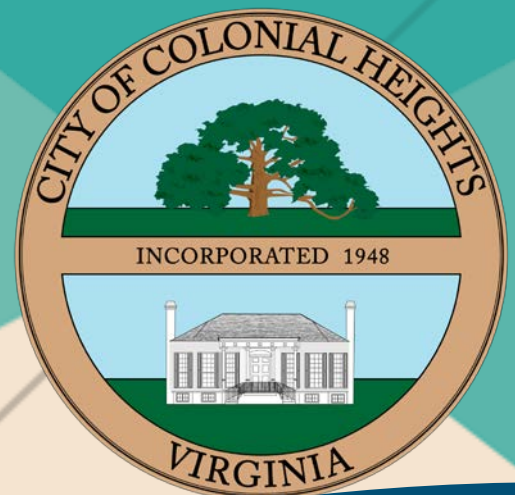


CITY OF COLONIAL HEIGHTS, VIRGINIA

Comprehensive Annual Financial Report

**FOR THE YEAR
ENDED JUNE 30, 2020**

Douglas E. Smith, City Manager
Sheila S. Minor, CPA, Director of Finance
Tiffany N. Archer, Deputy Director of Finance



CITY OF COLONIAL HEIGHTS, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED June 30, 2020



Prepared by the Department of Financial Administration

Sheila Minor
Director of Finance

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

INTRODUCTORY SECTION

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

FINANCIAL SECTION

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

Basic Financial Statements

Government-wide Financial Statements

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

Fund Financial Statements

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

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

Required Supplementary Information

Exhibit 10	Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual (General Fund)	81
Exhibit 11	Schedule of Changes in Net Pension Liability and Related Ratios – Primary Government.....	85

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

FINANCIAL SECTION
(Continued)

Required Supplementary Information (Continued)

Exhibit 12	Schedule of Changes in Net Pension Liability and Related Ratios – Schools – Nonprofessional Employees	86
Exhibit 13	Schedule of Pension Contributions	87
Exhibit 14	Schedule of Employer’s Share of Net Pension Liability – VRS Teacher Retirement Plan.....	88
Exhibit 15	Schedule of Pension Contributions – VRS Teacher Retirement Plan	89
Exhibit 16	Schedule of Changes in Net OPEB Liability and Related Ratios – Local Plans.....	90
Exhibit 17	Schedule of Employer’s Share of Net OPEB Liability – VRS	91
Exhibit 18	Schedule of OPEB Contributions – VRS	92
	Notes to Required Supplementary Information	93

Other Supplementary Information

Exhibit 19	DPCU – School Board – Balance Sheet – Governmental Fund	96
Exhibit 20	DPCU – School Board – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund	97
Exhibit 21	DPCU – School Board – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – School Operating Fund.....	98
Exhibit 22	DPCU – Economic Development Authority – Statement of Net Position	99
Exhibit 23	DPCU – Economic Development Authority – Statement of Revenues, Expenses, and Changes in Fund Net Position.....	100
Exhibit 24	DPCU – Economic Development Authority – Statement of Cash Flows	101

SUPPORTING SCHEDULE

Schedule 1	Schedule of Expenditures of Federal Awards	103
------------	--	-----

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

STATISTICAL SECTION

Table 1	Net Position by Component	106
Table 2	Change in Net Position by Component	107
Table 3	Fund Balances – Governmental Funds	109
Table 4	Changes in Fund Balances – Governmental Funds.....	110
Table 5	Schedule of Revenues, Resources, Expenditures, Contract Commitments, and Unobligated Balance.....	112
Table 6	Assessed Value and Actual Value of Taxable Property.....	115
Table 7	Direct Property Tax Rates.....	116
Table 8	Principal Property Taxpayers.....	117
Table 9	Property Tax Levies and Collections.....	118
Table 10	Taxable Sales by Category.....	119
Table 11	Taxable Sales by Category.....	120
Table 12	Legal Debt Margin Information.....	121
Table 13	Ratios of Outstanding Debt by Type	122
Table 14	Demographic Statistics.....	123
Table 15	Principal Employers	124
Table 16	Full-Time Equivalent City Government Employees by Function/Program.....	125
Table 17	Operating Indicators by Function/Program	126

COMPLIANCE SECTION

Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	128
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	130
Summary of Compliance Matters	132
Schedule of Findings and Questioned Costs.....	133
Summary Schedule of Prior Audit Findings.....	134

THIS PAGE INTENTIONALLY BLANK

INTRODUCTORY SECTION

CITY OF COLONIAL HEIGHTS, VIRGINIA

DIRECTORY OF PRINCIPAL OFFICIALS

June 30, 2020

CITY COUNCIL

T. Gregory Kochuba, Mayor

Betsy G. Luck, Vice Mayor

Michael A. Cherry

Kenneth B. Frenier

W. Joe Green, Jr.

John E. Piotrowski

John T. Wood

OTHER OFFICIALS

Douglas E. Smith.....City Manager
Hugh P. Fisher, IIICity Attorney
Pamela B. WallaceCity Clerk
Dr. William Sroufe Superintendent of Schools
Sheila S. Minor..... Director of Finance
Jeffrey W. Faries Chief of Police
Todd Flippen.....Acting 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, IIICommonwealth's Attorney
Todd B. Wilson Sheriff
Stacy L. Stafford..... Clerk of Circuit Court
Jennifer W. Schott General Registrar
Karen T. Epps..... Economic Development
T. Wayne Hoover Fire Chief
Jennifer CarpenterHuman Resources Director
Kelly Hall.....Director of Planning
Maria Yench Director of Finance, Schools



Government Finance Officers Association

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

Presented to

**City of Colonial Heights
Virginia**

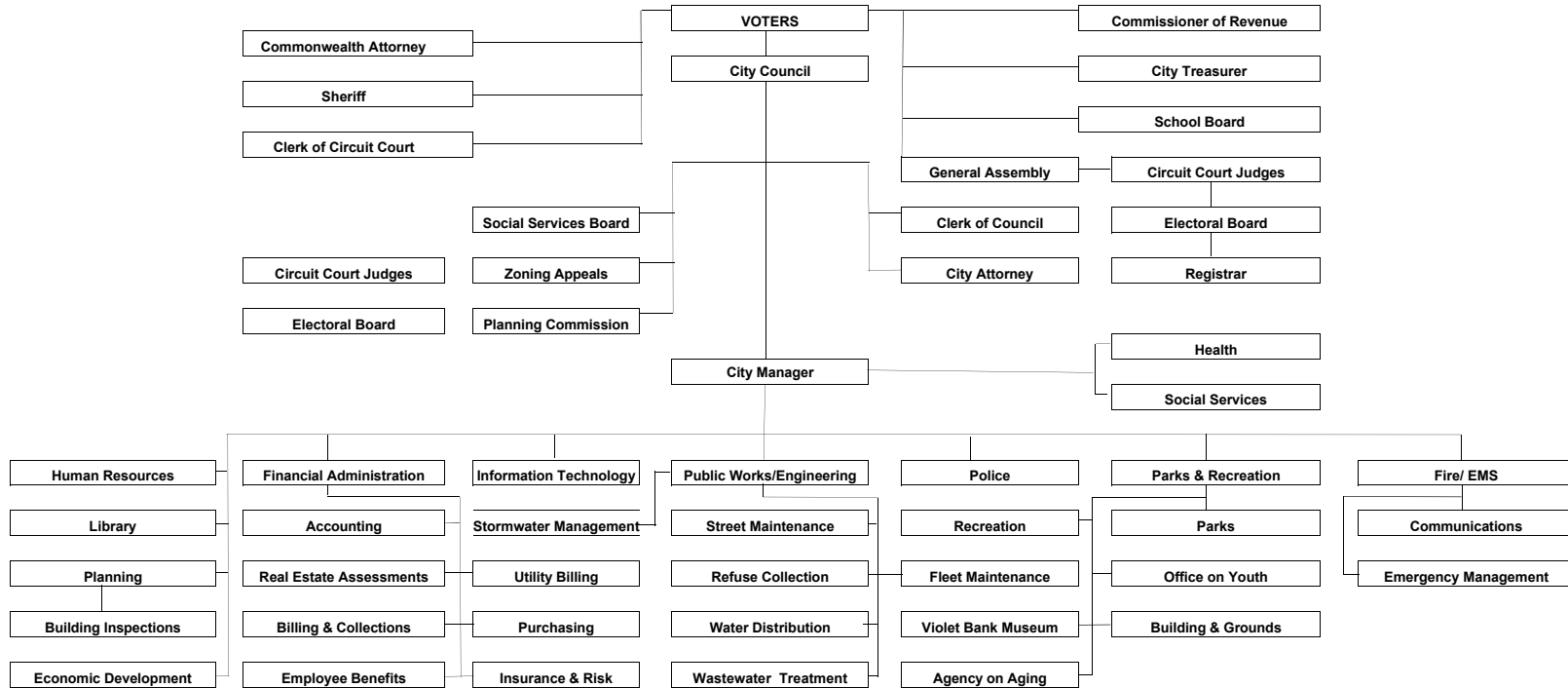
For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

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

January 20, 2021

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, 2020. 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, 2020 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.

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 direct 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, eleven Fortune 1000 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 8,718 and an unemployment rate of 9.0% as of the end of FY2020. The City prioritizes the attraction of new businesses and expansion of existing businesses and tourism, all of which increase the tax base and create jobs which enhance the quality of life for its citizens.

The COVID-19 outbreak has had an impact on the Colonial Heights economy. In addition to increasing the unemployment rate to 9.0% in June 2020 (as compared to 3.3% in June 2019), it has decreased the revenues to the City in sales, meals, and lodging taxes. Fines and forfeiture revenue have declined as a result of closed courts, permits and licenses revenue is down as stay home orders were announced. City staff began monitoring the situation in March when the initial closures occurred. As discussed in the MD&A and other parts of this report, management implemented spending controls to address the anticipated revenue shortfalls. To date, we are pleased to report that sales and meals taxes, the largest of the impacted revenue sources, have returned to near their pre-COVID-19 levels, and expenditures have been held significantly below budget, resulting in a surplus contribution to fund balance in the general fund for FY20.

The effects of COVID-19 will continue well into FY21 as the City continues to respond to the daily impacts of staffing and providing City services during a pandemic, but also doing so with reduced resources while protecting staff and citizens to the greatest extent possible.

The City received \$1,515,466 of Coronavirus Relief Funds ("CRF") from the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") in June 2020. (Note: a second disbursement of CRF in the same amount was made to the City from the Commonwealth in August 2020.) These funds, in addition to Community Development Block Grant ("CDBG") funds in the amount of \$62,237 and Health and Human Services Stimulus funds in the amount of \$35,860 were made available to the City to assist with expenditures necessary to respond to the COVID-19 outbreak. These funds have been accounted for in the City's Emergency Response Fund in an effort to segregate them and provide adequate controls in compliance with applicable federal regulations.

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, 2020.

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 \$199,458,969, but current bonded debt only represents 1.9% 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, 2020, totaled \$42,500,845, of which \$4,255,098 for Enterprise Fund purposes is considered self-supporting and shown only as a liability of the respective fund.

The City 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, 2019. 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 40 consecutive years (fiscal years ended 1980 through 2019). We believe our current report conforms to the Certificate of Achievement program requirements, and we are submitting it to the GFOA for consideration.

Acknowledgments

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

Respectfully submitted,

A handwritten signature in black ink, reading "Douglas E. Smith". The signature is written in a cursive, flowing style.

Douglas E. Smith
City Manager

A handwritten signature in black ink, reading "Sheila S. Minor". The signature is written in a cursive, flowing style.

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

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the City of Colonial Heights, Virginia (the "City"), as of and for the year ended June 30, 2020, 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, 2020, 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, supporting schedule, other supplementary information, supporting 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 supplementary information, supporting schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information, supporting schedule, 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 January 20, 2021 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 the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
January 20, 2021

**CITY OF COLONIAL HEIGHTS, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

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, 2020. 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 \$54,007,603 at June 30, 2020, an increase of \$7,134,544 from the City's net position of \$46,873,059 at June 30, 2019. Investment in capital assets totaled \$52,414,703 and \$1,156,780 was restricted for various purposes (see Note 15). The Primary Government as a whole reported an unrestricted net position of \$436,120. (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 \$49,187,933 were \$7,044,022 more than the expenses (net of program revenues) of \$42,143,911.
- Revenues for the City's Business-Type Activities exceeded expenditures by \$90,522, or 1.54%. Current economic conditions, particularly those associated with COVID-19, impacted the water and sewer fund.
- At June 30, 2020, the City's governmental funds balance sheet reported fund balances of \$21,808,882, a slight increase when compared to \$21,775,194 at June 30, 2019. Of this amount, \$10,861,863 is unassigned and therefore not obligated for other uses.
- The net position of the Component Unit School Board increased \$969,727 from \$(14,623,052) to \$(13,653,325). The School Board pension and postemployment liabilities totaled over \$45 million, significantly impacting the net position of the entity, and resulting in a negative number.

