%</u>

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2018 information was presented in the entity's fiscal year 2019 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 –**  
**SCHOOLS – NONPROFESSIONAL EMPLOYEES**  
**June 30, 2019**

	Schools – Nonprofessional Employees Plan Year				
	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>					
Service cost	\$ 133,737	\$ 133,817	\$ 132,525	\$ 126,804	\$ 137,965
Interest on total pension liability	320,772	310,335	305,624	299,424	287,415
Changes of assumptions	-	(31,143)	-	-	-
Difference between expected and actual experience	(71,725)	11,549	(98,133)	(70,089)	-
Benefit payments, including refunds of employee contributions	(285,805)	(265,098)	(280,345)	(254,780)	(252,875)
Net change in total pension liability	96,979	159,460	59,671	101,359	172,505
<b>Total pension liability - beginning</b>	<b>4,725,363</b>	<b>4,565,903</b>	<b>4,506,232</b>	<b>4,404,873</b>	<b>4,232,368</b>
<b>Total pension liability - ending</b>	<b>4,822,342</b>	<b>4,725,363</b>	<b>4,565,903</b>	<b>4,506,232</b>	<b>4,404,873</b>
<b>Plan Fiduciary Net Position</b>					
Contributions - employer	73,835	72,037	95,491	93,422	118,587
Contributions - employee	62,086	60,431	56,470	55,511	57,398
Net investment income	354,248	535,907	75,984	199,346	608,037
Benefit payments, including refunds of employee contributions	(285,805)	(265,098)	(280,345)	(254,780)	(252,875)
Administrative expenses	(3,125)	(3,159)	(2,843)	(2,797)	(3,309)
Other	(314)	(474)	(33)	(42)	33
Net change in plan fiduciary net position	200,925	399,644	(55,276)	90,660	527,871
<b>Plan fiduciary net position - beginning</b>	<b>4,852,089</b>	<b>4,452,445</b>	<b>4,507,721</b>	<b>4,417,061</b>	<b>3,889,190</b>
<b>Plan fiduciary net position - ending</b>	<b>5,053,014</b>	<b>4,852,089</b>	<b>4,452,445</b>	<b>4,507,721</b>	<b>4,417,061</b>
<b>Net pension (asset) liability - ending</b>	<b>\$ (230,672)</b>	<b>\$ (126,726)</b>	<b>\$ 113,458</b>	<b>\$ (1,489)</b>	<b>\$ (12,188)</b>
Plan fiduciary net position as a percentage of total pension liability	<b>105%</b>	<b>103%</b>	<b>98%</b>	<b>100%</b>	<b>100%</b>
Covered payroll	\$ 1,276,466	\$ 1,237,361	\$ 1,147,595	\$ 1,116,864	\$ 1,147,986
Net pension (asset) liability as a percentage of covered payroll	<b>-18%</b>	<b>-10%</b>	<b>10%</b>	<b>0%</b>	<b>1%</b>

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2018 information was presented in the entity's fiscal year 2019 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, 2019**

Entity Fiscal Year Ended June 30	Contributions in Relation to			Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
	Actuarially Determined Contribution	Actuarially Determined Contribution	Contribution Deficiency (Excess)			
<b>Primary Government</b>						
2019	\$ 1,751,448	\$ 1,751,448	\$ -	\$ 13,596,271		12.88%
2018	1,873,791	1,873,791	-	13,175,927		14.41
2017	1,866,696	1,866,696	-	13,056,245		14.30
2016	2,096,376	2,096,376	-	13,053,400		16.06
2015	2,066,219	2,066,219	-	12,961,992		15.94
<b>Schools - Nonprofessional Employees</b>						
2019	\$ 63,098	\$ 63,098	\$ -	\$ 1,290,027		4.89%
2018	73,835	73,835	-	1,276,466		5.86
2017	72,037	72,037	-	1,237,361		5.82
2016	95,491	95,491	-	1,147,595		8.32
2015	100,000	100,000	-	1,116,864		8.95

Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, only five 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, 2019**

Year Ended <b>June 30</b>	Employer's Proportion of the Net Pension Liability <b>(Asset)</b>	Employer's Proportionate Share of the Net Pension Liability	<b>Covered Payroll</b>	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.23542%	\$ 27,685,000	\$ 18,972,065	146%	74.81%
2018	0.23693	29,138,000	18,582,653	157	72.92
2017	0.24029	33,675,000	18,328,457	184	68.28
2016	0.24579	30,936,000	17,861,181	173	70.68
2015	0.25511	30,829,000	17,591,360	175	70.88

Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, only five 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, 2019

Entity Fiscal Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2019	\$ 2,997,497	\$ 2,997,497	-	\$ 19,463,488	15.40 %
2018	3,044,775	3,044,775	-	18,972,065	16.06
2017	2,696,034	2,696,034	-	18,582,653	14.51
2016	2,576,981	2,576,981	-	18,328,457	14.06
2015	2,600,000	2,600,000	-	17,861,181	14.56

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

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

## CITY OF COLONIAL HEIGHTS, VIRGINIA

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

June 30, 2019

	Plan Year 2018		Plan Year 2017	
	Primary Government	Schools	Primary Government	Schools
	Schools Local Plan	Local Plan	Schools Local Plan	Local Plan
<b>Total OPEB Liability</b>				
Service cost	\$ 101,489	\$ 290,499	\$ 99,014	\$ 283,414
Interest on total OPEB liability	133,189	350,691	126,738	341,473
Difference between expected and actual experience	(1,128,599)	(1,201,183)	-	-
Changes in assumptions	162,634	59,753	(22,679)	(60,363)
Benefit payments	(67,493)	(339,786)	(104,308)	(522,536)
Net change in total OPEB liability	(798,780)	(840,026)	98,765	41,988
<b>Total OPEB liability – beginning</b>	<u>3,611,509</u>	<u>9,566,990</u>	<u>3,512,744</u>	<u>9,525,002</u>
<b>Total OPEB liability – ending</b>	<u><u>\$ 2,812,729</u></u>	<u><u>\$ 8,726,964</u></u>	<u><u>\$ 3,611,509</u></u>	<u><u>\$ 9,566,990</u></u>
Plan fiduciary net position as a percentage of total OPEB liability				
Covered payroll	<u><u>\$ 13,214,563</u></u>	<u><u>\$ 21,302,671</u></u>	<u><u>\$ 13,131,639</u></u>	<u><u>\$ 18,902,040</u></u>
Net OPEB liability as a percentage of covered payroll	21%	41%	28%	51%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2018 information was presented in the entity's fiscal year 2019 financial report.

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

## CITY OF COLONIAL HEIGHTS, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY – VRS**  
**June 30, 2019**

Entity Fiscal Year Ended June 30	Employer's Proportion of the Net OPEB Liability (Asset)	Employer's Proportionate Share of the Net OPEB Liability (Asset)	Covered Payroll	Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
<b>Virginia Retirement System - Health Insurance Credit - Teachers</b>					
2019	0.2346%	\$ 2,978,000	\$ 18,991,552	15.68%	8.08%
2018	0.2362%	2,996,000	18,582,653	16.12%	7.04%
<b>Virginia Retirement System - Group Life Insurance - General Employees</b>					
2019	0.0693%	1,053,000	13,305,144	7.91%	51.22%
2018	0.0711%	1,069,000	13,185,396	8.11%	48.86%
<b>Virginia Retirement System - Group Life Insurance - Schools - Teachers</b>					
2019	0.1001%	1,521,000	19,489,879	7.80%	51.22%
2018	0.1013%	1,524,000	19,040,280	8.00%	48.86%
<b>Virginia Retirement System - Group Life Insurance - Schools - General Employees</b>					
2019	0.0068%	102,000	1,290,027	7.91%	51.22%
2018	0.0068%	102,000	1,283,854	7.94%	48.86%

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

## CITY OF COLONIAL HEIGHTS, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF OPEB CONTRIBUTIONS – VRS

June 30, 2019

Entity Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
<b>Virginia Retirement System - Health Insurance Credit - Teachers</b>					
2019	\$ 233,596	\$ 233,596	-	\$ 18,991,552	1.23%
2018	233,356	233,356	-	18,680,215	1.23%
<b>Virginia Retirement System - Group Life Insurance - General Employees</b>					
2019	69,187	69,187	-	13,305,144	0.52%
2018	68,563	68,563	-	13,185,396	0.52%
<b>Virginia Retirement System - Group Life Insurance - Schools</b>					
2019	107,791	107,791	-	20,779,906	0.52%
2018	105,685	105,685	-	20,324,135	0.52%

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

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

## CITY OF COLONIAL HEIGHTS, VIRGINIA

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2019

#### **Note 1. Changes of Benefit Terms**

##### Pension

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

##### Other Postemployment Benefits (OPEB)

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

#### **Note 2. Changes of Assumptions**

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

##### Largest 10 – Non-Hazardous Duty:

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

##### Largest 10 – Hazardous Duty/Public Safety Employees:

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

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

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

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2019**

**Note 2. Changes of Assumptions (Continued)**

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

- Update mortality table
- Increased retirement rate at age 50 and lowered rates at older ages
- Update withdrawal rates to better fit experience
- Update disability rates to better fit experience
- No changes to salary rates
- Applicable to: Pension, GLI OPEB, and LODA OPEB