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, 2020
(Continued)**

GOVERNMENT-WIDE FINANCIAL STATEMENTS (Continued)

These two statements report the City's net position and changes that affected net position during the fiscal year. The change in the City's net position, the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources, is one way to measure the City's 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 2020 is the third 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, 2020
(Continued)**

FINANCIAL ANALYSIS OF THE CITY (GOVERNMENT-WIDE)

The following table presents a condensed comparison of net position:

**Summary Statement of Net Position
June 30, 2020 and 2019
(In Millions)**

	Governmental Activities		Business- Type Activities		Total Primary Government		Component Units	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Current and Other Assets	\$39.4	\$38.2	\$4.5	\$4.4	\$43.9	\$42.6	\$9.3	\$9.2
Capital Assets, net	71.2	66.6	13.6	13.8	84.8	80.4	26.1	25.0
Total Assets	<u>110.6</u>	<u>104.8</u>	<u>18.1</u>	<u>18.2</u>	<u>128.7</u>	<u>123.0</u>	<u>35.4</u>	<u>34.2</u>
Deferred Outflows	3.8	2.1	0.3	0.1	4.1	2.2	7.7	3.9
Other Liabilities	4.1	3.7	0.5	0.5	4.6	4.2	4.2	3.8
Non-current Liabilities	53.1	53.5	5.4	5.4	58.5	58.9	47.7	43.2
Total Liabilities	<u>57.2</u>	<u>57.2</u>	<u>5.9</u>	<u>5.9</u>	<u>63.1</u>	<u>63.1</u>	<u>51.9</u>	<u>47.0</u>
Deferred Inflows	15.5	15.0	0.2	0.2	15.7	15.3	4.9	5.6
Net Investment in Capital								
Assets	41.3	37.1	11.1	11.2	52.4	48.4	25.7	25.0
Restricted	1.2	0.2	-	-	1.2	0.2	-	-
Unrestricted	(0.8)	(2.7)	1.2	1.0	0.4	(1.7)	(39.4)	(39.5)
Total Net Position	<u>\$41.7</u>	<u>\$34.6</u>	<u>\$12.3</u>	<u>\$12.2</u>	<u>\$54.0</u>	<u>\$46.9</u>	<u>(\$13.7)</u>	<u>(\$14.5)</u>

The City's combined net position increased from \$46.9 million to \$54.0 million. Net position of the governmental activities increased from \$34.6 million to \$41.7 million. Governmental activities' unrestricted net position increased \$1.9 million, but remains negative at (\$0.8) million. Governmental activities' net investment in capital assets increased \$4.2 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 \$0.8 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, 2020
(Continued)**

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

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

**Summary Statement of Changes in Net Position
Years Ended June 30, 2020 and 2019
(In Millions)**

	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit	
	2020	2019	2020	2019	2020	2019	2020	2019
Revenues:								
Program revenues:								
Charges for services	\$3.0	\$3.4	\$6.0	\$6.1	\$9.0	\$9.5	\$0.3	\$0.4
Operating grants and contributions	6.7	6.6	-	-	6.7	6.6	19.2	18.6
Capital grants and contributions	5.3	1.3	-	-	5.3	1.3	-	-
General revenues:								
Property taxes	24.0	23.7	-	-	24.0	23.7	-	-
Other local taxes	21.5	22.1	-	-	21.5	22.1	-	-
Payment from other governments			-	-	-	-	22.2	24.2
Intergovernmental, non-categorical aid	3.1	2.6	-	-	3.1	2.6	-	-
Use of money and property	0.4	0.5	-	-	0.4	0.5	-	-
Miscellaneous	0.1	0.2	-	-	0.1	0.2	0.4	0.2
Gain (loss) on sale of capital assets	-	-	-	-	-	-	-	-
Total revenues	<u>64.1</u>	<u>60.4</u>	<u>6.0</u>	<u>6.1</u>	<u>70.1</u>	<u>66.5</u>	<u>42.1</u>	<u>43.4</u>
Expenses:								
General government	4.6	4.3	-	-	4.6	4.3	-	-
Judicial administration	5.2	5.4	-	-	5.2	5.4	-	-
Public safety	12.9	11.0	-	-	12.9	11.0	-	-
Public works	6.5	6.2	-	-	6.5	6.2	-	-
Health and welfare	1.1	1.1	-	-	1.1	1.1	-	-
Parks, recreation and cultural	3.0	2.9	-	-	3.0	2.9	-	-
Community development	0.5	0.5	-	-	0.5	0.5	-	-
Education	22.0	24.2	-	-	22.0	24.2	41.3	38.0
Human services	0.3	0.4	-	-	0.3	0.4	-	-
Interest	1.0	1.0	-	-	1.0	1.0	-	-
Water, sewer, and storm water management	-	-	5.9	5.5	5.9	5.5	-	-
Total expenses	<u>57.1</u>	<u>57.0</u>	<u>5.9</u>	<u>5.5</u>	<u>63.0</u>	<u>62.5</u>	<u>41.3</u>	<u>38.0</u>
Change in Net Position Before Transfers	7.0	3.4	0.1	0.6	7.1	4.0	0.8	5.4
Transfers	-	-	-	-	-	-	-	-
Change in Net Position	7.0	3.4	0.1	0.6	7.1	4.0	0.8	5.4
Net Position, beginning	34.7	31.3	12.2	11.6	46.9	42.9	(14.5)	(19.9)
Net Position, ending	<u>\$41.7</u>	<u>\$34.7</u>	<u>\$12.3</u>	<u>\$12.2</u>	<u>\$54.0</u>	<u>\$46.9</u>	<u>(\$13.7)</u>	<u>(\$14.5)</u>

**CITY OF COLONIAL HEIGHTS, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020
(Continued)**

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

Governmental Activities

Revenue

General property tax revenue, which comprised 37.5% 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 \$20.1 million, an increase from the previous fiscal year of 2.8% due to a general reassessment effective January 1, 2020. The City's last general reassessment was January 1, 2018.

In 1998, the Commonwealth enacted the Personal Property Tax Relief Act (PPTRA). The Commonwealth's share of personal property taxes allocated to the City was \$1.75 million, which represented 54% of eligible assessed value for calendar year 2020. This revenue is included in the intergovernmental category. Personal property tax revenue decreased slightly from \$3.2 million to \$3.0 million for fiscal year 2020.

Sales tax, utility tax, business and professional occupational license tax, meals tax, and lodging tax comprise the majority of other local taxes collected by the City, which represented approximately 33.4% of total revenues generated for governmental activities. This is a decrease of approximately \$600,000 from collections in FY2019, largely due to the impact of COVID-19 related restrictions on the local economy in the spring of 2020. Other local taxes such as these comprise a significant share of the City's tax base, due to a large retail and restaurant presence in the City. While these revenue streams were impacted by state-mandated shut downs and restrictions on occupancy, the impact was not as severe as some other cities and towns in the Commonwealth. This is attributable to the fact that the City is a regional shopping hub for nearby suburban and rural communities.

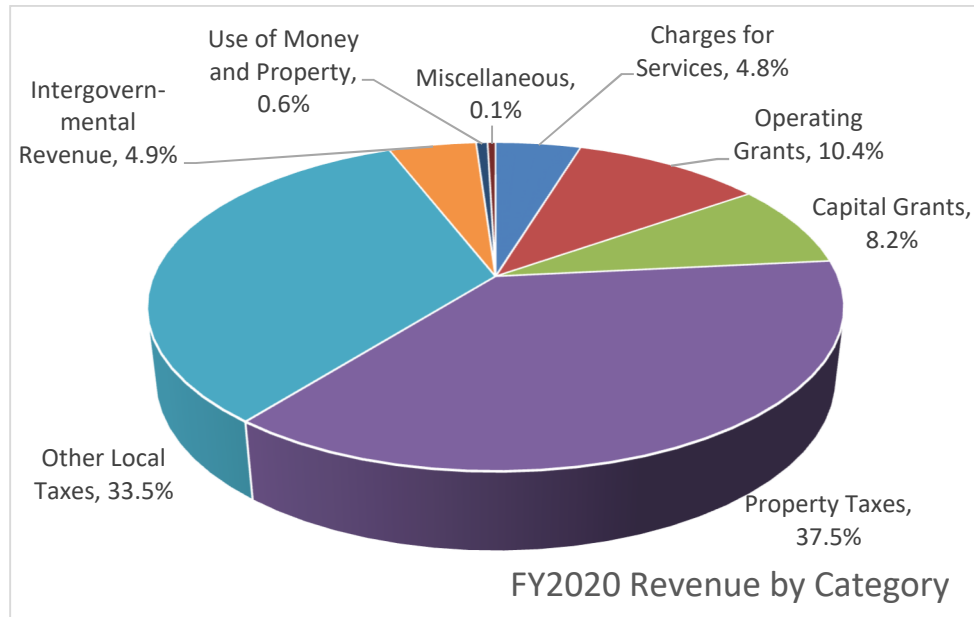
Operating grants and contributions comprised approximately 10.4% of governmental activities revenues. Street maintenance funds, funding received under House Bill 599 for law enforcement, and reimbursement for shared expenses of the constitutional officers are some of the major sources of revenue included in this category.

Charges for services, which include items such as EMS transport fees, court fees, inspection fees, and garbage collection fees, slowed in year over year comparisons due to COVID-19 as well. Charges for services comprised 4.7% of total revenue for governmental activities, as compared with 5.6% in the prior year.

**CITY OF COLONIAL HEIGHTS, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020
(Continued)**

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

Revenue generated for governmental activities is presented below by category:



Expenses

Education funding represents the largest category of governmental activities expenses. Funding of \$22.0 million was provided to the City of Colonial Heights School Board to support School operations and capital projects. Operating support of \$21.3 million was approximately \$300,000 less than the original budget due to COVID-19 economic impacts on revenue sources identified in the 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. The \$297,433 adjustment is reflected in the City's financial statements as reduction in the transfer to schools expense/expenditures, whereas in the School financial statements it is reflected as an increase in expense/expenditures of reimbursables to the City.

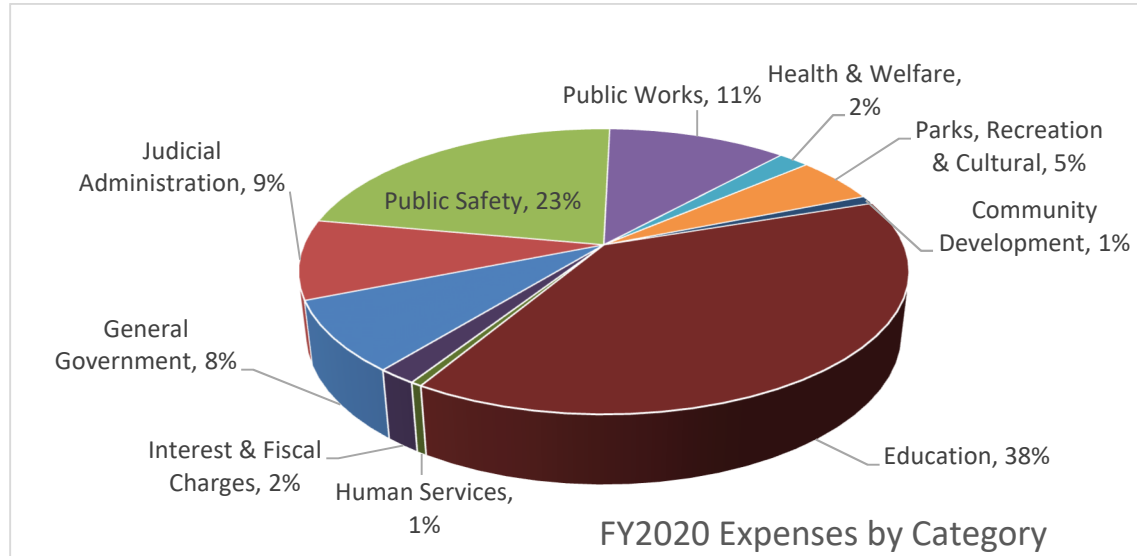
Public Safety is the City's second highest expense category, at 22.6% of governmental activity spending. The Public Safety function consists of the Fire and Emergency Medical Services Department, the Police Department, and Emergency Communications.

Public Works expenses comprised 11.4% 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 2.0% of governmental activities expenses.

**CITY OF COLONIAL HEIGHTS, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020
(Continued)**

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

Expenses of the governmental activities are shown by functional area:



Business-Type Activities

Total net position of business-type activities increased \$90,522, or .07% in FY20, compared with a \$569,999 increase, or 4.9%, during FY19. The business-type activities of the City derive their revenues almost exclusively from charges for services. No rate increases were implemented for FY20, as the City underwent a comprehensive rate study and infrastructure condition assessment to address the long-term financial stability of the system. The results of this study were presented to the City staff and City Council in FY20 and recommended long term structural changes and rate increase to stabilize the system and replace aging infrastructure. Expenses in the business-type funds increased 7.3% in comparison with FY19, while revenue decreased 1.3%.

FINANCIAL ANALYSIS OF THE CITY (FUND FINANCIALS)

On the modified accrual basis of accounting, for the fiscal year ended June 30, 2020, the governmental funds reflect a total fund balance of \$21,808,882. Nearly 30% of this balance, \$6.5 million, constitutes fund balance of the capital projects fund. The total governmental funds increased by just \$33,688, however, the general fund increased \$1.8M while the Capital Projects Fund decreased by the same amount. The Capital projects fund decrease is the direct result of funds available for capital spending in previous years being used for their intended purposes. 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 were either completed or significantly advanced during 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.

**CITY OF COLONIAL HEIGHTS, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020
(Continued)**

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

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 \$10,861,863 (an increase of \$333,608, or 3%) while the total fund balance was \$15,325,455, an increase of 13.2% 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 19.6% of the total General Fund expenditures, while total fund balance represents 27.6% 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 2020 with budgeted revenue and expenditure amounts that were equal. The FY20 Budget called for the use of \$581,958 in existing assigned and unassigned fund balance for one-time capital expenditures. Fund balance was not appropriated for operating expenses. During the fiscal year, Council appropriated and additional \$996,447 of restricted, committed, assigned and unassigned fund balances for various purposes. The table below summarizes the appropriated uses of fund balances in FY20.

Appropriated Uses of Fund Balance, FY20

Project	Amount	Original Budget or Amendment	Fund Balance Type
Local Match for Holly Avenue/ Jamestown Road Project	356,000	Original	Assigned/ Unassigned
Gateway Roundabout Phase II	50,000	Original	Unassigned
Violet Bank Restoration Project, Phase I	73,958	Original	Assigned/ Unassigned
City Hall HVAC Replacement	72,000	Original	Assigned/ Unassigned
911 System Hardware Replacement (Grant Match)	30,000	Original	Unassigned
Prior Year Encumbrances	539,946	Amendment	Unassigned
Shepherd Stadium Improvements	30,500	Amendment	Assigned
Police Vehicle Replacement	29,238	Amendment	Restricted
Fire Truck Equipment	100,000	Amendment	Assigned
Conduit Road Pavement Preservation	263,763	Amendment	Assigned
Purchase of Property adjacent to Violet Bank	<u>33,000</u>	Amendment	Assigned
Total appropriation of General Fund Balance	\$ 1,578,405		

Local taxes generated the majority of General Fund revenue, totaling approximately \$45.6 million in fiscal year 2020, as compared with \$45.8 million in fiscal year 2019. Sales, meals, and lodging taxes were impacted significantly by the COVID-19 restrictions in the last quarter of the fiscal year. These three revenue sources declined (4.4%), (5.2%), and (22.1%), respectively, from their FY2019 totals. These three revenue sources are also shared with Colonial Heights Public Schools, resulting in the decrease in funding transferred to Schools per the City's Memorandum of Understanding with the School Division.

The implementation of a cigarette tax effective July 1, 2019 helped mitigate the impacts of COVID-19 on the City's budget. The cigarette tax revenue was budgeted to raise \$460,000, however, actual revenue totaled \$840,443. Personal property collections also came in over budget by \$334,340. Real estate taxes were at budget, which was approximately \$541,000 more than the prior fiscal year due to a reassessment effective as of January 1, 2020.

Intergovernmental revenue is the second largest source of General Fund revenues, generating approximately \$8.2 million in fiscal year 2020 as compared to \$8.4 million in fiscal year 2019. 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.

**CITY OF COLONIAL HEIGHTS, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020
(Continued)**

CAPITAL PROJECTS FUND HIGHLIGHTS

Multiple capital projects were under construction or completed during FY2020. 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 fire apparatus, a generator, a pump station, and multiple school capital improvements. Several of these projects were ongoing or completed during FY20.

The City also received state and federal funding of \$5.2M in reimbursement for various transportation improvements. Projects under construction at fiscal year-end included the radio communications system, the Enterprise Resource Planning (Financial) system, CAD system, Phases IV and V of the Appomattox River Greenway Trail, and other transportation projects. Projects completed during FY2020 included the new fire apparatus, intersection improvements at Conduit and Ellerslie Avenues, the replacement of the generator at the Public Safety Building, restrooms at White Bank Park, and the resurfacing of a portion of the Boulevard.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual General Fund revenues fell short of the original budget by \$715,253 and the final budget by \$2.4M or 3.9%. The first nine months of the fiscal year showed great promise as revenue collections were strong, and on track to meet or exceed budgetary expectations. As with the rest of the world, the COVID-19 pandemic and resulting restrictions on businesses and social gatherings had a significant and immediate impact on the City's economy. The most impacted revenue streams were lodging, meals and sales taxes.

In response to the anticipated economic impacts from COVID-19 and the associated restrictions, management immediately implemented various spending controls. These included deferrals of discretionary spending, hiring freezes, and capital spending freezes. Staff carefully watched revenue collections through the final quarter of the year and found that the most impacted revenues showed steady improvement after bottoming out in April. By the turn of the fiscal year, collections in sales taxes and meals taxes were nearing their pre-COVID levels.

Due in large part to the spending restrictions, General Fund actual expenditures were under the original budget by \$2.9M and were under the final, amended budget by \$4.3 million or (7.2%). During fiscal year 2020, City Council amended the budget to appropriate donations; operational grants; restricted, committed, assigned, and unassigned fund balances; and prior year encumbrances.

CAPITAL ASSETS

As of June 30, 2020, the City's capital assets for its governmental and business-type activities amounted to \$84.7 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 \$4.5M during FY20, compared with an increase of \$1.7 million during FY19. Governmental Activities net capital assets increased \$4.7M, while Business-Type Activities net capital assets decreased approximately \$200,000. This decrease was the result of depreciation and amortization exceeding the rate of new capital investment for the City's utility funds.

**CITY OF COLONIAL HEIGHTS, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020
(Continued)**

**Summary Statement of
Capital Assets, Net of Accumulated Depreciation and Amortization
June 30, 2020 and 2019
(In Millions)**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land and Easements	\$4.9	\$4.9	\$0.1	\$0.1	\$5.0	\$5.0
Construction in Process	10.1	6.6	-	0.1	10.1	6.7
Building and Structures	23.2	23.5	2.8	2.7	26.0	26.2
Infrastructure	28.7	28.2	9.5	9.3	38.2	37.5
Equipment and Software	4.3	3.3	1.1	1.1	5.4	4.4
Purchased Capacity	-	-	-	0.4	-	0.4
Total	\$71.2	\$66.5	\$13.5	\$13.7	\$84.7	\$80.2

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, 2020, the Primary Government's long-term liabilities totaled \$42,500,845, consisting of \$38,245,747 related to governmental activities, and \$4,255,098 related to business-type activities. As previously mentioned, the City issued a \$5.825 million bank loan in October 2018 for capital projects. The City also issued a capital lease in October 2019 for computer replacements in the amount of \$225,000. The FY21- FY25 Capital Improvements Plan anticipates the City's next general obligation debt issuance for approximately \$10M to occur in FY22.

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 \$37,085,000 is well below the legal debt limit of \$162,373,969.

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, 2020
(Continued)**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The global pandemic that impacted the United States beginning in January 2020 had significant impact on the City's economy, and will continue to do so well into FY21. The unemployment rate for the City in June 2020 was 9.0% compared to a June 2019 rate of 3.3%. This was above the state average of 8.1% for the same period, but compares favorably with the national average unemployment rate of 11.1%. 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 2021 General Fund budget of \$61,700,077 increased \$2,428,941, or 1.04% in comparison to the 2020 adopted budget. In April 2020, when faced with adopting a future year budget in light of the pandemic and its ramifications, the City of Colonial Heights opted to move forward with the FY21 Annual Operating Budget and Capital Improvements Plan as originally proposed. This decision was not taken lightly; City Council and City Management elected to move forward with the budget as proposed recognizing that 1) spending controls were in place and were expected to continue until management believed they could be lifted, 2) the FY21 budget included several non-discretionary changes, such as increasing VRS rates, and 3) the budget could be amended downward at a later point if Council deemed it necessary.

The Annual Operating Budget for fiscal year 2021 included a 2.5% raise for full-time City employees that was deferred pending the economic situation. The budget also included one new full-time position for Geographic Information Systems and two part-time positions converted to full-time. Similar to the FY20 budget, the FY21 budget includes the use of assigned and unassigned fund balances for capital projects in the amount of \$773,502. A 5% increase to water and sewer rates was included in the budget, but implementation has been deferred. Property and other tax rates remain stable in FY21.

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.

BASIC FINANCIAL STATEMENTS

CITY OF COLONIAL HEIGHTS, VIRGINIA

STATEMENT OF NET POSITION

June 30, 2020

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Totals	School Board	Economic Development Authority
ASSETS					
Cash and investments (Note 2)	\$ 14,174,279	\$ 1,873,347	\$ 16,047,626	\$ 7,847,280	\$ 224,740
Receivables, net (Note 3)	13,523,115	990,154	14,513,269	2,965	-
Due from other governments (Note 4)	5,954,145	29,288	5,983,433	1,406,895	-
Due from component unit	452,347	-	452,347	-	-
Internal balances (Note 5)	(1,602,229)	1,602,229	-	-	-
Inventories	47,207	-	47,207	40,593	-
Prepays	2,584	-	2,584	-	-
Restricted cash (Note 2)	6,858,467	-	6,858,467	-	-
Net pension asset (Note 12)	-	-	-	43,923	-
Capital assets: (Note 7)					
Nondepreciable	14,972,208	149,067	15,121,275	1,989,714	-
Depreciable, net	56,188,613	13,426,483	69,615,096	24,093,511	-
Total assets	110,570,736	18,070,568	128,641,304	35,424,881	224,740
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	121,442	4,842	126,284	-	-
Deferred outflows related to pensions (Note 12)	3,173,143	216,241	3,389,384	6,306,074	-
Deferred outflows related to other postemployment benefits (Note 14)	530,777	49,704	580,481	1,372,659	-
Total deferred outflows of resources	3,825,362	270,787	4,096,149	7,678,733	-
LIABILITIES					
Accounts payable and other current liabilities	2,550,374	245,720	2,796,094	3,763,078	-
Due to other governments	323,115	-	323,115	452,347	-
Unearned revenue	986,433	-	986,433	7,672	100,000
Accrued interest	87,398	10,063	97,461	-	-
Customer security deposits	159,381	175,198	334,579	-	-
Noncurrent liabilities due within one year (Note 8)	3,320,468	250,833	3,571,301	297,421	-
Noncurrent liabilities due in more than one year:					
Net pension liability (Note 12)	10,863,441	740,312	11,603,753	30,697,025	-
Net other postemployment benefits/liabilities (Note 14)	3,951,264	367,885	4,319,149	14,328,461	-
Due in more than one year (Note 8)	34,925,279	4,004,265	38,929,544	2,347,766	-
Total liabilities	57,167,153	5,794,276	62,961,429	51,893,770	100,000
DEFERRED INFLOWS OF RESOURCES					
Property taxes and grants	12,621,792	-	12,621,792	-	-
Deferred inflows related to pensions (Note 12)	1,943,710	132,458	2,076,168	3,634,017	-
Deferred inflows related to other postemployment benefits (Note 14)	978,124	92,337	1,070,461	1,229,152	-
Total deferred inflows of resources	15,543,626	224,795	15,768,421	4,863,169	-
NET POSITION					
Net investment in capital assets	41,322,523	11,092,180	52,414,703	25,704,618	-
Restricted for public safety, public works, judicial administration and health and welfare grants and net pension asset	1,156,780	-	1,156,780	43,923	-
Unrestricted	(793,984)	1,230,104	436,120	(39,401,866)	124,740
Total net position	\$ 41,685,319	\$ 12,322,284	\$ 54,007,603	\$ (13,653,325)	\$ 124,740