Teacher cost-sharing pool

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

## **OTHER SUPPLEMENTARY INFORMATION**

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**CITY OF COLONIAL HEIGHTS, VIRGINIA**  
**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**  
**BALANCE SHEET - GOVERNMENTAL FUND**  
**June 30, 2019**

	School Operating Fund
<b>ASSETS</b>	
Cash and investments	\$ 6,615,215
Due from other governments	1,686,881
Due from primary government	595,119
Inventories	25,956
Total assets	<u>8,923,171</u>
<b>LIABILITIES</b>	
Accounts payable and other current liabilities	\$ 3,806,607
Unearned revenue	5,785
Total liabilities	<u>3,812,392</u>
<b>FUND BALANCE</b>	
Nonspendable	25,956
Committed	1,962,246
Assigned	3,122,577
Total fund balance	<u>5,110,779</u>
Total liabilities and fund balance	<u>8,923,171</u>
<b>Adjustments for the Statement of Net Position (Exhibit 1):</b>	
<b>Total Fund Balance - School Board</b>	\$ 5,110,779
Amounts reported for the School Board's governmental activities in the Statement of Net Position are different because:	
Long-term assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	
Net pension asset	230,672
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>23,896,989</u>
	<u>24,987,091</u>
Deferred outflows and inflows of resources related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows related to:	
Pensions	3,392,398
Other postemployment benefits	478,501
Deferred inflows related to:	
Pensions	(4,241,253)
Other postemployment benefits	(1,387,667)
Net pension liability	(27,685,000)
Net other postemployment benefits liability	<u>(13,327,964)</u>
	<u>(42,770,985)</u>
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	
Compensated absences	<u>(2,180,609)</u>
<b>Total Net Position - School Board Governmental Activities</b>	<u>\$ (14,623,052)</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, 2019**

	<b>School Operating Fund</b>
<b>REVENUES</b>	
Charges for services	\$ 372,572
Miscellaneous	175,497
Payments from City	24,204,644
Intergovernmental	<u>18,572,563</u>
Total revenue	<u>43,325,276</u>
<b>EXPENDITURES</b>	
Education:	
Administration, attendance, and health	2,222,179
Instruction	27,638,858
Operation and maintenance	4,235,377
Pupil transportation	1,240,946
Food service	1,152,293
Facilities	3,288,971
Technology	1,768,584
Reimbursement to City	<u>994,495</u>
Total expenditures	<u>42,541,703</u>
Net change in fund balance	<u>783,573</u>
<b>FUND BALANCE AT JULY 1</b>	<u>4,327,206</u>
<b>FUND BALANCE AT JUNE 30</b>	<u><u>\$ 5,110,779</u></u>
<b>Reconciliation to the Statement of Activities (Exhibit 2):</b>	
<b>Net Change in Fund Balance - School Board</b>	\$ 783,573
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	3,701,608
Depreciation and amortization expense	<u>(925,931)</u>
	<u>2,775,677</u>
Governmental funds report employer pension contributions as expenditures. However, in the Statement of Activities the cost of pension benefits earned net of employee contributions is reported as pension expense. This is the amount by which employer pension contributions of \$3,060,595 exceed pension expense of \$1,075,196 in the current period.	1,985,399
Governmental funds report employer other postemployment benefit contributions as expenditures. However, in the Statement of Activities the cost of other postemployment benefits earned net of employee contributions is reported as other postemployment benefit expense. This is the amount by which employer other postemployment contributions of \$341,387 do not exceed other postemployment expense of \$402,999 in the current period.	(61,612)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Compensated absences	<u>(111,981)</u>
<b>Change in Net Position - School Board Governmental Activities</b>	<u><u>\$ 5,371,056</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, 2019**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>REVENUES</b>				
Revenue from local sources:				
Charges for services:				
Cafeteria	\$ 330,706	\$ 335,883	\$ 335,883	\$ -
Other	53,500	36,689	36,689	-
	<hr/> 384,206	<hr/> 372,572	<hr/> 372,572	<hr/> -
Miscellaneous	95,000	175,497	175,497	-
Payments from City	21,121,071	24,204,644	24,204,644	-
Total revenue from local sources	<hr/> 21,600,277	<hr/> 24,752,713	<hr/> 24,752,713	<hr/> -
Intergovernmental:				
Revenue from the Commonwealth of Virginia:				
Categorical aid:				
Basic school aid	7,395,423	7,483,750	7,483,750	-
State sales tax	2,945,522	2,990,921	2,990,921	-
Other	5,339,236	5,765,233	5,765,233	-
	<hr/> 15,680,181	<hr/> 16,239,904	<hr/> 16,239,904	<hr/> -
Revenue from the federal government:				
Categorical aid:				
Title I Grant	522,547	515,300	515,300	-
Title VI B Grant	609,068	632,364	632,364	-
Other	994,318	1,096,940	1,184,995	88,055
	<hr/> 2,125,933	<hr/> 2,244,604	<hr/> 2,332,659	<hr/> 88,055
Total intergovernmental	17,806,114	18,484,508	18,572,563	88,055
Total revenues	<hr/> 39,406,391	<hr/> 43,237,221	<hr/> 43,325,276	<hr/> 88,055
<b>EXPENDITURES</b>				
Education:				
Administration, attendance, and health	1,866,030	2,226,459	2,222,179	4,280
Instruction	29,022,664	27,880,462	27,638,858	241,604
Operation and maintenance	4,038,390	4,393,602	4,235,377	158,225
Pupil transportation	1,250,417	1,263,479	1,240,946	22,533
Food service	1,107,236	1,071,627	1,152,293	(80,666)
Facilities	130,791	3,291,082	3,288,971	2,111
Technology	1,752,969	1,776,752	1,768,584	8,168
Contingencies	760,939	1,695,754	-	1,695,754
Reimbursement to City	833,446	994,495	994,495	-
Total expenditures	<hr/> 40,762,882	<hr/> 44,593,712	<hr/> 42,541,703	<hr/> 2,052,009
Net change in fund balance	<hr/> \$ (1,356,491)	<hr/> \$ (1,356,491)	<hr/> \$ 783,573	<hr/> \$ 2,140,064

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## **SUPPORTING SCHEDULE**

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**SCHEDULE 1****CITY OF COLONIAL HEIGHTS, VIRGINIA****SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2019**

<b>Federal Granting Agency/Recipient State Agency/Grant Program</b>	<b>Federal CFDA Number</b>	<b>Cluster Amounts</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Agriculture</b>			
Pass-through payments:			
Commonwealth of Virginia Department of Agriculture and Consumer Services			
Child Nutrition Cluster			
School Breakfast Program	10.553	\$ 154,581	
National School Lunch Program	10.555	614,671	
National School Lunch Program - Commodities	10.555	88,055	
After School Snack	10.555	11,480	
Total Child Nutrition Cluster			868,787
Total U.S. Department of Agriculture			868,787
<b>U.S. Department of Justice</b>			
Direct payments:			
Bulletproof Vest Partnership Program	16.607		2,030
Pass-through payments:			
Department of Criminal Justice Services			
Crime Victim Assistance	16.575		86,782
Public Safety Partnership and Community Policing Grants	16.710		24,860
Total U.S. Department of Justice			113,672
<b>U.S. Department of Transportation</b>			
Pass-through payments:			
National Highway Traffic Safety Administration			
Alcohol Open Container Requirements	20.607		9,665
Federal Highway Administration			
Highway Planning and Construction	20.205		446,245
Total U.S. Department of Transportation			455,910
<b>U.S. Department of Education</b>			
Direct payments:			
Impact Aid	84.041		3,148
Pass-through payments:			
Commonwealth of Virginia Department of Education:			
Title I Grants to Local Educational Agencies	84.010		515,300
Special Education Cluster (IDEA)			
Special Education - Grants to States	84.027	617,795	
Special Education - Preschool Grants	84.173	14,569	
Total Special Education Cluster (IDEA)			632,364
Career and Technical Education - Basic Grants to States	84.048		56,060
English Language Acquisition State Grants	84.365		5,458
Improving Teacher Quality State Grants	84.367		97,268
Total U.S. Department of Education			1,309,598

(Continued)

**SCHEDULE 1****CITY OF COLONIAL HEIGHTS, VIRGINIA****SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2019**

<b>Federal Granting Agency/Recipient State Agency/Grant Program</b>	<b>Federal CFDA Number</b>	<b>Cluster Amounts</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Health and Human Services:</b>			
Pass-through Payments:			
Commonwealth of Virginia Department of Medical Assistance Services:			
Medicaid Cluster			
Medical Assistance Program	93.778	\$ 154,274	
Total Medicaid Cluster			154,274
Total U.S. Department of Health and Human Services			154,274
<b>U.S. Department of Homeland Security:</b>			
Pass-through Payments:			
Department of Emergency Management:			
Emergency Management Performance Grants	97.042		7,500
Homeland Security Grant Program (SHSP)	97.067		59,789
Total U.S. Department of Homeland Security			67,289
Total Expenditures of Federal Awards			\$ 2,969,530

**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 \$80,666 from the National School Lunch Program.

**Note 3. De Minimis Indirect Cost Rate**

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

**Note 4. Outstanding Loan Balances**

At June 30, 2019, the City had no outstanding loan balances requiring continuing disclosure.