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, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government				
					Governmental Activities	Business- Type Activities	Totals	School Board	Economic Development Authority
Primary Government:									
Governmental activities:									
General government	\$ 4,616,418	\$ 534,084	\$ 299,341	\$ -	\$ (3,782,993)		\$ (3,782,993)		
Judicial administration	5,180,828	264,043	1,258,456	-	(3,658,329)		(3,658,329)		
Public safety	12,916,249	848,194	929,734	-	(11,138,321)		(11,138,321)		
Public works	6,516,750	1,152,400	2,748,895	5,215,729	2,600,274		2,600,274		
Health and welfare	1,124,958	7,600	34,246	-	(1,083,112)		(1,083,112)		
Parks, recreation, and cultural	2,990,371	106,672	153,744	43,715	(2,686,240)		(2,686,240)		
Community development	540,066	136,092	153,371	-	(250,603)		(250,603)		
Education	21,952,287	-	1,041,895	3,837	(20,906,555)		(20,906,555)		
Human services	295,463	-	69,080	-	(226,383)		(226,383)		
Interest	1,011,649	-	-	-	(1,011,649)		(1,011,649)		
Total governmental activities	57,145,039	3,049,085	6,688,762	5,263,281	(42,143,911)		(42,143,911)		
Business-type activities:									
Water and sewer	5,364,729	5,229,957	-	-		\$ (134,772)	(134,772)		
Storm water management	517,464	742,758	-	-		225,294	225,294		
Total business-type activities	5,882,193	5,972,715	-	-		90,522	90,522		
Total primary government	\$ 63,027,232	\$ 9,021,800	\$ 6,688,762	\$ 5,263,281	(42,143,911)	90,522	(42,053,389)		
Discretely Presented Component Units:									
School Board	\$ 41,143,685	\$ 256,739	\$ 19,239,002	\$ -				\$ (21,647,944)	
Economic Development Authority	5,671	-	-	-					\$ (5,671)
Total component units	\$ 41,149,356	\$ 256,739	\$ 19,239,002	\$ -				\$ (21,647,944)	\$ (5,671)
General revenues:									
Taxes:									
		General property taxes			24,047,590	-	24,047,590	-	-
Other local taxes:									
		Local sales and use			7,809,472	-	7,809,472	-	-
		Food and lodging			7,869,846	-	7,869,846	-	-
		Consumer utility			948,948	-	948,948	-	-
		Motor vehcile license and fees			518,821	-	518,821	-	-
		Business & occupation license			2,929,460	-	2,929,460	-	-
		Other			1,432,546	-	1,432,546	-	-
		Payments from City			-	-	-	22,249,720	-
		Intergovernmental, non-categorical aid			3,126,275	-	3,126,275	-	-
		Use of money and property			409,352	-	409,352	-	-
		Miscellaneous			95,623	-	95,623	367,951	-
		Total general revenues			49,187,933	-	49,187,933	22,617,671	-
		Change in net position			7,044,022	90,522	7,134,544	969,727	(5,671)
NET POSITION AT JULY 1					34,641,297	12,231,762	46,873,059	(14,623,052)	130,411
NET POSITION AT JUNE 30					\$ 41,685,319	\$ 12,322,284	\$ 54,007,603	\$ (13,653,325)	\$ 124,740

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

	General	Capital Projects	Emergency Response	Total Governmental Funds
ASSETS				
Cash and investments	\$ 13,186,105	\$ -	\$ 988,174	\$ 14,174,279
Receivables, net	13,523,115	-	-	13,523,115
Due from other governments	3,434,478	2,519,110	557	5,954,145
Due from component unit	452,347	-	-	452,347
Inventories	47,207	-	-	47,207
Prepays	2,584	-	-	2,584
Restricted cash	-	6,858,467	-	6,858,467
Total assets	<u>\$ 30,645,836</u>	<u>\$ 9,377,577</u>	<u>\$ 988,731</u>	<u>\$ 41,012,144</u>
LIABILITIES				
Accounts payable and other current liabilities	\$ 1,256,155	\$ 1,291,921	\$ 2,298	\$ 2,550,374
Unearned revenue	-	-	986,433	986,433
Due to other governments	323,115	-	-	323,115
Due to other funds	-	1,602,229	-	1,602,229
Customer security deposits	159,381	-	-	159,381
Total liabilities	<u>1,738,651</u>	<u>2,894,150</u>	<u>988,731</u>	<u>5,621,532</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable/deferred revenue	<u>13,581,730</u>	<u>-</u>	<u>-</u>	<u>13,581,730</u>
Total deferred inflows of resources	<u>13,581,730</u>	<u>-</u>	<u>-</u>	<u>13,581,730</u>
FUND BALANCES (Note 15)				
Nonspendable	49,791	-	-	49,791
Restricted	1,156,780	6,483,427	-	7,640,207
Committed	941,440	-	-	941,440
Assigned	2,315,581	-	-	2,315,581
Unassigned	10,861,863	-	-	10,861,863
Total fund balances	<u>15,325,455</u>	<u>6,483,427</u>	<u>-</u>	<u>21,808,882</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 30,645,836</u>	<u>\$ 9,377,577</u>	<u>\$ 988,731</u>	<u>\$ 41,012,144</u>

CITY OF COLONIAL HEIGHTS, VIRGINIA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2020**

Total Fund Balance - Governmental Funds \$ 21,808,882

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	\$ 14,972,208	
Depreciable, net	56,188,613	
		71,160,821

Certain receivables are not available to pay for current-period expenditures and therefore are deferred in the funds.		959,938
---	--	---------

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	3,173,143	
Deferred outflows of resources - other postemployment benefits	530,777	
Deferred inflows of resources - pensions	(1,943,710)	
Deferred inflows of resources - other postemployment benefits	(978,124)	
Net pension liability	(10,863,441)	
Net other postemployment benefits liabilities	(3,951,264)	
		(14,032,619)

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

Bonds payable, including unamortized premiums	(35,065,091)	
Deferred charge on refunding	121,442	
Landfill post-closure liability	(108,138)	
Compensated absences	(2,921,601)	
Capital lease payable	(150,917)	
Accrued interest payable	(87,398)	
		(38,211,703)

Total Net Position - Governmental Activities \$ 41,685,319

CITY OF COLONIAL HEIGHTS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2020

	General	Capital Projects	Emergency Response	Total Governmental Funds
REVENUES				
General property taxes	\$ 24,133,663	\$ -	\$ -	\$ 24,133,663
Other local taxes	21,509,093	-	-	21,509,093
Permits, privilege fees, and regulatory licenses	174,232	-	-	174,232
Fines and forfeitures	245,712	-	-	245,712
Charges for services	2,629,141	-	-	2,629,141
Use of money and property	262,832	146,520	-	409,352
Miscellaneous	95,623	-	-	95,623
Reimbursement from School Board	1,041,895	3,837	-	1,045,732
Intergovernmental	8,207,692	5,259,444	565,450	14,032,586
Total revenues	58,299,883	5,409,801	565,450	64,275,134
EXPENDITURES				
Current:				
General government	4,407,791	-	-	4,407,791
Judicial administration	5,183,133	-	-	5,183,133
Public safety	11,538,625	-	593,641	12,132,266
Public works	4,483,490	-	-	4,483,490
Health and welfare	1,132,135	-	-	1,132,135
Parks, recreation, and cultural	2,621,295	-	-	2,621,295
Community development	539,068	-	-	539,068
Education	21,268,972	683,315	-	21,952,287
Human services	298,113	-	-	298,113
Nondepartmental	171,006	-	-	171,006
Debt service:				
Principal retirement	2,692,616	-	-	2,692,616
Interest and fiscal charges	1,122,773	-	-	1,122,773
Capital outlays	-	7,730,473	-	7,730,473
Total expenditures	55,459,017	8,413,788	593,641	64,466,446
Excess (deficiency) of revenues over expenditures	2,840,866	(3,003,987)	(28,191)	(191,312)
OTHER FINANCING SOURCES (USES)				
Proceeds from capital lease	225,000	-	-	225,000
Transfers in (Note 6)	-	1,246,247	28,191	1,274,438
Transfers out (Note 6)	(1,274,438)	-	-	(1,274,438)
Total other financing sources (uses)	(1,049,438)	1,246,247	28,191	225,000
Net change in fund balances	1,791,428	(1,757,740)	-	33,688
FUND BALANCES AT JULY 1	13,534,027	8,241,167	-	21,775,194
FUND BALANCES AT JUNE 30	\$ 15,325,455	\$ 6,483,427	\$ -	\$ 21,808,882

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, 2020**

Net Change in Fund Balances - Governmental Funds \$ 33,688

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	\$ 7,621,519	
Depreciation expense	<u>(3,028,926)</u>	4,592,593

Revenues in the Statement of Activities that do not provide current financial
resources are not reported as revenues in the funds. (86,073)

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. 2,467,617

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	(614,163)	
Change in landfill post-closure liability	<u>(1,809)</u>	(615,972)

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 \$1,677,562 is greater than pension expense of
\$1,135,627 in the current period. 541,935

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	\$64,738	
Other post employment benefits expense	(65,627)	(889)

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	165,569	
Amortization of gain/loss from refundings	(60,721)	
Change in accrued interest payable	<u>6,275</u>	<u>111,123</u>

Change in Net Position - Governmental Activities \$ 7,044,022

CITY OF COLONIAL HEIGHTS, VIRGINIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2020

	Business-Type Activities – Enterprise Funds		
	Water and Sewer	Storm Water Management	Totals
ASSETS			
Current assets:			
Cash and investments	\$ 1,154,546	\$ 718,801	\$ 1,873,347
Receivables, net	843,854	146,300	990,154
Due from other governments	29,288	-	29,288
Due from other funds	1,465,113	137,116	1,602,229
Total current assets	3,492,801	1,002,217	4,495,018
Noncurrent assets:			
Capital assets, net	11,741,906	1,833,644	13,575,550
Total noncurrent assets	11,741,906	1,833,644	13,575,550
Total assets	15,234,707	2,835,861	18,070,568
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	4,842	-	4,842
Deferred outflows related to pensions	181,780	34,461	216,241
Deferred outflows related to other postemployment benefits	43,232	6,472	49,704
Total deferred outflows of resources	229,854	40,933	270,787
LIABILITIES			
Current liabilities:			
Accounts payable and other current liabilities	242,827	2,893	245,720
Accrued interest	6,232	3,831	10,063
Customer security deposits	175,198	-	175,198
Compensated absences	36,195	3,736	39,931
Debt obligations, current	138,145	72,757	210,902
Total current liabilities	598,597	83,217	681,814
Noncurrent liabilities:			
Compensated absences	115,797	8,929	124,726
Net pension liability	622,333	117,979	740,312
Net other postemployment benefit liabilities	319,739	48,146	367,885
Debt obligations	2,495,211	1,384,328	3,879,539
Total noncurrent liabilities	3,553,080	1,559,382	5,112,462
Total liabilities	4,151,677	1,642,599	5,794,276
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	111,349	21,109	132,458
Deferred inflows related to other post employment benefits	80,379	11,958	92,337
Total deferred inflows of resources	191,728	33,067	224,795
NET POSITION			
Net investment in capital assets	10,578,505	513,675	11,092,180
Unrestricted	542,651	687,453	1,230,104
Total net position	\$ 11,121,156	\$ 1,201,128	\$ 12,322,284

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, 2020

	Business-Type Activities – Enterprise Funds		
	Water and Sewer	Storm Water Management	Totals
OPERATING REVENUES			
Charges for services	\$ 4,705,703	\$ 737,547	\$ 5,443,250
Connection fees	119,992	-	119,992
Penalties	47,502	5,211	52,713
Miscellaneous	356,760	-	356,760
Total operating revenues	<u>5,229,957</u>	<u>742,758</u>	<u>5,972,715</u>
OPERATING EXPENSES			
Personnel	819,275	143,085	962,360
Fringe benefits	390,838	77,632	468,470
Utilities	75,911	-	75,911
Repairs and maintenance	36,482	1,450	37,932
Materials and supplies	139,117	2,706	141,823
Sewage treatment costs	1,622,291	-	1,622,291
Water purchased for resale	536,138	-	536,138
Depreciation and amortization	863,331	66,068	929,399
Other charges	798,888	185,281	984,169
Total operating expenses	<u>5,282,271</u>	<u>476,222</u>	<u>5,758,493</u>
Operating income (loss)	<u>(52,314)</u>	<u>266,536</u>	<u>214,222</u>
NONOPERATING REVENUES (EXPENSES)			
Interest expense	(82,458)	(41,242)	(123,700)
Total nonoperating revenues (expenses)	<u>(82,458)</u>	<u>(41,242)</u>	<u>(123,700)</u>
Change in net position	(134,772)	225,294	90,522
NET POSITION AT JULY 1	<u>11,255,928</u>	<u>975,834</u>	<u>12,231,762</u>
NET POSITION AT JUNE 30	<u>\$ 11,121,156</u>	<u>\$ 1,201,128</u>	<u>\$ 12,322,284</u>

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2020

	Business-Type Activities – Enterprise Funds		
	Water and Sewer	Storm Water Management	Totals
OPERATING ACTIVITIES			
Receipts from customers and properties	\$ 4,936,803	\$ 733,725	\$ 5,670,528
Receipts from other sources	353,824	-	353,824
Payments to suppliers	(3,302,713)	(189,437)	(3,492,150)
Payments to employees	(1,148,774)	(203,729)	(1,352,503)
Net cash provided by operating activities	839,140	340,559	1,179,699
NONCAPITAL FINANCING ACTIVITIES			
Interfund lending	-	174,895	174,895
Net cash provided by noncapital financing activities	-	174,895	174,895
CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(556,337)	(174,895)	(731,232)
Principal paid	(170,266)	(70,510)	(240,776)
Interest paid	(85,933)	(47,509)	(133,442)
Net cash used in capital and related financing activities	(812,536)	(292,914)	(1,105,450)
Net increase in cash and cash equivalents	26,604	222,540	249,144
CASH AND CASH EQUIVALENTS			
Beginning at July 1	1,127,942	496,261	1,624,203
Ending at June 30	\$ 1,154,546	\$ 718,801	\$ 1,873,347
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (52,314)	\$ 266,536	\$ 214,222
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization	863,331	66,068	929,399
Pension expense net of employer contributions	11,607	14,934	26,541
Other post-employment benefit expense net of employer contributions	18,043	1,950	19,993
Change in assets and liabilities:			
(Increase) decrease in:			
Receivables, net	55,743	(9,033)	46,710
Due from other governments	(2,936)	-	(2,936)
Increase (decrease) in:			
Accounts payable and other current liabilities	(114,674)	(4,382)	(119,056)
Customer security deposits	7,863	-	7,863
Compensated absences	52,477	4,486	56,963
Net cash provided by operating activities	\$ 839,140	\$ 340,559	\$ 1,179,699

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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).

Emergency Response Fund. This is used to account for financial resources obtained from various sources, which have been segregated for the response to declared emergencies. For FY20, the Emergency Response fund was used to account for response to the COVID-19 pandemic.

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.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

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

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.

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, \$1,630,124 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.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

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

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.

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 2019 and 2020 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 2020 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:

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

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

Capital Assets. (Continued)

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.

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 and Schools' Plans and the additions to/deductions from the City's and Schools' 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 and Schools' 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.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

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

Compensated absences earned by employees and charged to proprietary funds are expensed and accrued as a liability of the appropriate fund when incurred.

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

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

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

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.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

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

Minimum Fund Balance Policy

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

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

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Significant encumbrances as of June 30 total \$941,440 in the general fund and \$6,177,978 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.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

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

Encumbrances (Continued)

Net Position. (Continued)

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

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

F. Use of Estimates

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

Note 2. Deposits and Investments

Deposits

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

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 2. Deposits and Investments (Continued)

Investments

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

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

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

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

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

Deposits:	
Demand deposits	\$ 3,256,410
Cash on hand	11,600
	<hr/>
	3,268,010
Investments (Fair Value):	
LGIP	12,748,479
SNAP	6,889,604
	<hr/>
Total deposits and investments	<u><u>\$ 22,906,093</u></u>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 2. Deposits and Investments (Continued)

Investments (Continued)

Exhibit 1 total deposits and investments is composed as follows:

Cash and investments	\$ 16,047,626
Restricted cash	<u>6,858,467</u>
Total deposits and investments	<u><u>\$ 22,906,093</u></u>

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

Deposits:	
Demand deposits	<u><u>\$ 7,847,280</u></u>

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

Deposits:	
Demand deposits	<u><u>\$ 224,740</u></u>

Credit Risk

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

Restricted Cash

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

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 3. Receivables

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

	General	Water and Sewer	Storm Water Management	Total
Taxes	\$ 13,452,406	\$ -	\$ -	\$ 13,452,406
Accounts	234,414	918,854	146,300	1,299,568
Other	102,797	-	-	102,797
Gross receivables	13,789,617	918,854	146,300	14,854,771
Less allowance for uncollectible accounts	(266,502)	(75,000)	-	(341,502)
Net receivables	<u>\$ 13,523,115</u>	<u>\$ 843,854</u>	<u>\$ 146,300</u>	<u>\$ 14,513,269</u>

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

Note 4. Due from Other Governmental Units

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

	Governmental Activities	Business-Type Activities	School Board
Federal:			
Highway planning and construction	\$ 2,519,110	\$ -	\$ -
Other grants	-	-	295,580
Title I	-	-	511,644
Title II and III	-	-	117,651
Perkins	-	-	40,376
Child nutrition	-	-	20,327
Commonwealth of Virginia:			
Other aid, grants, and reimbursements	378,983	-	-
Sales tax	1,302,126	-	421,317
PPTRA	1,753,369	-	-
Chesterfield County	-	25,206	-
Virginia State University	-	4,013	-
Other governments	557	69	-
	<u>\$ 5,954,145</u>	<u>\$ 29,288</u>	<u>\$ 1,406,895</u>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 5. Interfund Obligations

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

	<u>Receivables</u>	<u>Payables</u>
Capital Projects	\$ -	\$ 1,602,229
Water and Sewer	1,465,113	-
Storm Water Management	<u>137,116</u>	<u>-</u>
	<u>\$ 1,602,229</u>	<u>\$ 1,602,229</u>

The proceeds from the 2016 bond issuance is presented 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 accounts for financial resources to be used for the acquisition or construction of various capital assets for the City.

Note 6. Interfund Transfers

	<u>Transfer From Fund:</u> <u>General</u>
Transfer to fund:	
Capital Projects	\$ 1,246,247
Emergency Response	<u>28,191</u>
	<u>\$ 1,274,438</u>

The transfer from the General Fund to the Capital Projects Fund was to provide local matches for projects. The transfer from the General Fund to the Emergency Response Fund was to pay for hazard pay for communications and animal control officers that was not funded by federal grants.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 7. Capital Assets

Capital asset activity was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated or amortized:				
Land	\$ 2,559,885	\$ -	\$ -	\$ 2,559,885
Easements	2,315,227	-	-	2,315,227
Construction in progress	6,631,100	6,000,394	(2,534,398)	10,097,096
	<u>11,506,212</u>	<u>6,000,394</u>	<u>(2,534,398)</u>	<u>14,972,208</u>
Capital assets, depreciated and amortized:				
Buildings and structures	33,507,801	464,768	-	33,972,569
Infrastructure	74,899,667	1,849,977	-	76,749,644
Equipment	18,316,622	1,840,778	(4,033,067)	16,124,333
Intangibles	207,433	-	-	207,433
	<u>126,931,523</u>	<u>4,155,523</u>	<u>(4,033,067)</u>	<u>127,053,979</u>
Less accumulated depreciation and amortization for:				
Buildings and structures	(9,968,921)	(794,087)	-	(10,763,008)
Infrastructure	(46,689,849)	(1,412,461)	-	(48,102,310)
Equipment	(15,080,259)	(804,491)	4,033,067	(11,851,683)
Intangibles	(130,478)	(17,887)	-	(148,365)
	<u>(71,869,507)</u>	<u>(3,028,926)</u>	<u>4,033,067</u>	<u>(70,865,366)</u>
Capital assets, depreciated and amortized, net	<u>55,062,016</u>	<u>1,126,597</u>	<u>-</u>	<u>56,188,613</u>
Governmental activities capital assets, net	<u>\$ 66,568,228</u>	<u>\$ 7,126,991</u>	<u>\$ (2,534,398)</u>	<u>\$ 71,160,821</u>

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

Governmental activities:	
General government	\$ 41,524
Judicial administration	31,951
Public safety	536,090
Public works	2,045,594
Health and welfare	3,798
Parks, recreation, and cultural	364,797
Community development	5,172
	<u>\$ 3,028,926</u>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 7. Capital Assets (Continued)

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated or amortized:				
Construction in progress	\$ 66,838	\$ -	\$ (54,071)	\$ 12,767
Land	136,300	-	-	136,300
	<u>203,138</u>	<u>-</u>	<u>(54,071)</u>	<u>149,067</u>
Capital assets, depreciated and amortized:				
Land improvements	48,927	-	-	48,927
Buildings and structures	5,402,236	174,895	-	5,577,131
Infrastructure	16,973,181	444,895	-	17,418,076
Equipment	3,900,751	165,513	-	4,066,264
Intangibles	303,982	-	-	303,982
Purchased capacity	9,874,437	-	-	9,874,437
	<u>36,503,514</u>	<u>785,303</u>	<u>-</u>	<u>37,288,817</u>
Less accumulated depreciation and amortization for:				
Land improvements	(40,960)	(249)	-	(41,209)
Buildings and structures	(2,691,412)	(104,716)	-	(2,796,128)
Infrastructure	(7,642,652)	(235,295)	-	(7,877,947)
Equipment	(2,774,470)	(194,161)	-	(2,968,631)
Intangibles	(303,982)	-	-	(303,982)
Purchased capacity	(9,479,459)	(394,978)	-	(9,874,437)
	<u>(22,932,935)</u>	<u>(929,399)</u>	<u>-</u>	<u>(23,862,334)</u>
Capital assets, depreciated and amortized, net	<u>13,570,579</u>	<u>(144,096)</u>	<u>-</u>	<u>13,426,483</u>
Business-type activities capital assets, net	<u>\$ 13,773,717</u>	<u>\$ (144,096)</u>	<u>\$ (54,071)</u>	<u>\$ 13,575,550</u>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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	\$ 863,331
Storm Water	<u>66,068</u>
	<u>\$ 929,399</u>

South Central Wastewater Authority (SCWA) treatment plant rights

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

<u>Component Unit – School Board</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not depreciated or amortized:				
Land	\$ 1,090,102	\$ -	\$ -	\$ 1,090,102
CIP	<u>-</u>	<u>899,612</u>	<u>-</u>	<u>899,612</u>
	<u>1,090,102</u>	<u>899,612</u>	<u>-</u>	<u>1,989,714</u>
Capital assets, depreciated and amortized:				
Buildings and structures	39,489,513	441,013	(59,750)	39,870,776
Equipment	<u>3,995,174</u>	<u>1,029,176</u>	<u>(365,321)</u>	<u>4,659,029</u>
	<u>43,484,687</u>	<u>1,470,189</u>	<u>(425,071)</u>	<u>44,529,805</u>
Less accumulated depreciation and amortization for:				
Buildings and structures	(16,915,642)	(852,023)	22,686	(17,744,979)
Equipment	<u>(2,672,056)</u>	<u>(383,923)</u>	<u>364,664</u>	<u>(2,691,315)</u>
	<u>(19,587,698)</u>	<u>(1,235,946)</u>	<u>387,350</u>	<u>(20,436,294)</u>
Capital assets, depreciated and amortized, net	<u>23,896,989</u>	<u>234,243</u>	<u>(37,721)</u>	<u>24,093,511</u>
School Board capital assets, net	<u>\$ 24,987,091</u>	<u>\$ 1,133,855</u>	<u>\$ (37,721)</u>	<u>\$ 26,083,225</u>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 8. Long-Term Liabilities

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

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
General obligation bonds	\$ 30,524,226	\$ -	\$ (2,599,224)	\$ 27,925,002	\$ 2,199,999
General obligation – Direct borrowing	5,225,000	-	-	5,225,000	269,099
Issuance premiums	2,080,658	-	(165,569)	1,915,089	-
Capital lease payable	19,310	225,000	(93,393)	150,917	74,563
Landfill post-closure liability	106,329	1,809	-	108,138	-
Compensated absences	2,307,438	1,513,445	(899,282)	2,921,601	776,807
	<u>\$ 40,262,961</u>	<u>\$ 1,740,254</u>	<u>\$ (3,757,468)</u>	<u>\$ 38,245,747</u>	<u>\$ 3,320,468</u>

Business-Type Activities

General obligation bonds	\$ 3,575,774	\$ -	\$ (240,776)	\$ 3,334,998	\$ 180,001
General obligation – Direct borrowing	600,000	-	-	600,000	30,901
Issuance premiums	166,546	-	(11,103)	155,443	-
Compensated absences	107,694	96,248	(39,285)	164,657	39,931
	<u>\$ 4,450,014</u>	<u>\$ 96,248</u>	<u>\$ (291,164)</u>	<u>\$ 4,255,098</u>	<u>\$ 250,833</u>

Component Unit – School Board

Capital lease payable	\$ -	\$ 570,640	\$ (192,064)	\$ 378,607	\$ 184,092
Compensated absences	2,180,609	394,794	(308,823)	2,266,580	113,329
	<u>\$ 2,180,609</u>	<u>\$ 965,434</u>	<u>\$ (500,887)</u>	<u>\$ 2,645,187</u>	<u>\$ 297,421</u>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 8. Long-Term Liabilities (Continued)

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

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

	<u>Year Issued</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>
General obligation bonds:			
General improvement			
Series 2012	2012	2.50-4.00%	\$ 14,905,000
Series 2015	2015	2.00-5.00%	7,745,000
Series 2016	2016	2.00-5.00%	8,610,000
Series 2018	2018	3.442%	<u>5,825,000</u>
Total general obligation bonds			<u>\$ 37,085,000</u>
Capital leases payable:			
Computers	2020	2.39%	<u>\$ 150,917</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.

Capital leases payable:			
School buses	2018	3.27%	\$ 92,128
School buses	2020	3.79%	<u>286,479</u>
			<u>\$ 378,607</u>

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

<u>Fiscal Year Ending</u>	<u>General Obligation Bonds</u>			
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 2,469,098	\$ 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	2,809,464	696,256	235,536	96,980
2026-2030	13,341,718	2,042,098	1,303,283	350,855
2031-2035	<u>6,575,150</u>	<u>346,817</u>	<u>1,514,850</u>	<u>138,106</u>
	<u>\$ 33,150,002</u>	<u>\$ 6,697,162</u>	<u>\$ 3,934,998</u>	<u>\$ 1,028,982</u>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 8. Long-Term Liabilities (Continued)

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

Fiscal Year Ending	Capital Leases Payable			
	Governmental Activities		Component Unit – School Board	
	Principal	Interest	Principal	Interest
2021	\$ 74,563	\$ 3,164	\$ 184,092	\$ 13,863
2022	76,354	1,371	95,449	7,370
2023	-	-	99,066	3,754
	<u>\$ 150,917</u>	<u>\$ 4,535</u>	<u>\$ 378,607</u>	<u>\$ 24,987</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 \$108,000 based on a minimum eight years of remaining monitoring and remediation. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

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

Note 10. Commitments and Contingent Liabilities

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

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

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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 \$6,177,978 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 \$218,000.