# STATISTICAL SECTION

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

## Contents

## Table

### **Financial Trends**

**1-4**

These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

### **Revenue Capacity**

**5-11**

These tables contain information to help the reader assess the factors affecting the City's ability to generate its property taxes and utility revenues.

### **Debt Capacity**

**12-13**

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.

### **Demographic and Economic Information**

**14-15**

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.

### **Operating Information**

**16-17**

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.

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

## Notes

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

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



TABLE 1

## CITY OF COLONIAL HEIGHTS, VIRGINIA

	Net Position by Component									
	Last Ten Fiscal Years									
	(accrual basis of accounting)									
	(unaudited)									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>Governmental activities</b>										
Net investment in capital assets	\$ 37,146,892	\$ 36,467,607	\$ 37,861,696	\$ 35,926,630	\$ 34,894,010	\$ 29,874,492	\$ 27,289,172	\$ 22,707,728	\$ 18,555,807	\$ 21,261,760
Restricted	221,514	209,951	590,549	235,027	332,329	313,998	329,699	-	-	-
Unrestricted	(2,727,109)	(6,200,101)	(4,498,752)	(4,586,604)	(7,129,653)	6,085,816	5,732,421	7,850,461	8,899,613	6,429,655
Total governmental activities net position	\$ 34,641,297	\$ 30,477,457	\$ 33,953,493	\$ 31,575,053	\$ 28,096,686	\$ 36,274,306	\$ 33,351,292	\$ 30,558,189	\$ 27,455,420	\$ 27,691,415
<b>Business-type activities</b>										
Net investment in capital assets	\$ 11,215,784	\$ 11,233,677	\$ 11,837,529	\$ 11,891,771	\$ 11,855,032	\$ 11,926,690	\$ 11,607,652	\$ 11,418,325	\$ 11,273,727	\$ 9,712,661
Restricted	-	-	-	-	-	364,421	364,421	364,421	364,421	-
Unrestricted	1,015,978	428,086	(161,263)	(590,377)	(763,712)	(277,999)	(59,317)	331,577	417,781	164,831
Total business-type activities net position	\$ 12,231,762	\$ 11,661,763	\$ 11,676,266	\$ 11,301,394	\$ 11,091,320	\$ 12,013,112	\$ 11,912,756	\$ 12,114,323	\$ 12,055,929	\$ 9,877,492
<b>Primary government</b>										
Net investment in capital assets	\$ 48,362,676	\$ 47,701,284	\$ 49,699,225	\$ 47,818,401	\$ 46,749,042	\$ 41,801,182	\$ 38,896,824	\$ 34,126,053	\$ 29,829,534	\$ 30,974,421
Restricted	221,514	209,951	590,549	235,027	332,329	678,419	694,120	364,421	364,421	-
Unrestricted	(1,711,131)	(5,772,015)	(4,660,015)	(5,176,981)	(7,893,365)	5,807,817	5,673,104	8,182,038	9,317,394	6,594,486
Total primary government net position	\$ 46,873,059	\$ 42,139,220	\$ 45,629,759	\$ 42,876,447	\$ 39,188,006	\$ 48,287,418	\$ 45,264,048	\$ 42,672,512	\$ 39,511,349	\$ 37,568,907
<b>Component Units</b>										
Net investment in capital assets	\$ 24,987,091	\$ 22,211,414	\$ 18,974,941	\$ 17,659,025	\$ 18,080,934	\$ 18,710,224	\$ 19,250,268	\$ 19,873,661	\$ 19,170,921	\$ 17,508,207
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	(39,479,732)	(42,141,522)	(31,762,183)	(31,784,153)	(33,894,001)	67,351	1,611,591	1,985,250	2,406,683	2,104,270
Total component units net position	\$ (14,492,641)	\$ (19,930,108)	\$ (12,787,242)	\$ (14,125,128)	#####	\$ 18,777,575	\$ 20,861,859	\$ 21,858,911	\$ 21,577,604	\$ 19,612,477
<b>Total reporting entity</b>										
Net investment in capital assets	\$ 63,656,086	\$ 60,776,685	\$ 58,753,096	\$ 60,186,205	\$ 58,993,061	\$ 54,238,252	\$ 51,380,705	\$ 46,754,260	\$ 41,320,933	\$ 40,380,353
Restricted	221,514	209,951	590,549	235,027	332,329	678,419	694,120	364,421	364,421	-
Unrestricted	(31,497,182)	(38,777,524)	(26,501,128)	(31,669,913)	(35,950,451)	12,148,322	14,051,082	17,412,742	19,403,599	16,801,031
Total reporting entity	\$ 32,380,418	\$ 22,209,112	\$ 32,842,517	\$ 28,751,319	\$ 23,374,939	\$ 67,064,993	\$ 66,125,907	\$ 64,531,423	\$ 61,088,953	\$ 57,181,384

**Notes:**

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

TABLE 2

## CITY OF COLONIAL HEIGHTS, VIRGINIA

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>Expenses</b>										
<b>Governmental activities</b>										
General government	\$ 4,309,196	\$ 3,998,220	\$ 4,091,160	\$ 4,222,021	\$ 4,035,396	\$ 4,229,539	\$ 8,513,050	\$ 8,430,859	\$ 8,252,642	\$ 8,420,688
Judicial administration	5,443,209	5,256,841	5,255,271	5,298,386	5,401,538	5,373,484	4,654,684	4,185,393	4,784,397	4,622,336
Public safety	10,940,370	12,751,210	11,137,517	11,043,829	11,268,573	11,299,988	9,019,958	8,862,843	8,132,209	8,157,263
Public works	6,189,090	6,472,875	5,741,092	5,867,451	5,568,423	6,056,945	5,340,369	4,204,531	4,093,809	4,644,140
Health and welfare	1,053,058	1,141,789	1,082,908	900,875	700,961	623,784	758,401	650,043	564,251	511,097
Parks, recreation, and cultural	2,883,843	3,006,186	3,056,313	2,978,081	2,860,914	2,914,469	2,388,151	2,262,706	2,332,036	2,420,733
Community development	491,236	441,174	583,330	536,782	455,683	567,323	500,588	468,981	465,764	613,699
Education	24,204,644	24,530,154	20,289,595	20,503,749	19,383,253	19,461,176	19,296,419	18,996,933	19,405,770	18,598,070
Human Services	407,476	462,086	468,039	447,513	437,567	470,011	-	-	-	-
Interest	1,020,656	943,038	1,093,100	831,949	1,312,329	1,115,804	1,230,148	940,076	846,625	996,773
Total governmental activities	56,942,778	59,003,573	52,798,325	52,630,636	51,424,637	52,112,523	51,701,768	49,002,365	48,877,503	48,984,799
<b>Business-type activities</b>										
Water and Sewer	5,125,010	5,273,714	5,010,173	4,668,983	4,324,991	4,206,290	4,197,076	-	-	-
Water	-	-	-	-	-	-	-	1,599,243	1,599,110	1,692,407
Sewer	-	-	-	-	-	-	-	2,687,436	2,142,288	2,863,099
Solid Waste	-	-	-	-	-	-	-	1,226,034	1,192,142	1,174,794
Storm water management	357,458	376,511	305,172	290,846	309,071	298,556	257,289	258,114	231,702	229,545
Total business-type activities expense	5,482,468	5,650,225	5,315,345	4,959,829	4,634,062	4,504,846	4,454,365	5,770,827	5,165,242	5,959,845
Total primary government expenses	62,425,246	64,653,798	58,113,670	57,590,465	56,058,699	56,617,369	56,156,133	54,773,192	54,042,745	54,944,644
<b>Program revenues</b>										
<b>Governmental activities</b>										
Charges for services										
Refuse collection	1,183,184	1,151,497	972,808	978,597	1,109,042	1,109,143	1,125,094	-	-	-
Parks and recreation	174,852	192,540	178,767	196,353	181,843	184,839	182,759	150,502	247,439	336,773
Other activities	2,006,844	5,586,033	5,135,773	5,267,723	5,294,990	5,289,334	5,626,146	5,313,067	5,235,500	5,125,656
Operating grants and contributions	6,586,110	6,197,981	5,910,440	5,463,958	5,306,971	5,556,569	4,971,475	5,418,602	4,836,631	5,102,144
Capital grants and contributions	1,320,884	1,606,438	765,492	913,850	4,230,162	3,436,635	2,413,293	2,809,970	941,115	1,320,778
Total governmental activities program revenues	11,271,874	14,734,489	12,963,280	12,820,481	16,123,008	15,576,520	14,318,767	13,692,141	11,260,685	11,885,351
<b>Business-type activities</b>										
Charges for services										
Water and sewer	5,333,822	5,418,622	5,052,084	4,784,973	4,181,407	4,164,312	4,144,465	-	-	-
Water	-	-	-	-	-	-	-	1,531,079	1,553,670	1,640,431
Sewer	-	-	-	-	-	-	-	2,696,866	2,675,820	2,740,934
Solid waste	-	-	-	-	-	-	-	1,143,300	1,118,569	1,096,627
Storm water management	718,645	434,958	388,089	384,930	396,082	379,088	372,312	377,976	257,563	-
Total business-type activities program revenues	6,052,467	5,853,580	5,440,173	5,169,903	4,577,489	4,543,400	4,516,777	5,749,221	5,605,622	5,477,992
Total primary government program revenues	17,324,341	20,588,069	18,403,453	17,990,384	20,700,497	20,119,920	18,835,544	19,441,362	16,866,307	17,363,343

(Continued)

TABLE 2

## CITY OF COLONIAL HEIGHTS, VIRGINIA

## Change in Net Position by Component

## Last Ten Fiscal Years

(accrual basis of accounting)

(unaudited)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>Net (expense) revenue</b>										
Governmental activities	\$ (45,670,904)	\$ (44,269,084)	\$ (39,835,045)	\$ (39,810,155)	\$ (35,301,629)	\$ (36,536,003)	\$ (37,383,001)	\$ (35,310,224)	\$ (37,616,818)	\$ (37,099,448)
Business-type activities	569,999	203,355	124,828	210,074	(56,573)	38,554	62,412	(21,606)	440,380	(481,853)
Total primary government net expense	(45,100,905)	(44,065,729)	(39,710,217)	(39,600,081)	(35,358,202)	(36,497,449)	(37,320,589)	(35,331,830)	(37,176,438)	(37,581,301)
<b>General Revenues and Other Changes in Net Position</b>										
<b>Governmental activities:</b>										
Taxes										
General property taxes	23,736,247	23,139,195	22,319,312	21,547,059	21,604,557	21,415,093	21,512,047	20,829,561	20,545,422	21,409,820
Local sales and use	8,171,187	7,847,364	7,567,072	7,602,518	7,505,833	7,192,330	7,174,334	7,066,137	6,662,265	6,687,050
Food and lodging	8,524,496	7,978,399	7,813,174	7,668,016	7,277,458	6,841,952	6,930,069	6,338,213	5,509,401	5,105,057
Other taxes	6,273,907	2,285,121	2,247,185	2,251,352	2,145,835	2,232,755	2,205,223	2,183,334	2,288,483	2,151,134
Intergovernmental, non-categorical aid	1,807,537	1,758,246	1,758,517	1,759,131	1,758,845	1,759,070	1,758,697	1,757,530	1,757,878	1,856,496
Use of money and property	475,088	440,533	359,133	215,801	167,783	175,282	233,822	194,826	158,013	47,549
Miscellaneous	53,177	51,670	368,686	217,348	218,790	142,232	97,933	123,392	669,645	195,415
Transfers	-	-	(250,044)	-	-	-	263,979	(80,000)	(108,566)	(334,568)
Gain on sale of capital assets	-	-	30,450	2,027,297	-	-	-	-	-	-
Total governmental activities	49,041,639	43,500,528	42,213,485	43,288,522	40,679,101	39,758,714	40,176,104	38,412,993	37,482,541	37,117,953
<b>Business-type activities:</b>										
Use of money and property	-	-	-	-	-	-	-	-	238	1,208
Miscellaneous	-	-	-	-	-	-	-	-	5,190	-
Transfers	-	-	250,044	-	-	-	(263,979)	80,000	108,566	334,568
Total business-type activities	-	-	250,044	-	-	-	(263,979)	80,000	113,994	335,776
Total primary government	49,041,639	43,500,528	42,463,529	43,288,522	40,679,101	39,758,714	39,912,125	38,492,993	37,596,535	37,453,729
<b>Changes in Net Position</b>										
Governmental activities	3,370,735	(768,556)	2,378,440	3,478,367	5,377,472	3,222,711	2,793,103	3,102,769	(134,277)	18,505
Business-type activities	569,999	203,355	374,872	210,074	(56,573)	38,554	(201,567)	58,394	554,374	(146,077)
Total primary government	3,940,734	(565,201)	2,753,312	3,688,441	5,320,899	3,261,265	2,591,536	3,161,163	420,097	(127,572)
<b>Component Units:</b>										
Expenses:										
Education	37,954,220	38,037,916	36,376,383	35,087,111	35,871,027	36,905,074	35,569,416	34,304,488	33,698,131	34,245,957
Program revenues										
Charges for services	438,978	410,270	389,665	390,422	376,249	478,386	573,499	409,019	407,204	432,265
Operating grants and contributions	18,572,563	17,449,390	16,899,977	15,801,934	15,234,548	14,765,427	14,599,996	14,838,115	15,001,600	14,186,550
Total program revenues	19,011,541	17,859,660	17,289,642	16,192,356	15,610,797	15,243,813	15,173,495	15,247,134	15,408,804	14,618,815
Net expense	(18,942,679)	(20,178,256)	(19,086,741)	(18,894,755)	(20,260,230)	(21,661,261)	(20,395,921)	(19,057,354)	(18,289,327)	(19,627,142)
<b>General Revenues and Other Changes in Net Position</b>										
Contribution from primary government	24,204,644	24,530,154	20,289,595	20,503,749	19,383,253	19,461,176	19,296,419	18,996,933	19,405,770	18,598,070
Use of money and property	5	-	-	-	-	-	-	434	2,477	2,885
Miscellaneous	175,497	106,668	135,032	110,631	103,926	115,801	102,450	341,305	278,643	248,429
Loss on sale of capital assets	-	-	-	(31,686)	-	-	-	-	-	-
Total general revenue	24,380,146	24,636,822	20,424,627	20,582,694	19,487,179	19,576,977	19,398,869	19,338,672	19,686,890	18,849,384
Total component units change in net position	\$ 5,437,467	\$ 4,458,566	\$ 1,337,886	\$ 1,687,939	\$ (773,051)	\$ (2,084,284)	\$ (997,052)	\$ 281,318	\$ 1,397,563	\$ (777,758)

## 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.

In 2018, the EDA was established as a discretely presented component unit.

In 2019, there were certain revenues reclassified between Program Revenues and General Revenues.

TABLE 3

## CITY OF COLONIAL HEIGHTS, VIRGINIA

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

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Post-GASB 54 implementation:</b>									
General Fund									
Nonspendable	\$ 55,371	\$ 39,876	\$ 60,051	\$ 64,871	\$ 60,599	\$ 68,832	\$ 69,859	\$ 67,373	\$ 109,011
Restricted	221,514	209,951	590,549	235,027	332,329	313,998	329,699	369,152	350,067
Committed	539,946	129,903	196,092	554,259	618,698	431,512	327,569	484,422	592,493
Assigned	2,188,941	1,333,927	1,415,321	1,969,999	728,241	1,407,705	1,574,257	873,226	680,712
Unassigned	10,528,255	9,227,574	8,735,172	7,950,089	8,015,011	7,415,836	8,083,102	8,477,484	7,652,961
Total general fund	<u>\$ 13,534,027</u>	<u>\$ 10,941,231</u>	<u>\$ 10,997,185</u>	<u>\$ 10,774,245</u>	<u>\$ 9,754,878</u>	<u>\$ 9,637,883</u>	<u>\$ 10,384,486</u>	<u>\$ 10,271,657</u>	<u>\$ 9,385,244</u>
Capital Projects Fund									
Restricted	\$ 10,022,819	\$ 8,089,873	\$ 11,462,474	\$ 2,192,697	\$ 3,388,835	\$ 372,795	\$ 7,207,335	\$ 16,792,519	\$ -
Committed	-	-	-	-	-	-	-	246,683	957,111
Assigned	-	-	-	-	-	-	-	197,390	308,416
Unassigned	(1,781,652)	-	(348,287)	(1,505,584)	(3,587,598)	(10,080)	(1,245,870)	-	-
Total capital projects fund	<u>\$ 8,241,167</u>	<u>\$ 8,089,873</u>	<u>\$ 11,114,187</u>	<u>\$ 687,113</u>	<u>\$ (198,763)</u>	<u>\$ 362,715</u>	<u>\$ 5,961,465</u>	<u>\$ 17,236,592</u>	<u>\$ 1,265,527</u>
<b>Pre-GASB 54 implementation:</b>									
General Fund									
Reserved	\$ 56,571								
Unreserved:									
Designated	344,001								
Undesignated	7,987,538								
Total general fund	<u>\$ 8,388,110</u>								
All Other Governmental Funds									
Reserved	\$ -								
Unreserved:									
Designated:									
Capital projects fund	1,213,975								
Undesignated:									
Capital projects fund	1,305,091								
Total all other governmental funds	<u>\$ 2,519,066</u>								