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.varetirement.org/hybrid.html>.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Note 11. Defined Benefit Pension Plan (Continued)

Primary Government – City (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>185</u>
Inactive members:	
Vested inactive members	32
Non-vested inactive members	28
Inactive members active elsewhere in VRS	<u>138</u>
Total inactive members	<u>198</u>
Active members	<u>255</u>
Total covered employees	<u><u>638</u></u>

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The political subdivision's contractually required contribution rate for the year ended June 30, 2020 was 12.87% 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 \$1,791,884 and \$1,750,448 for the years ended June 30, 2020 and June 30, 2019, 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, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2018 rolled forward to the measurement date of June 30, 2019.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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, 2018, 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, 2019.

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	6.75%, 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of pension liabilities.

Mortality rates: General employees – 15 to 20% of deaths are assumed to be service related. Public Safety Employees – 45% to 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, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. 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; adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service; lowered disability rates, no change to salary scale, increased rate of line of duty disability from 14% to 20% (Largest 10) or 15% (All Others), and decreased discount rate from 7.00% to 6.75%.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Note 11. Defined Benefit Pension Plan (Continued)

Primary Government – City (Continued)

Actuarial Assumptions (Continued)

Public Safety Employees – Largest 10 – Hazardous Duty and All Others (Non 10 Largest): Update mortality table; lowered retirement rate at older ages; adjusted rates of withdrawal and disability to better fit experience; changes to line of duty rates, no changes to salary scale, and decreased discount rate from 7.00% to 6.75%.

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	34.00 %	5.61 %	1.91 %
Fixed Income	15.00	0.88	0.13
Credit Strategies	14.00	5.13	0.72
Real Assets	14.00	5.27	0.74
Private Equity	14.00	8.77	1.23
MAPS – Multi-Asset Public Strategies	6.00	3.52	0.21
PIP – Private Investment Partnership	3.00	6.29	0.19
Total	100.00 %		5.13 %
	Inflation		2.50 %
	*Expected arithmetic nominal return		7.63 %

* The above allocation provides for a one-year return of 7.63%. 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 7.11%, including expected inflation of 2.5%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund allocation.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Note 11. Defined Benefit Pension Plan (Continued)

Primary Government – City (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. 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, 2019, the alternate rate was the employer contribution rate used in the FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever is greater. From July 1, 2019 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, 2018	\$ 77,002,818	\$ 66,711,169	\$ 10,291,649
Changes for the year:			
Service cost	1,705,814	-	1,705,814
Interest	5,274,781	-	5,274,781
Differences between expected and actual experience	(1,174,690)	-	(1,174,690)
Assumption changes	2,298,160	-	2,298,160
Contributions – employer	-	1,750,448	(1,750,448)
Contributions – employee	-	651,719	(651,719)
Net investment income	-	4,436,348	(4,436,348)
Benefit payments, including refunds of employee contributions	(3,297,608)	(3,297,608)	-
Administrative expenses	-	(43,752)	43,752
Other changes	-	(2,802)	2,802
Net changes	4,806,457	3,494,353	1,312,104
Balances at June 30, 2019	\$ 81,809,275	\$ 70,205,522	\$ 11,603,753

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	<u>1.00% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1.00% Increase (7.75%)</u>
Political subdivision's net pension liability	\$ 22,052,965	\$ 11,603,753	\$ 3,265,096

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

For the year ended June 30, 2020, the political subdivision recognized pension expense of \$1,275,490. At June 30, 2020, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,467,570
Change in assumptions	1,597,500	13,049
Net difference between projected and actual earnings on pension plan investments	-	595,549
Employer contributions subsequent to the measurement date	1,791,884	-
Total	<u>\$ 3,389,384</u>	<u>\$ 2,076,168</u>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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 \$1,791,884 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Reduction to Pension Expense
2021	\$ (234,003)
2022	(367,135)
2023	82,379
2024	40,091
2025	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-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, 2020, \$218,342 was payable to the Virginia Retirement System for the legally required contributions related to June 2020 payroll.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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, 2018 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>57</u>
Inactive members:	
Vested inactive members	4
Non-vested inactive members	5
Inactive members active elsewhere in VRS	<u>7</u>
Total inactive members	<u>16</u>
Active members	<u>38</u>
Total covered employees	<u><u>111</u></u>

Contributions

The school division's contractually required contribution rate for the year ended June 30, 2020 was 4.79% 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 \$63,122 and \$63,072 for the years ended June 30, 2020 and June 30, 2019, respectively.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Note 11. Defined Benefit Pension Plan (Continued)

School Nonprofessionals (Continued)

Changes in Net Pension Asset

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a) – (b)
Balances at June 30, 2018	\$ 4,822,342	\$ 5,053,014	\$ (230,672)
Changes for the year:			
Service cost	138,821	-	138,821
Interest	326,214	-	326,214
Differences between expected and actual experience	45,765	-	45,765
Assumption changes	127,676	-	127,676
Contributions – employer	-	63,072	(63,072)
Contributions – employee	-	62,051	(62,051)
Net investment income	-	330,236	(330,236)
Benefit payments, including refunds of employee contributions	(269,403)	(269,403)	-
Refunds of employee contributions	(54,875)	(54,875)	-
Administrative expenses	-	(3,425)	3,425
Other changes	-	(207)	207
Net changes	314,198	127,449	186,749
Balances at June 30, 2019	\$ 5,136,540	\$ 5,180,463	\$ (43,923)

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 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
School division's net pension liability (asset)	\$ 504,956	\$ (43,923)	\$ (489,930)

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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, 2020, the school division recognized pension expense of \$124,192. At June 30, 2020, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 25,953	\$ 12,693
Change in assumptions	72,405	-
Net difference between projected and actual earnings on pension plan investments	60,096	103,582
Employer contributions subsequent to the measurement date	<u>63,122</u>	<u>-</u>
Total	<u><u>\$ 221,576</u></u>	<u><u>\$ 116,275</u></u>

The \$63,122 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Reduction to Pension Expense
2021	\$ 62,864
2022	(23,245)
2023	(717)
2024	3,277
2025	-
Thereafter	-

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-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, 2020, \$924 was payable to the Virginia Retirement System for the legally required contributions related to June 2020 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, 2020 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 \$3,044,773 and \$2,989,247 for the years ended June 30, 2020 and June 30, 2019, respectively.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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, 2020, the school division reported a liability of \$30,697,025 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2019 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, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the school division's proportion was 0.23325% as compared to 0.23542% at June 30, 2018.

For the year ended June 30, 2020, the school division recognized pension expense of \$2,651,509. 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, 2020, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,965,660
Change in assumptions	3,039,725	-
Net difference between projected and actual earnings on pension plan investments	-	674,034
Changes in proportion and differences between Employer contributions and proportionate share of contributions	-	878,048
Employer contributions subsequent to the measurement date	<u>3,044,773</u>	<u>-</u>
Total	<u><u>\$ 6,084,498</u></u>	<u><u>\$ 3,517,742</u></u>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Note 11. Defined Benefit Pension Plan (Continued)

Teacher Cost Sharing Plan (Continued)

General Information about the Teacher Cost Sharing Plan (Continued)

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

The \$3,044,773 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Reduction to Pension Expense
2021	\$ (425,912)
2022	(832,733)
2023	122,591
2024	435,789
2025	222,248
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, 2019, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	Teacher Employee Retirement Plan
Total Pension Liability	\$ 49,683,336
Plan Fiduciary Net Position	<u>36,522,769</u>
Employers' Net Pension Liability (Asset)	<u><u>\$ 13,160,567</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.51%

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
School division's proportionate share of the VRS Teacher Employee Retirement plan net pension liability	\$ 46,212,359	\$ 30,697,025	\$ 17,868,718

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-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, 2020, \$407,738 was payable to the Virginia Retirement System for the legally required contributions related to June 2020 payroll.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Note 12. Summary of Pension Elements

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

	Governmental Activities	Business-Type Activities	Total Primary Government
Net pension liability			
VRS Basic Pension Plan	<u>\$ (10,863,441)</u>	<u>\$ (740,312)</u>	<u>\$ (11,603,753)</u>
Deferred outflows of resources			
Change in assumptions	\$ 1,495,581	\$ 101,919	\$ 1,597,500
Pension contributions subsequent to measurement date	<u>1,677,562</u>	<u>114,322</u>	<u>1,791,884</u>
Total deferred outflows of resources	<u>\$ 3,173,143</u>	<u>\$ 216,241</u>	<u>\$ 3,389,384</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ (1,373,940)	\$ (93,630)	\$ (1,467,570)
Changes of assumptions	<u>(12,216)</u>	<u>(833)</u>	<u>(13,049)</u>
Net difference between projected and actual earnings on plan investments	<u>(557,554)</u>	<u>(37,995)</u>	<u>(595,549)</u>
Total deferred inflows of resources	<u>\$ (1,943,710)</u>	<u>\$ (132,458)</u>	<u>\$ (2,076,168)</u>
Net pension expense	<u>\$ 1,194,115</u>	<u>\$ 81,375</u>	<u>\$ 1,275,490</u>
	Teachers' Plan	Non-Teachers' Plan	Total School Board
Net pension asset			
VRS Basic Pension Plan	<u>\$ -</u>	<u>\$ 43,923</u>	<u>\$ 43,923</u>
Net pension liability			
VRS Basic Pension Plan	<u>\$ (30,697,025)</u>	<u>\$ -</u>	<u>\$ (30,697,025)</u>
Deferred outflows of resources			
Change in assumptions	\$ 3,039,725	\$ 72,405	\$ 3,112,130
Differences between expected and actual experience	-	25,953	25,953
Differences between projected and actual earnings on plan investments	-	60,096	60,096
Pension contributions subsequent to measurement date	<u>3,044,773</u>	<u>63,122</u>	<u>3,107,895</u>
Total deferred outflows of resources	<u>\$ 6,084,498</u>	<u>\$ 221,576</u>	<u>\$ 6,306,074</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ (1,965,660)	\$ (12,693)	\$ (1,978,353)
Net difference between projected and actual earnings on plan investments	<u>(674,034)</u>	<u>(103,582)</u>	<u>(777,616)</u>
Change in proportion	<u>(878,048)</u>	<u>-</u>	<u>(878,048)</u>
Total deferred inflows of resources	<u>\$ (3,517,742)</u>	<u>\$ (116,275)</u>	<u>\$ (3,634,017)</u>
Net pension expense	<u>\$ 2,651,509</u>	<u>\$ 124,192</u>	<u>\$ 2,775,701</u>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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.

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	<u>30</u>
Total inactive employees	30
Active plan members	<u>213</u>
	<u><u>243</u></u>

Total OPEB Liability

The City's total OPEB liability of \$3,217,002 was measured as of June 30, 2020 and was determined based on an actuarial valuation performed as of January 1, 2019.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Note 13. Other Postemployment Benefits Liabilities (Continued)

Primary Government – City – 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	2.5%
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	2.45%

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

The actuarial assumptions used in the June 30, 2020 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.

Changes in the Total OPEB Liability

Balance at June 30, 2019	\$ 2,812,729
Changes for the year:	
Service cost	77,548
Interest	90,107
Assumption or other input changes	259,706
Benefit payments	(23,088)
Net changes	404,273
Balance at June 30, 2020	\$ 3,217,002

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Note 13. Other Postemployment Benefits Liabilities (Continued)

Primary Government – City – Local Plan (Continued)

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 (1.45%) or one percentage point higher (3.45%) than the current discount rate:

	<u>1.00% Decrease (1.45%)</u>	<u>Current Discount Rate (2.45%)</u>	<u>1.00% Increase (3.45%)</u>
Total OPEB liability	\$ 3,559,931	\$ 3,217,002	\$ 2,891,227

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:

	<u>1.00% Decrease (3.50%)</u>	<u>Current Healthcare Cost Trend Rates (4.50%)</u>	<u>1.00% Increase (5.50%)</u>
Total OPEB liability	\$ 2,924,752	\$ 3,217,002	\$ 3,529,473

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

For the year ended June 30, 2020, the City recognized OPEB expense of \$103,749. At June 30, 2020, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 923,399
Change in assumptions	366,799	16,493
Total	<u>\$ 366,799</u>	<u>\$ 939,892</u>

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

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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 (Continued)

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2021	\$ (63,906)
2022	(63,906)
2023	(63,906)
2024	(63,906)
Thereafter	(317,469)

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.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Note 13. Other Postemployment Benefits Liabilities (Continued)

Component Unit – School Board – 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:

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

Total OPEB Liability

The School Board's total OPEB liability of \$9,565,799 was measured as of June 30, 2020 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	2.50%
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	2.45%

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

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study as of January 1, 2019.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Note 13. Other Postemployment Benefits Liabilities (Continued)

Component Unit – School Board – Local Plan (Continued)

Actuarial Assumptions and other inputs (Continued)

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, 2019	\$ 8,726,964
Changes for the year:	
Service cost	310,559
Interest	274,972
Assumption or other input changes	762,154
Benefit payments	<u>(508,850)</u>
Net changes	<u>838,835</u>
Balance at June 30, 2020	<u><u>\$ 9,565,799</u></u>

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 (1.45%) or one percentage point higher (3.45%) than the current discount rate:

	<u>1.00% Decrease (1.45%)</u>	<u>Current Discount Rate (2.45%)</u>	<u>1.00% Increase (3.45%)</u>
Total OPEB liability	<u>\$ 10,730,487</u>	<u>\$ 9,565,799</u>	<u>\$ 8,573,043</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 (3.25%) or one percentage point higher (5.25%) than the current healthcare cost trend rates:

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Note 13. Other Postemployment Benefits Liabilities (Continued)

Component Unit – School Board – Local Plan (Continued)

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

	1.00% Decrease (3.25%)	Current Discount Rate (4.25%)	1.00% Increase (5.25%)
Total OPEB liability	\$ 9,097,945	\$ 9,565,799	\$ 10,119,658

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

For the year ended June 30, 2020, the School Board recognized OPEB expense of \$536,682. At June 30, 2020, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 934,253
Change in assumptions	723,945	40,242
Total	\$ 723,945	\$ 974,495

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

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2021	\$ (48,849)
2022	(48,849)
2023	(48,849)
2024	(48,849)
Thereafter	(55,154)

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Note 13. Other Postemployment Benefits Liabilities (Continued)

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 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>

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, 2020 Contribution	\$70,800
June 30, 2019 Contribution	\$69,037

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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

The net OPEB liabilities were measured as of June 30, 2019 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, 2019 relative to the total of the actuarially determined employer contributions for all participating employers.