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

TABLE 4

## CITY OF COLONIAL HEIGHTS, VIRGINIA

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>Revenues</b>										
General property taxes	\$ 23,721,544	\$ 23,231,130	\$ 22,375,525	\$ 21,520,136	\$ 21,560,377	\$ 21,309,428	\$ 21,434,252	\$ 21,405,217	\$ 21,374,974	\$ 21,159,849
Other local taxes	22,969,590	18,110,884	17,627,431	17,521,886	16,929,126	16,267,037	16,309,626	15,587,684	14,460,149	13,943,241
Permits, fees, and licenses	368,665	3,873,336	3,487,901	3,766,603	3,541,207	3,509,526	3,633,852	3,384,894	3,371,767	707,554
Fines and forfeitures	342,061	415,893	341,560	438,930	505,391	540,368	729,979	718,053	747,448	1,433,972
Charges for services	2,654,154	2,640,841	2,457,887	2,237,140	2,539,277	2,533,422	2,570,168	1,360,622	1,363,724	3,320,903
Use of money and property	475,088	440,533	359,133	215,801	167,783	175,282	233,822	194,826	158,013	47,549
Miscellaneous	53,177	51,670	368,686	217,348	245,348	142,232	97,933	123,392	669,645	7,690,484
Reimbursement from component unit	1,394,495	907,818	538,537	381,605	377,274	781,768	323,897	315,449	314,345	588,934
Intergovernmental	8,320,036	8,654,847	7,895,912	7,755,334	10,892,146	9,970,506	8,819,568	9,670,653	7,221,279	195,415
Total revenues	60,298,810	58,326,952	55,452,572	54,054,783	56,757,929	55,229,569	54,153,097	52,760,790	49,681,344	49,087,901
<b>Expenditures</b>										
General government	4,259,541	3,907,317	3,749,469	3,860,820	3,774,029	3,929,794	7,722,431	7,560,760	7,330,864	7,423,627
Judicial administration	5,538,614	5,306,612	5,271,039	5,375,979	5,452,078	5,411,741	4,595,172	4,152,036	4,745,029	4,541,636
Public safety	11,321,769	11,511,864	11,182,996	11,219,742	11,146,037	10,969,018	8,201,249	8,261,480	7,439,357	7,433,568
Public works	4,328,848	4,754,712	4,635,226	4,235,724	4,079,575	4,555,044	3,906,864	2,894,228	2,591,213	3,111,361
Health and welfare	1,040,789	1,102,579	1,072,990	897,077	697,163	619,986	754,603	646,245	560,453	507,299
Parks, recreation, and cultural	2,648,118	2,803,734	2,684,709	2,707,421	2,726,632	2,707,146	2,056,291	2,012,473	2,073,329	2,135,270
Community development	503,584	504,284	583,721	547,914	515,386	568,937	487,155	465,879	476,452	522,187
Education	24,204,644	24,530,154	20,289,595	20,503,749	19,383,253	19,461,176	19,296,419	18,996,933	19,405,770	18,598,070
Human services	440,153	477,214	465,663	458,317	447,668	490,762	444,346	433,956	509,570	397,630
Nondepartmental	151,017	333,790	336,656	417,516	334,301	249,008	269,748	361,190	366,238	258,062
Debt service:										
Principal retirement	2,551,685	2,997,480	2,398,190	2,783,005	2,607,026	2,839,657	2,546,199	2,028,330	1,968,712	2,185,490
Interest and fiscal charges	1,116,082	1,086,667	1,227,077	927,997	1,190,669	1,220,379	1,511,054	788,734	865,566	1,029,750
Bond issuance costs	-	-	-	-	-	-	-	311,693	-	-
Capital expenditures	4,674,876	2,090,813	1,889,302	855,647	5,132,587	8,486,471	13,780,361	6,230,285	1,496,630	2,430,048
Total expenditures	62,779,720	61,407,220	55,786,633	54,790,908	57,486,404	61,509,119	65,571,892	55,144,222	49,829,183	50,573,998
Excess of revenues over (under) expenditures	(2,480,910)	(3,080,268)	(334,061)	(736,125)	(728,475)	(6,279,550)	(11,418,795)	(2,383,432)	(147,839)	(1,486,097)
<b>Other Financing Sources (Uses)</b>										
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	5,225,000	-	10,285,000	-	8,424,044	-	-	21,830,000	-	6,943,864
Proceeds from capital lease	-	-	-	-	121,475	-	-	-	-	-
Proceeds from sale of capital assets	-	-	30,450	2,641,368	-	-	-	-	-	-
Transfers in	577,758	754,666	11,735,993	826,982	378,901	657,198	311,497	366,197	115,000	368,018
Transfers out	(577,758)	(754,666)	(11,986,037)	(826,982)	(378,901)	(657,198)	(55,000)	(446,197)	(223,566)	(371,068)
Total other financing sources (uses)	5,225,000	-	10,984,075	2,641,368	283,992	-	256,497	19,240,910	(108,566)	85,715
Net change in fund balances	\$ 2,744,090	\$ (3,080,268)	\$ 10,650,014	\$ 1,905,243	\$ (444,483)	\$ (6,279,550)	\$ (11,162,298)	\$ 16,857,478	\$ (256,405)	\$ (1,400,382)

TABLE 4

## CITY OF COLONIAL HEIGHTS, VIRGINIA

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>Debt service as a percentage of noncapital expenditures:</b>										
<b>Primary Government</b>										
Total debt service	\$ 3,667,767	\$ 4,084,147	\$ 3,625,267	\$ 3,711,002	\$ 3,797,695	\$ 4,060,036	\$ 4,057,253	\$ 2,817,064	\$ 2,834,278	\$ 3,215,240
Total expenditures	62,779,720	61,407,220	55,786,633	54,790,908	57,486,404	61,509,119	65,571,892	55,144,222	49,829,183	50,573,998
Capital expenditures	(5,009,553)	(3,314,765)	(3,145,974)	(1,541,702)	(5,729,345)	(9,164,371)	(14,250,650)	(6,843,873)	(1,772,395)	(2,289,455)
Non-capital expenditures	<u>\$ 57,770,167</u>	<u>\$ 58,092,455</u>	<u>\$ 52,640,659</u>	<u>\$ 53,249,206</u>	<u>\$ 51,757,059</u>	<u>\$ 52,344,748</u>	<u>\$ 51,321,242</u>	<u>\$ 48,300,349</u>	<u>\$ 48,056,788</u>	<u>\$ 48,284,543</u>
Debt service as a percentage of non-capital expenditures - primary government only	<u>6.35%</u>	<u>7.03%</u>	<u>6.89%</u>	<u>6.97%</u>	<u>7.34%</u>	<u>7.76%</u>	<u>7.91%</u>	<u>5.83%</u>	<u>5.90%</u>	<u>6.66%</u>
<b>School Board</b>										
School expenditures, excluding										
City contribution	\$ 18,337,059	\$ 17,976,665	\$ 17,337,789	\$ 14,570,190	\$ 15,744,708	\$ 16,273,697	\$ 15,164,652	\$ 15,708,729	\$ 15,565,764	\$ 15,267,683
Capital expenditures - Public Schools	(3,701,608)	(4,133,792)	(2,151,024)	(320,139)	(170,982)	(543,416)	(280,731)	(1,550,915)	(2,496,489)	(626,065)
Non-capital expenditures	<u>\$ 14,635,451</u>	<u>\$ 13,842,873</u>	<u>\$ 15,186,765</u>	<u>\$ 14,250,051</u>	<u>\$ 15,573,726</u>	<u>\$ 15,730,281</u>	<u>\$ 14,883,921</u>	<u>\$ 14,157,814</u>	<u>\$ 13,069,275</u>	<u>\$ 14,641,618</u>
Debt service as a percentage of non-capital expenditures - total reporting entity	<u>5.07%</u>	<u>5.68%</u>	<u>5.34%</u>	<u>5.50%</u>	<u>5.64%</u>	<u>5.96%</u>	<u>6.13%</u>	<u>4.51%</u>	<u>4.64%</u>	<u>5.11%</u>

**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, 2019**  
**(Unaudited)**

	Revenues and Resources					Revised Budget	Expenditures and Contract Commitments			
	Prior Years	Current	Transfers In/Out	Uncollected Future			Prior Years	Current	Contract Commitment	Unobligated Balance
<b>General Government:</b>										
Allocable to Complete Projects:										
Ambulance (Fire Apparatus)	\$ 274,566	\$ -	\$ -	\$ -	\$ 274,566	\$ 204,895	\$ 66,899	\$ -	\$ 2,772	
Total	274,566	-	-	-	274,566	204,895	66,899	-	2,772	
Allocable to Incomplete Projects:										
Ent. Resource Planning System	-	1,300,000	-	-	1,300,000	-	338,316	515,363	446,321	
Quint (Fire Apparatus)	-	1,100,000	-	-	1,100,000	-	880,000	207,102	12,898	
Communications System	5,500,000	-	-	-	5,500,000	1,118,712	52,759	3,757,431	571,098	
Public Safety Building Generator	-	300,000	-	-	300,000	-	290,143	7,234	2,623	
Computer Aided Dispatch	-	1,200,000	-	-	1,200,000	-	46,101	-	1,153,899	
Total	5,500,000	3,900,000	-	-	9,400,000	1,118,712	1,607,319	4,487,130	2,186,839	
Total General Government	5,774,566	3,900,000	-	-	9,674,566	1,323,607	1,674,218	4,487,130	2,189,611	
<b>Recreational Facilities:</b>										
Allocable to Complete Projects:										
Facilities Master Plan	181,666	-	-	-	181,666	147,762	-	-	33,904	
Total	181,666	-	-	-	181,666	147,762	-	-	33,904	
Allocable to Incomplete Projects:										
White Bank Restrooms	300,000	-	-	-	300,000	-	24,900	134,331	140,769	
Violet Bank Museum	100,000	-	-	-	100,000	-	-	-	100,000	
Appomattox River Greenway Ph V	28,100	73,581	-	128,819	230,500	-	72,245	77,636	80,619	
Total	428,100	73,581	-	128,819	630,500	-	97,145	211,967	321,388	
Total Recreational Facilities	609,766	73,581	-	128,819	812,166	147,762	97,145	211,967	355,292	
<b>Educational Facilities:</b>										
Allocable to Incomplete Projects:										
Transfer to School CIP Projects	5,500,000	1,340,000	-	-	6,840,000	3,436,905	2,399,523	-	1,003,572	
Tennis Courts	100,000	400,000	23,211	-	523,211	-	517,038	-	6,173	
Total	5,600,000	1,740,000	23,211	-	7,363,211	3,436,905	2,916,561	-	1,009,745	
<b>Streets and Bridges:</b>										
Allocable to Complete Projects:										
Redevelopment Project	53,292	-	-	-	53,292	33,123	-	-	20,169	
Highway Construction-Local Share	96,724	-	-	-	96,724	-	-	-	96,724	
Total	150,016	-	-	-	150,016	33,123	-	-	116,893	
Allocable to Incomplete Projects:										
Safe Routes to School- CHMS Phase II	-	-	-	178,776	178,776	-	-	-	178,776	
Safe Routes to School- CHMS Phase III	-	-	-	237,671	237,671	16,407	-	-	221,264	
Safe Routes to School- N. Elem. Ph I	6,000	-	-	244,592	250,592	6,145	-	41,700	202,747	
Safe Routes to School- N. Elem. Ph II/ Sidew	-	132,082	-	300,907	432,989	7,500	58,867	49,434	317,188	
Blvd. Resurfacing	800,185	25,084	-	174,732	1,000,001	800,185	25,084	32,719	142,013	
Conduit/ Ellerslie Intersection	371,803	15,520	-	297,676	684,999	58,685	105,726	550,117	(29,529)	
Blvd Enh. A to Temple	15,300	47,746	-	133,454	196,500	-	29,683	45,476	121,341	
Dupuy Avenue Modernization	1,242,547	89,742	-	2,865,710	4,197,999	1,119,412	735,795	2,383,062	(40,270)	
Allocable to Incomplete Projects: (Continued)										

TABLE 5

## CITY OF COLONIAL HEIGHTS, VIRGINIA

**SCHEDULE OF REVENUES, RESOURCES, EXPENDITURES, CONTRACT COMMITMENTS,  
AND UNOBLIGATED BALANCE**  
**Year Ended June 30, 2019**  
**(Unaudited)**

	Revenues and Resources				Revised Budget	Expenditures and Contract Commitments				Unobligated Balance
	Prior Years	Current	Transfers In/Out)	Uncollected Future		Prior Years	Current	Contract Commitment		
Lakeview Ave Modernization	\$ 871,310	\$ 17,852	\$ -	\$ 2,424,838	\$ 3,314,000	\$ 844,197	\$ 13,897	\$ 26,984	\$ 2,428,922	
Bridge Rehabilitation Project	-	101,460	-	83,540	185,000	-	114,192	31,144	39,664	
Temple Ave. Signal Coordination	-	79,563	-	415,437	495,000	1,100	79,563	117,830	296,507	
Urban Street Construction	-	-	-	-	-	-	-	-	-	
Holly Avenue	494,397	1,891	-	3,154	499,442	527,644	-	-	(28,202)	
Stratford Drive	243,750	151,338	-	(21,888)	373,200	106,401	302,676	-	(35,877)	
Mallard Drive	74,211	65,150	-	639	140,000	333	130,300	-	9,367	
Temple Ave. Resurfacing	-	-	-	220,000	220,000	-	176,913	75,235	(32,148)	
Temple Ave. Resurfacing	-	-	-	780,000	780,000	-	566,837	78,535	134,628	
Blvd. Enh. James to A	-	14,870	-	59,482	74,352	-	-	-	74,352	
Holly Ave/ Jamestown Rd Pavement	-	15,000	-	15,000	30,000	-	1,500	-	28,500	
Animal Shelter Entrance	-	-	-	370,000	370,000	-	-	-	370,000	
Total	4,119,503	757,298	-	8,783,720	13,660,521	3,488,009	2,341,033	3,432,236	4,399,243	
Total Streets and Bridges	4,269,519	757,298	-	8,783,720	13,810,537	3,521,132	2,341,033	3,432,236	4,516,136	
Utility Improvements:										
Allocable to Incomplete Projects:										
Dupuy Avenue Modernization - Utility	577,223	-	-	-	577,223	7,795	-	57,429	511,999	
Lakeview Ave Modernization - Utility	527,130	-	-	-	527,130	53,650	-	-	473,480	
Utility Infrastructure	292,715	-	-	-	292,715	114,631	-	-	178,084	
Hrouda Pump Station	-	-	-	600,000	600,000	-	5,250	-	594,749	
Total Utility Improvements	1,397,068	-	-	600,000	1,997,068	176,076	5,250	57,429	1,758,312	
Stormwater Improvements:										
Allocable to Incomplete Projects:										
Stormwater Drainage Nantucket	133,500	-	-	-	133,500	11,200	13,688	2,326	106,286	
Stormwater Drainage Hemlock	133,500	-	-	-	133,500	11,510	1,775	-	120,215	
Bruce Avenue Drainage Phase IV	1,967,481	-	-	-	1,967,481	1,462,100	-	-	505,381	
Total Stormwater Improvements	2,234,481	-	-	-	2,234,481	1,484,810	15,463	2,326	731,882	
Total Projects	\$ 19,885,400	\$ 6,470,879	\$ 23,211	\$ 9,512,539	\$ 35,892,029	\$ 10,090,292	\$ 7,049,670	\$ 8,191,088	\$ 10,560,978	

TABLE 6

## CITY OF COLONIAL HEIGHTS, VIRGINIA

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

Calendar Year	Real Property					Total Taxable		Total Direct Tax Rate	Actual Taxable Value	Value as a Percentage of Assessed Value	
	Residential Property*	Multi-Family Property	Commercial Property	Public Service**	Personal Property***	Assessed Value					
2019	\$ 967,897,500	\$ 87,648,900	\$ 632,280,320	\$ 37,444,341	137,524,528	\$ 1,862,795,589	\$ 1.37	\$ 1,862,795,589	100.00	%	
2018	965,592,500	87,645,105	624,188,200	37,071,997	134,129,650	1,848,627,452	1.37	1,848,627,452	100.00		
2017	937,034,800	87,022,300	603,466,400	37,380,404	137,155,861	1,802,059,765	1.38	1,802,059,765	100.00		
2016	936,134,000	87,022,300	598,832,200	35,854,598	140,902,070	1,798,745,168	1.38	1,798,745,168	100.00		
2015	937,198,700	87,323,500	590,412,800	33,778,852	139,126,750	1,787,840,602	1.38	1,648,713,852	100.00		
2014	936,946,100	87,323,500	580,791,400	34,376,713	124,991,591	1,764,429,304	1.36	1,639,437,713	100.00		
2013	978,270,500	95,275,100	554,297,500	36,333,519	123,492,209	1,787,668,828	1.36	1,664,176,619	100.00		
2012	971,122,700	95,265,700	551,009,900	34,468,630	124,390,779	1,776,257,709	1.36	1,651,866,930	100.00		
2011	1,033,929,400	96,926,200	552,194,300	32,922,680	120,861,019	1,836,833,599	1.35	1,715,972,580	100.00		
2010	1,031,967,800	96,461,100	549,782,600	29,896,895	122,178,354	1,830,286,749	1.35	1,708,108,395	100.00		

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

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

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

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

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

Year	Real Estate	Public Service	Personal Property	Total Direct Rate
2019	1.20	1.20	3.50	1.37
2018	1.20	1.20	3.50	1.37
2017	1.20	1.20	3.50	1.38
2016	1.14	1.14	3.50	1.38
2015	1.14	1.14	3.50	1.38
2014	1.14	1.14	3.50	1.36
2013	1.14	1.14	3.50	1.36
2012	1.10	1.10	3.50	1.36
2011	1.10	1.10	3.50	1.35
2010	1.10	1.10	3.50	1.35

**Notes:** 1) There is no overlapping government taxation.  
 2) Direct Rate is calculated as a weighted average of the tax rates applied to Real Estate, Personal Property, and Public Service Property