Group Life Insurance Program

June 30, 2020 proportionate share of liability	\$1,102,147
June 30, 2019 proportion	0.06773%
June 30, 2018 proportion	0.06934%
June 30, 2020 expense	\$11,409

At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 73,299	\$ 14,294
Change in assumptions	69,583	33,235
Net difference between projected and actual earnings on OPEB plan investments	-	22,639
Changes in proportion	-	60,401
Employer contributions subsequent to the measurement date	70,800	-
Total	<u>\$ 213,682</u>	<u>\$ 130,569</u>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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

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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2021	\$ (10,161)
2022	(10,160)
2023	(571)
2024	11,270
2025	16,953
Thereafter	4,982

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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, 2018, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019:

Inflation	2.5%
Salary increases, including inflation:	
• Locality – general employees	3.5 – 5.35%
• Locality – hazard duty employees	3.5 – 4.75%
• Teachers	3.5 – 5.95%
Healthcare cost trend rates:	
• Under age 65	7.25 – 4.75%
• Ages 65 and older	5.50 – 4.75%
Investment rate of return, net of expenses, including inflation*	GLI: 6.75%

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

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

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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 the measurement date of June 30, 2019, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	Group Life Insurance Program
Total OPEB Liability	\$ 3,390,238
Plan fiduciary net position	1,762,972
Employers' net OPEB liability (asset)	\$ 1,627,266
Plan fiduciary net position as a percentage of total OPEB liability	52.00%

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

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	34.00 %	5.61 %	1.91 %
Fixed Income	15.00	0.88	0.13
Credit Strategies	14.00	5.13	0.72
Real Assets	14.00	5.27	0.74
Private Equity	14.00	8.77	1.23
MAPS – Multi-Asset Public Strategies	6.00	3.52	0.21
PIP – Private Investment Partnership	3.00	6.29	0.19
Total	100.00 %		5.13 %
Inflation		2.50 %	
*Expected arithmetic nominal return		7.63 %	

- * The above allocation provides for a one-year return of 7.63%. 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 7.11%, including expected inflation of 2.5%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the net OPEB liabilities of the 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 (5.75% GLI) or one percentage point higher (7.75% GLI) than the current discount rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
GLI Net OPEB liability	\$ 1,447,917	\$ 1,102,147	\$ 821,738

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-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, 2020, the following amounts were payable to the Virginia Retirement System for the legally required contributions related to the June 2020 payroll.

- Group Life Insurance \$5,919

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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, 2020 Contribution	\$110,796
June 30, 2019 Contribution	\$108,055

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, 2020 Contribution	\$239,531
June 30, 2019 Contribution	\$233,562

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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, 2019 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, 2019 relative to the total of the actuarially determined employer contributions for all participating employers.

Group Life Insurance Program

June 30, 2020 proportionate share of liability	\$1,724,902
June 30, 2019 proportion	0.10600%
June 30, 2018 proportion	0.10688%
June 30, 2020 expense	\$33,000

Teacher Health Insurance Credit Program

June 30, 2020 proportionate share of liability	\$3,037,760
June 30, 2019 proportion	0.23205%
June 30, 2018 proportion	0.23459%
June 30, 2020 expense	\$236,244

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

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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, 2020, the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

Group Life Insurance Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 114,716	\$ 22,373
Change in assumptions	108,900	52,014
Net difference between projected and actual earnings on OPEB plan investments	-	35,430
Changes in proportion	3,876	32,519
Employer contributions subsequent to the measurement date	110,796	-
Total	<u>\$ 338,288</u>	<u>\$ 142,336</u>

Teacher Health Insurance Credit Program

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 17,207
Change in assumptions	70,703	21,108
Net difference between projected and actual earnings on OPEB plan investments	192	-
Changes in proportion	-	74,006
Employer contributions subsequent to the measurement date	239,531	-
Total	<u>\$ 310,426</u>	<u>\$ 112,321</u>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Group Life Insurance Program

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2021	\$ (120)
2022	(119)
2023	14,887
2024	29,197
2025	32,158
Thereafter	9,153

Teacher Health Insurance Credit Program

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2021	\$ (10,889)
2022	(10,892)
2023	(9,561)
2024	(10,006)
2025	(6,077)
Thereafter	5,999

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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, 2018, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019:

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	7.25 – 4.75%
• Ages 65 and older	5.50 – 4.75%
Investment rate of return, net of expenses, including inflation*	GLI & HIC: 6.750%

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

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

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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, 2019, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	Group Life Insurance Program	Teacher Employee HIC OPEB Plan
Total OPEB Liability	\$ 3,390,238	\$ 1,438,114
Plan fiduciary net position	1,762,972	129,016
Employers' net OPEB liability (asset)	\$ 1,627,266	\$ 1,309,098
Plan fiduciary net position as a percentage of total OPEB liability	52.00%	8.97%

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

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Note 13. Other Postemployment Benefits Liabilities (Continued)

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

Long-Term Expected Rate of Return

Group Life Insurance and Health Insurance Credit Programs

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	34.00 %	5.61 %	1.91 %
Fixed Income	15.00	0.88	0.13
Credit Strategies	14.00	5.13	0.72
Real Assets	14.00	5.27	0.74
Private Equity	14.00	8.77	1.23
MAPS – Multi-Asset Public Strategies	6.00	3.52	0.21
PIP – Private Investment Partnership	3.00	6.29	0.19
Total	100.00 %		5.13 %
Inflation		2.50 %	
*Expected arithmetic nominal return		7.63 %	

- * The above allocation provides for a one-year return of 7.63%. 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 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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 6.75%. 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 ended June 30, 2019, the rate contributed by the employer for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the net OPEB liabilities of the School Board, as well as what the School Board's net OPEB liabilities would be if it were calculated using a discount rate that is one percentage point lower (5.75% HIC; GLI) or one percentage point higher (7.75% HIC; GLI) than the current discount rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
GLI Net OPEB liability	\$ 2,266,043	\$ 1,724,902	\$ 1,286,051
Teacher HIC Net OPEB liability	\$ 3,399,770	\$ 3,037,760	\$ 2,730,233

OPEB Plan Fiduciary Net Position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-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, 2020, the following amounts were payable to the Virginia Retirement System for the legally required contributions related to June 2020 payroll.

- Group Life Insurance \$34,076
- Teacher Employee Health Insurance Credit 31,204

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

Note 14. Summary of Other Post-Employment Benefit Elements

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

	Governmental Activities	Business-Type Activities	Total Primary Government	School Board
Net other post-employment benefits liability				
Local Sponsored Health Insurance	\$ (2,942,993)	\$ (274,009)	\$ (3,217,002)	\$ (9,565,799)
VRS – Group Life Insurance	(1,008,271)	(93,876)	(1,102,147)	(1,724,902)
VRS – HIC	-	-	-	(3,037,760)
Total net other post-employment benefit liability	<u>\$ (3,951,264)</u>	<u>\$ (367,885)</u>	<u>\$ (4,319,149)</u>	<u>\$ (14,328,461)</u>
Deferred outflows of resources				
Change in proportion –				
VRS – Group Life Insurance	\$ -	\$ -	\$ -	\$ 3,876
Contributions subsequent to measurement date-				
VRS – Group Life Insurance	64,738	6,062	70,800	110,796
VRS – HIC	-	-	-	239,531
Difference between expected and actual experience-				
VRS – Group Life Insurance	67,023	6,276	73,299	-
VRS – HIC	-	-	-	114,716
Difference between projected and actual investment earnings-				
VRS – Group Life Insurance	-	-	-	192
Changes in actuarial assumptions-				
Local Sponsored Health Insurance	335,392	31,407	366,799	723,945
VRS – Group Life Insurance	63,624	5,959	69,583	108,900
VRS – HIC	-	-	-	70,703
Total deferred outflows of resources	<u>\$ 530,777</u>	<u>\$ 49,704</u>	<u>\$ 580,481</u>	<u>\$ 1,372,659</u>
Deferred inflows of resources				
Differences between expected and actual experience –				
Local Sponsored Health Insurance	\$ (843,747)	\$ (79,652)	\$ (923,399)	\$ (934,253)
VRS – Group Life Insurance	(13,061)	(1,233)	(14,294)	(22,373)
VRS – HIC	-	-	-	(17,207)
Net difference between projected and actual investment earnings-				
VRS – Group Life Insurance	(20,686)	(1,953)	(22,639)	(35,430)
Change in actuarial assumptions-				
Local Sponsored Health Insurance	(15,070)	(1,423)	(16,493)	(40,242)
VRS – Group Life Insurance	(30,368)	(2,867)	(33,235)	(52,014)
VRS – HIC	-	-	-	(21,108)
Change in proportion -				
VRS – Group Life Insurance	(55,192)	(5,209)	(60,401)	(32,519)
VRS – HIC	-	-	-	(74,006)
Total deferred inflows of resources	<u>\$ (978,124)</u>	<u>\$ (92,337)</u>	<u>\$ (1,070,461)</u>	<u>\$ (1,229,152)</u>
Net other post-employment benefits expense				
Local Sponsored Health Insurance	\$ 94,913	\$ 8,836	\$ 103,749	\$ 536,682
VRS – Group Life Insurance	10,437	972	11,409	33,000
VRS – HIC	-	-	-	236,244
Total net other post-employment benefit expense	<u>\$ 105,350</u>	<u>\$ 9,808</u>	<u>\$ 115,158</u>	<u>\$ 805,926</u>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

Note 15. Fund Balances

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

	<u>General Fund</u>	<u>Capital Projects Fund</u>
Nonspendable:		
Inventories	\$ 47,207	\$ -
Prepays	2,584	-
	<u>49,791</u>	<u>-</u>
Restricted:		
Judicial administration	73,425	-
Public safety – funds restricted for forfeited assets	135,801	-
Public works	941,054	-
Health and Welfare	6,500	-
Other capital projects – funds restricted from 2016 and 2018 bond issuances for various capital projects	<u>-</u>	<u>6,483,427</u>
Total restricted	<u>1,156,780</u>	<u>6,483,427</u>
Committed:		
General government	97,159	-
Judicial administration	38,370	-
Public safety – Encumbrances approved by Council for second phase of radio project and Police car purchases	453,029	-
Public works – Encumbrances approved by Council for paving and curbside recycling	257,997	-
Health and welfare	13,633	-
Community development	38,891	-
Human services	32,909	-
Nondepartmental	9,452	-
Total committed	<u>941,440</u>	<u>-</u>
Assigned:		
General government	444,791	-
Public safety	282,500	-
Public works	730,500	-
Parks, recreation, and cultural	56,290	-
Community development	1,500	-
Police	100,000	-
Fire apparatus	300,000	-
Vehicle replacement	100,000	-
Facilities	300,000	-
Total assigned	<u>2,315,581</u>	<u>-</u>
Unassigned	<u>10,861,863</u>	<u>-</u>
Total fund balance	<u><u>\$ 15,325,455</u></u>	<u><u>\$ 6,483,427</u></u>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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, 2020

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 2020 was \$1,966,605.

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 2020 was approximately \$536,000. 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 2020 was approximately \$1,622,000. Complete financial statements for the Authority can be obtained from the Authority's office at 900 Magazine Road, Petersburg, Virginia 23803.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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 2020 contribution requirement and direct payments for special projects totaled approximately \$839,000. 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 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 \$43,213 to ABIDCO during 2020.

Note 18. 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.