**TABLE 8****CITY OF COLONIAL HEIGHTS, VIRGINIA**

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

<b>Taxpayer</b>	<b>2019</b>			<b>2010</b>		
	<b>Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total City Taxable Assessed Value</b>	<b>Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total City Taxable Assessed Value</b>
Southpark Mall	\$ 73,339,200	1	3.97%	\$ 70,487,426	1	4.19%
Roslyn Farms Corp	29,274,300	2	1.62%	44,805,426	2	2.67%
Wal-Mart/Sams	26,100,700	3	1.45%	22,297,261	4	1.33%
Southgate Square Virginia LLC	24,828,300	4	1.39%	-	-	-
Virginia Electric & Power	16,590,010	5	0.94%	11,630,395	8	0.69%
Dunlop House	14,571,100	6	0.82%	14,281,700	5	0.85%
Colonial Square Associates	14,384,400	7	0.81%	-	-	-
Dimmock Square Marketplace	13,562,000	8	0.74%	-	-	-
831 East Ellerslie Ave Real Estate	13,390,700	9	0.73%	-	-	-
Faison Colonial Heights	13,040,000	10	0.72%	12,332,091	7	0.73%
Roslyn Farms Associates LP	-	-	-	24,870,100	3	1.48%
Colonial Heights Operations	-	-	-	12,635,815	6	0.75%
Southpark Hotel	-	-	-	11,535,701	9	0.69%
Southpark Hilton LLC	-	-	-	10,948,162	10	0.65%
	<b><u>\$ 239,080,710</u></b>		<b><u>13.19%</u></b>	<b><u>\$ 235,824,077</u></b>		<b><u>14.03%</u></b>

**TABLE 9****CITY OF COLONIAL HEIGHTS, VIRGINIA**

**PROPERTY TAX LEVIES AND COLLECTIONS**  
**Last Ten Calendar Years**  
 (unaudited)

Calendar Year Ended <b>December 31</b>	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
2018	\$ 24,988,073	\$ 24,357,798	97.48 %	\$ 244,468			24,602,266	98.46 %
2017	23,672,547	23,096,026	97.56		479,801		23,575,827	99.59
2016	23,612,144	23,056,541	97.65		350,559		23,407,100	99.13
2015	23,205,467	22,622,829	97.49		482,497		23,105,326	99.57
2014	23,087,247	22,546,470	97.66		493,409		23,039,879	99.79
2013	23,197,067	22,707,550	97.89		455,339		23,162,889	99.85
2012	23,148,788	22,634,176	97.78		485,038		23,119,214	99.87
2011	23,066,409	22,500,624	97.55		565,785		23,066,409	100.00
2010	22,920,083	22,666,857	98.90		253,226		22,920,083	100.00
2009	22,923,361	22,705,560	99.05		204,157		22,909,717	99.94

**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)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Apparel	\$ 78,521	\$ 76,804	\$ 77,638	\$ 73,203	\$ 71,591	\$ 71,301	\$ 68,317	\$ 64,286	\$ 61,381	\$ 59,414
Automotive	7,151	4,323	4,053	3,816	3,623	3,665	4,331	5,977	12,392	14,554
Food	168,728	146,146	160,041	158,054	144,188	136,078	137,113	127,548	119,677	118,561
Furniture, home furnishings, and equipment	11,169	11,533	11,536	12,567	12,387	12,944	14,781	12,205	8,100	9,186
General merchandise	262,380	268,174	272,096	283,051	286,433	282,948	280,835	302,806	275,618	279,137
Machinery, equipment, and supplies	27,375	25,779	29,123	28,851	29,887	31,905	34,033	28,439	37,309	39,068
Miscellaneous	217,240	184,478	175,037	161,193	150,454	144,172	82,789	83,710	76,519	69,668
Total	<u>\$ 772,564</u>	<u>\$ 717,237</u>	<u>\$ 729,524</u>	<u>\$ 720,735</u>	<u>\$ 698,563</u>	<u>\$ 683,013</u>	<u>\$ 622,199</u>	<u>\$ 624,971</u>	<u>\$ 590,996</u>	<u>\$ 589,588</u>
City direct local option sales tax	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

**Source:** Virginia Department of Taxation.

**Notes:**

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

There is no overlapping government taxation.

TABLE 11

## CITY OF COLONIAL HEIGHTS, VIRGINIA

## TAXABLE SALES BY CATEGORY

Calendar Years 2018 and 2009

(taxable sales in thousands of dollars)

(unaudited)

	Calendar Year 2018				Calendar Year 2009			
	Number of Filers	Percentage of Total	Taxable Sales	Percentage of Total	Number of Filers	Percentage of Total	Taxable Sales	Percentage of Total
Apparel	68	10.40 %	\$ 78,521	10.16 %	71	13.65 %	\$ 59,414	10.08 %
Automotive	9	1.38	7,151	0.93	15	2.88	14,554	2.47
Food	121	18.50	168,728	21.84	102	19.62	118,561	20.11
Furniture, home furnishings, and equipment	13	1.99	11,169	1.45	14	2.69	9,186	1.56
General merchandise	81	12.39	262,380	33.96	76	14.62	279,137	47.34
Machinery, equipment, and supplies	13	1.99	27,375	3.54	20	3.85	39,068	6.63
Miscellaneous	349	53.36	217,240	28.12	222	42.69	69,668	11.82
Total	654	100.00 %	\$ 772,564	100.00 %	520	100.00 %	\$ 589,588	100.00 %

Source: Virginia Department of Taxation.

## Notes:

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

**TABLE 12****CITY OF COLONIAL HEIGHTS, VIRGINIA****LEGAL DEBT MARGIN INFORMATION**

**Last Ten Fiscal Years**  
(unaudited)

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Debt limit	\$ 186,279,559	\$ 184,862,745	\$ 180,205,977	\$ 179,874,517	\$ 178,784,060	\$ 176,442,930	\$ 178,766,883	\$ 177,625,771	\$ 183,683,360	\$ 183,028,675
Total net debt applicable to limit	<u>39,925,000</u>	<u>36,864,995</u>	<u>40,125,000</u>	<u>32,485,000</u>	<u>35,555,000</u>	<u>34,040,000</u>	<u>37,045,000</u>	<u>39,750,000</u>	<u>24,125,000</u>	<u>26,295,000</u>
Legal debt margin	<u>\$ 146,354,559</u>	<u>\$ 147,997,750</u>	<u>\$ 140,080,977</u>	<u>\$ 147,389,517</u>	<u>\$ 143,229,060</u>	<u>\$ 142,402,930</u>	<u>\$ 141,721,883</u>	<u>\$ 137,875,771</u>	<u>\$ 159,558,360</u>	<u>\$ 156,733,675</u>
Total net debt applicable to the limit as a percentage of debt limit	21.43%	19.94%	22.27%	18.06%	19.89%	19.29%	20.72%	22.38%	13.13%	14.37%

**Legal Debt Margin Calculation for Fiscal Year 2019**

Assessed value*	<u>\$ 1,862,795,589</u>
Debt limit (10% of assessed value)	<u>\$ 186,279,559</u>
Less debt applicable to limit:	
General obligation bonds	<u>39,925,000</u>
Legal debt margin	<u>\$ 146,354,559</u>

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

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

## 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 <sup>(1)</sup>	Capital Leases	General Obligation Bonds	Net Deferred Amounts <sup>(1)</sup>	Capital Leases	
2019	\$ 35,749,226	\$ 2,080,658	\$ 19,310	\$ 4,175,774	\$ 166,546	\$ -	
2018	33,050,862	2,246,226	44,357	3,814,133	177,647	-	
2017	36,024,071	2,470,747	68,628	4,100,929	193,625	19,791	
2016	28,113,743	1,789,006	92,146	4,371,257	209,603	45,518	
2015	30,873,958	1,964,688	114,936	4,681,042	225,580	70,510	
2014	33,406,897	1,230,564	-	633,103	8,186	94,789	
2013	36,246,554	1,576,521	-	798,446	11,846	32,558	
2012	38,792,753	1,697,691	-	957,247	14,215	74,490	
2011	22,961,083	357,951	-	1,163,917	16,585	114,795	
2010	24,929,795	406,075	-	1,365,205	18,954	181,587	
Fiscal Year	Total Net General Bonded Debt <sup>(2)</sup>		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
2019	\$ 42,172,204	\$ 2,399	2.26 %	\$ 42,191,514	\$ 2,400	2.26 %	
2018	39,288,868	2,235	2.13	39,333,225	2,237	2.13	
2017	42,789,372	2,438	2.37	42,877,791	2,443	2.38	
2016	34,483,609	1,969	1.92	34,621,273	1,977	1.92	
2015	37,745,268	2,152	2.29	37,930,714	2,162	2.12	
2014	35,278,750	2,018	2.15	35,373,539	2,024	2.00	
2013	38,633,367	2,217	2.32	38,665,925	2,219	2.16	
2012	41,461,906	2,378	2.51	41,536,396	2,382	2.34	
2011	24,499,536	1,407	1.43	24,614,331	1,414	1.34	
2010	26,720,029	1,510	1.56	26,901,616	1,520	1.47	

(1) Net deferred amounts include premiums and discounts.

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

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

**TABLE 14****CITY OF COLONIAL HEIGHTS, VIRGINIA**

**DEMOGRAPHIC STATISTICS**  
**Last Ten Calendar Years**  
 (unaudited)

<b>Calendar Year</b>	<b>Population</b>	<b>Median Household Income</b>	<b>Per Capita Personal Income</b>	<b>School Fall Membership</b>	<b>Unemployment Rate</b>
2018	17,582	*	*	2,866	3.30 %
2017	17,582	50,952	27,608	2,833	4.00
2016	17,554	49,639	27,209	2,837	4.50
2015	17,515	50,304	27,572	2,795	4.70
2014	17,542	52,529	28,282	2,826	5.80
2013	17,481	50,835	27,610	2,812	6.50
2012	17,426	51,612	27,420	2,831	7.00
2011	17,439	*	*	2,902	7.50
2010	17,411	*	*	2,928	8.30
2009	17,693	*	*	2,881	8.70

**Sources:**

US Census ACS 1-Year Estimates Data Profiles

US Census ACS 5-Year Estimates Data Profiles

Virginia Department of Education

Virginia Employment Commission

\*Unavailable

Calendar year 2018 population is unavailable so calendar year 2017 was used for this table.

**TABLE 15****CITY OF COLONIAL HEIGHTS, VIRGINIA**

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

<b>Employer</b>	<b>2019</b>		<b>2010</b>	
	<b>Employees</b>	<b>Rank</b>	<b>Employees</b>	<b>Rank</b>
Wal - Mart	500 to 999	1	500 to 999	1
Colonial Heights School Board	500 to 999	2	500 to 999	2
City of Colonial Heights	250 to 499	3	250 to 499	3
Colonial Heights Operations	100 to 249	4	100 to 249	4
Care Advantage	100 to 249	5	100 to 249	7
Red Lobster & Olive Garden	100 to 249	6	100 to 249	6
Publix Nc Employee Services, LLC	100 to 249	7	-	-
J.C. Penny Corporation, Inc.	100 to 249	8	100 to 249	5
Chick-Fil-A at Southpark	100 to 249	9	-	-
The Home Depot	100 to 249	10	-	-
Sears Roebuck & Company	-	-	100 to 249	8
Target Corp	-	-	100 to 249	9
Priority Imports Richmond	-	-	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)

<u>Function/Program</u>	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General government										
Management services	7	7	7	7	7	7	6	6	6	6
Tax collections	6	6	6	9	9	9	9	9	11	11
Finance	15	15	15	11	11	11	11	11	9	9
Information technology	2	2	2	2	2	2	2	2	1	2
Board of elections	2	2	2	2	2	2	2	2	2	2
Judicial administration	28	27	26	25	25	22	22	23	21	21
Public safety	118	118	118	115	115	115	114	113	113	114
Public works	48	48	48	48	48	45	45	30	28	29
Parks, recreation, and cultural	27	27	27	27	26	26	25	24	24	25
Community development	6	6	6	6	5	5	5	5	5	5
Human services	3	3	3	3	3	4	4	4	5	5
Education	481	482	464	456	453	436	439	437	430	430
Total	<u>743</u>	<u>743</u>	<u>724</u>	<u>711</u>	<u>706</u>	<u>684</u>	<u>684</u>	<u>666</u>	<u>655</u>	<u>659</u>

Source: City Adopted Budget.

TABLE 17

## CITY OF COLONIAL HEIGHTS, VIRGINIA

## OPERATING INDICATORS BY FUNCTION/PROGRAM

Last Ten Fiscal Years  
(unaudited)

Function/Program	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General Government										
Registered voters	12,112	12,240	12,172	12,113	11,775	12,050	12,056	12,282	11,971	11,936
Structures										
Detached	6,135	6,155	6,152	6,159	6,161	6,221	6,195	6,168	6,172	6,182
Duplex	375	357	357	357	379	379	169	170	178	175
Multi-family	1,198	1,198	1,198	1,198	1,198	1,198	1,198	1,211	1,211	1,211
Parcel with elderly/disabled:										
Exemptions	169	175	178	207	234	272	296	316	314	330
Judicial Administration										
Average daily jail population	144	155	165	172	181	180	179	152	163	185
Public safety										
Volunteers	31	44	46	54	46	53	47	61	60	66
Public works										
Road mileage maintained:										
Arterial	30	30	30	31	31	31	31	31	31	31
Local/collector	164	164	163	162	162	162	162	162	162	162
Parks, Recreational, and Cultural										
Parks:										
Number	10	10	10	10	10	10	10	10	10	10
Areas	75	75	75	75	75	75	75	71	71	71
Recreation:										
Baseball fields	11	11	11	11	11	11	11	11	11	11
Tennis courts	6	4	9	9	9	9	9	9	9	9
Basketball courts	10	10	10	10	10	10	11	10	6	6
Soccer fields	11	11	11	11	11	11	11	11	11	6
Library										
Volumes in collection	55,848	60,535	62,663	62,399	60,789	61,326	60,521	64,703	63,871	62,474
Community development										
Building permits issued - calendar	561	588	647	491	520	551	532	407	547	N/A
Value	\$ 10,491,759	\$ 18,098,886	\$ 5,856,620	\$ 6,849,319	\$ 6,827,056	\$ 6,957,542	\$ 6,544,861	\$ 4,582,561	\$ 3,560,086	N/A
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**

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the City of Colonial Heights, Virginia, (the "City") as of and for the year ended June 30, 2019, 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 27, 2019.

**Internal Control over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. **The results of our tests disclosed 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 questions costs as items 2019-002 and 2019-003.**

## **City of Colonial Heights' Response to Findings**

The City of Colonial Heights, Virginia's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Colonial Heights, Virginia'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, S.C.P.*  
CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
November 27, 2019

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

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

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

We have audited the City of Colonial Heights, Virginia (the “City”) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City’s major federal program for the year ended June 30, 2019. The City’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

***Management’s Responsibility***

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

***Auditor’s Responsibility***

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

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

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

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2019-001. Our opinion on each major federal program is not modified with respect to these matters.

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

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

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

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

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
November 27, 2019

**CITY OF COLONIAL HEIGHTS, VIRGINIA**  
**SUMMARY OF COMPLIANCE MATTERS**  
**June 30, 2019**

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  
Stormwater Utility Program

*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, 2019**

**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 **one audit finding** relating to major programs.
7. The programs tested as major programs include:

<b><u>Name of Program:</u></b>	<b><u>CFDA #</u></b>
Child Nutrition Cluster:	
School Breakfast Program	10.553
National School Lunch Program	10.555

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.

(Continued)

**CITY OF COLONIAL HEIGHTS, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2019**

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

**2019-001: Child Nutrition Cluster – CFDA# 10.553, 10.555, 10.556, Procurement Policies and Procedures**

***Condition:***

The School Board adheres to and follows Virginia Public Procurement Act “VPPA” for procurement, however, under the requirements of Uniform Guidance, the School Board does not have complete, written procurement policies that are in compliance with the additional standards required by the Uniform Guidance (2 CFR Part 200).

***Criteria:***

Under the requirements in the Uniform Guidance, all entities are required to have written procurement policies that conform to applicable Federal laws and regulations and standards. The complete procurement standards are located at 2 CFR Part 200, Sections 317 through 326.

***Cause:***

Management of the School Board has not yet fully updated existing procurement policies in accordance with the Uniform Guidance.

***Effect:***

The lack of updated existing written policies under the specific requirements of Uniform Guidance could result in potential improper procurement using Federal funds.

***Recommendation:***

Management should finalize updating existing written procurement procedures to align with Uniform Guidance requirements for all purchases to be made with Federal funds.

***Views of Responsible Officials and Planned Corrective Actions:***

Management concurs and has begun updating existing written procurement procedures to comply with the Uniform Guidance.

**CITY OF COLONIAL HEIGHTS, VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2019**

**D. FINDINGS – COMMONWEALTH OF VIRGINIA**

**2019-002: Annual Stormwater Report**

***Condition:***

The fund balance amount included on the Locality Stormwater Utility Reporting Form did not agree to underlying accounting records.

***Criteria:***

Localities that maintain a local stormwater management program must accurately prepare and submit the Locality Stormwater Utility Reporting Form by October 1 of each year.

***Cause:***

There was an error in preparation of the form.

***Effect:***

The Locality Stormwater Utility Reporting Form was not accurately completed.

***Recommendation:***

Procedures should be implemented to ensure that the Locality Stormwater Utility Report is completed accurately.

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

The auditee concurs with the recommendation.

**CITY OF COLONIAL HEIGHTS, VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2019**

**D. FINDINGS – COMMONWEALTH OF VIRGINIA (Continued)**

**2019-003: General Government Budget Appropriations**

***Condition:***

Debt service expenditures exceeded budget appropriations.

***Criteria:***

The City is required to keep expenditures within budgeted amounts.

***Cause:***

The school's portion of the interest payment on the 2018 Series bonds issued during the fiscal year was inadvertently not included in the FY2019 budget. This was not noticed as capital lease principal payments were not posted to the debt service line item until after fiscal year end, therefore the expenditures were not fully recorded until after the end of the fiscal year.

***Effect:***

Actual expenditures for debt service exceeded amounts approved by City Council.

***Recommendation:***

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

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

The FY2020 budget includes all portions of principal and interest payments during the fiscal year, and management has changed procedures such that debt service payments, including capital leases, are recorded in the proper account during the year.