Note 19. COVID-19 Impact

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Note 19. COVID-19 Impact (Continued)

The City's operations are heavily dependent on the ability to raise taxes, assess fees, and access the capital markets. Additionally, access to grants and contracts from federal and state governments may decrease or may not be available depending on appropriations. The outbreak will have a continued material adverse impact on economic and market conditions, triggering a period of global economic slowdown. This situation has depressed the tax bases and other areas in which the City received revenue during fiscal year 2020. As such, the City's financial condition and liquidity may be negatively impacted for the fiscal year 2021.

City management performed an assessment of potential economic impacts from COVID-19 in March 2020. With the results of that assessment, the City implemented expenditure reduction plans, including hiring and capital spending freezes, among others. These spending adjustments combined with strong performances in the revenues not directly impacted by COVID-19, resulted in a \$1.8M net increase to general fund balance in FY20.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude the pandemic will have on the City's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the City is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

Note 20. New Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective. The effective dates below are updated based on **Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*** due to the COVID-19 pandemic.

In January 2017, the GASB issued **Statement No. 84, *Fiduciary Activities***. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

In June 2017, The GASB issued **Statement No. 87, *Leases***. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Note 20. New Accounting Standards (Continued)

In August 2018, the GASB issued **Statement No. 90**, *Majority Equity Interests*, an amendment of *GASB Statements No. 14 and No. 61*. 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 reporting periods beginning after December 15, 2019. 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 City does not hold a majority equity interest in any legally separate organizations meeting the definition of an investment.

In May 2019, the GASB issued **Statement No. 91**, *Conduit Debt Obligations*. 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, 2021. The City holds no conduit debt.

In January 2020, the GASB issued **Statement No. 92**, *Omnibus*. This Statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Certain requirements of this Statement are effective immediately and others for reporting periods beginning after June 15, 2021.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Note 20. New Accounting Standards (Continued)

In March 2020, the GASB issued **Statement No. 93**, *Replacement of Interbank Offered Rates*. This Statement addresses accounting and financial reporting implications that result from the replacement of an IBOR. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2022. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued **Statement No. 94**, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. The City does not currently participate in any public-private partnerships.

In May 2020, the GASB issued **Statement No. 96**, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In June 2020, the GASB issued **Statement No. 97**, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. This Statement provides a more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. Certain requirements of this Statement are effective immediately and others for reporting periods beginning after June 15, 2021.

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COLONIAL HEIGHTS, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Revenue from local sources:				
General property taxes:				
Real property	\$ 20,066,538	\$ 20,066,538	\$ 20,126,908	\$ 60,370
Real and personal public service corporation property	485,000	485,000	466,660	(18,340)
Personal property	2,697,599	2,697,599	3,031,939	334,340
Delinquent	356,840	356,840	310,146	(46,694)
Penalties and interest	185,000	185,000	198,010	13,010
Total general property taxes	23,790,977	23,790,977	24,133,663	342,686
Other local taxes:				
Food and lodging	8,233,845	8,233,845	7,869,846	(363,999)
Consumer utility	963,838	963,838	948,948	(14,890)
Bank stock	410,000	410,000	375,102	(34,898)
Local option sales and use	8,218,214	8,257,414	7,809,472	(447,942)
Recordation	205,252	205,252	217,001	11,749
Business and occupation licenses	2,920,442	2,920,442	2,929,460	9,018
Motor vehicle license and fees	516,810	516,810	518,821	2,011
Cigarette sales tax	460,000	460,000	840,443	380,443
Total other local taxes	21,928,401	21,967,601	21,509,093	(458,508)
Permits, fees, and licenses:				
Zoning and construction permits	164,902	164,902	82,468	(82,434)
Other fees	105,108	105,108	91,764	(13,344)
Total permits, fees, and licenses	270,010	270,010	174,232	(95,778)
Fines and forfeitures	375,077	375,077	245,712	(129,365)
Charges for services:				
Refuse collection fees	1,240,004	1,240,004	1,200,270	(39,734)
Recreation use charges and fees	12,940	12,940	106,672	93,732
Administrative	381,500	381,500	495,462	113,962
Emergency medical transport fees	931,672	931,672	813,317	(118,355)
Other	13,380	13,380	13,420	40
Total charges for services	2,579,496	2,579,496	2,629,141	49,645
Use of money and property:				
Interest	75,000	75,000	185,830	110,830
Rental of property	246,738	36,037	56,814	20,777
Sale of commodities and property	1,000	1,000	20,188	19,188
Total use of money and property	322,738	112,037	262,832	150,795
Miscellaneous	829,248	1,882,737	95,623	(1,787,114)
Reimbursement from School Board	1,064,277	1,064,277	1,041,895	(22,382)
Total revenue from local sources	51,160,224	52,042,212	50,092,191	(1,950,021)

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

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

Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues (Continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Personal property tax relief	\$ 1,753,369	\$ 1,753,369	\$ 1,753,369	\$ -
Rolling stock tax	6,340	6,340	4,992	(1,348)
Vehicle rental tax	-	210,701	213,203	2,502
Communications sales and use tax	655,126	655,126	576,803	(78,323)
Recordation tax	44,750	44,750	46,704	1,954
Total non-categorical aid	2,459,585	2,670,286	2,595,071	(75,215)
Categorical aid:				
Commissioner of Revenue	92,804	92,804	91,287	(1,517)
Treasurer	96,433	96,433	96,386	(47)
Circuit Court	281,520	281,520	288,384	6,864
Sheriff	326,310	326,310	319,413	(6,897)
Commonwealth's attorney	518,798	518,798	537,077	18,279
Library	153,744	153,744	153,744	-
Law enforcement	579,872	579,872	624,780	44,908
Street construction and maintenance	2,826,318	2,826,318	2,744,013	(82,305)
Other	294,521	311,741	365,299	53,558
Total categorical aid	5,170,320	5,187,540	5,220,383	32,843
Total revenue from the Commonwealth	7,629,905	7,857,826	7,815,454	(42,372)
Revenue from federal government:				
Categorical aid	225,007	773,875	392,238	(381,637)
Total intergovernmental	7,854,912	8,631,701	8,207,692	(424,009)
Total revenue	\$ 59,015,136	\$ 60,673,913	\$ 58,299,883	\$ (2,374,030)
Expenditures				
General government:				
City council	\$ 111,837	\$ 111,837	\$ 107,667	\$ 4,170
Clerk of council	90,164	90,164	87,306	2,858
City manager	305,612	310,526	309,979	547
Human resources	152,425	147,425	142,849	4,576
City attorney	350,451	351,450	339,536	11,914
Real estate assessor	213,572	213,572	208,778	4,794
Commissioner of the revenue	289,190	279,190	260,200	18,990
Treasurer	136,134	137,234	136,595	639
Finance	781,583	787,909	783,014	4,895
Information technologies	387,921	447,778	374,226	73,552
Auditing	107,500	116,100	116,100	-
Purchasing	194,689	192,921	174,712	18,209
Insurance and risk management	507,793	565,104	545,826	19,278
Employee benefits	185,463	197,463	125,994	71,469
Board of elections	32,779	32,779	27,328	5,451
Registrar	152,827	152,827	140,940	11,887
Economic development	281,895	280,221	250,124	30,097
Billing & collections	301,646	288,085	276,617	11,468
Total general government	4,583,481	4,702,585	4,407,791	294,794

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

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

Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Continued)				
Judicial administration:				
Circuit courts	\$ 609,654	\$ 613,054	\$ 606,826	\$ 6,228
General district court	76,900	73,200	24,300	48,900
Probation	5,584	5,584	2,807	2,777
Commonwealth's attorney	926,580	929,356	894,265	35,091
Sheriff	1,089,095	1,095,411	1,019,800	75,611
Incarceration	2,747,500	2,689,000	2,087,507	601,493
Community correction services	207,350	334,650	334,146	504
Community diversion services	62,700	85,850	84,619	1,231
Victim witness	126,545	126,545	122,330	4,215
Juvenile & Domestic Court	15,350	15,350	6,533	8,817
Total judicial administration	5,867,258	5,968,000	5,183,133	784,867
Public safety:				
Police	5,644,344	5,658,132	5,447,915	210,217
Fire and emergency medical services	4,562,067	4,831,163	4,627,204	203,959
Emergency preparedness	41,835	41,835	32,020	9,815
Communications	1,487,626	1,778,849	1,431,486	347,363
Total public safety	11,735,872	12,309,979	11,538,625	771,354
Public works:				
Administration	330,916	342,916	330,362	12,554
Engineering division	845,328	834,237	769,417	64,820
Street maintenance	2,025,205	2,497,144	1,504,463	992,681
Building maintenance	633,192	688,932	599,823	89,109
Fleet maintenance	429,247	434,014	418,976	15,038
Solid waste	715,797	865,744	607,087	258,657
Recycling	307,473	332,706	253,362	79,344
Total public works	5,287,158	5,995,693	4,483,490	1,512,203
Health and welfare:				
Health	260,000	260,000	218,376	41,624
Welfare	387,849	289,249	282,886	6,363
Mental health	82,352	82,352	82,352	-
Comprehensive services	450,000	548,600	548,521	79
Total health and welfare	1,180,201	1,180,201	1,132,135	48,066
Parks, recreation, and cultural:				
Parks and recreation	643,892	643,892	585,680	58,212
Parks and grounds	708,402	698,408	684,118	14,290
Agency on aging	310,683	310,683	295,494	15,189
Violet bank museum	81,678	114,678	64,259	50,419
Library	794,748	796,463	790,668	5,795
Recreation trips and classes	-	-	89,548	(89,548)
Horticulture	115,774	115,774	111,528	4,246
Total parks, recreation, and cultural	2,655,177	2,679,898	2,621,295	58,603

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

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

Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures: (Continued)				
Community development:				
Planning	\$ 276,385	\$ 276,385	\$ 265,356	\$ 11,029
Building inspections	298,943	301,595	273,712	27,883
Total community development	575,328	577,980	539,068	38,912
Education:				
Payments to School Board	21,566,405	21,566,405	21,268,972	297,433
Human Services:				
Office of youth	218,066	227,468	141,977	85,491
Better beginnings	2,600	2,616	30	2,586
Juvenile crime	102,310	104,232	51,342	52,890
CDBG	90,000	106,499	73,583	32,916
Kids after school program	45,716	45,716	31,181	14,535
Total human services	458,692	486,531	298,113	188,418
Nondepartmental:				
Contributions and subsidies	81,039	81,368	81,084	284
Contingencies and miscellaneous	627,015	446,342	89,922	356,420
Total nondepartmental	708,054	527,710	171,006	356,704
Debt service:				
Principal retirement	2,618,534	2,695,004	2,692,616	2,388
Interest and fiscal charges	1,112,606	1,116,636	1,116,629	7
Bond issuance costs	10,000	6,200	6,144	56
Total debt service	3,741,140	3,817,840	3,815,389	2,451
Total expenditures	58,358,766	59,812,822	55,459,017	4,353,805
Excess of revenues over (under) expenditures	656,370	861,091	2,840,866	1,979,775
Other financing source (uses):				
Proceeds from capital lease	256,000	225,000	225,000	-
Transfers out	(912,370)	(1,088,438)	(1,274,438)	(186,000)
Total other financing sources (uses)	(656,370)	(863,438)	(1,049,438)	(186,000)
Net change in fund balance	\$ -	\$ (2,347)	\$ 1,791,428	\$ 1,793,775

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS –
PRIMARY GOVERNMENT
June 30, 2020

	Primary Government					
	Plan Year					
	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service cost	\$ 1,705,814	\$ 1,675,436	\$ 1,767,349	\$ 1,764,320	\$ 1,776,096	\$ 1,701,944
Interest on total pension liability	5,274,781	5,101,751	5,005,168	4,817,132	4,525,376	4,300,904
Changes of assumptions	2,298,160	-	(104,084)	-	-	-
Difference between expected and actual experience	(1,174,690)	(1,020,058)	(1,914,015)	(810,107)	566,769	-
Benefit payments, including refunds of employee contributions	(3,297,608)	(3,272,948)	(3,476,363)	(2,693,858)	(2,706,743)	(2,885,463)
Net change in total pension liability	4,806,457	2,484,181	1,278,055	3,077,487	4,161,498	3,117,385
Total pension liability - beginning	77,002,818	74,518,637	73,240,582	70,163,095	66,001,597	62,884,212
Total pension liability - ending	81,809,275	77,002,818	74,518,637	73,240,582	70,163,095	66,001,597
Plan Fiduciary Net Position						
Contributions - employer	1,750,448	1,873,791	1,866,696	2,096,376	2,084,048	2,141,597
Contributions - employee	651,719	644,771	650,821	651,691	684,051	640,031
Net investment income	4,436,348	4,640,950	6,900,717	997,365	2,455,417	7,293,094
Benefit payments, including refunds of employee contributions	(3,297,608)	(3,272,948)	(3,476,363)	(2,693,858)	(2,706,743)	(2,885,463)
Administrative expenses	(43,752)	(39,901)	(39,983)	(34,358)	(33,037)	(39,060)
Other	(2,802)	(4,140)	(6,145)	(416)	(520)	384
Net change in plan fiduciary net position	3,494,353	3,842,523	5,895,743	1,016,800	2,483,216	7,150,583
Plan fiduciary net position - beginning	66,711,169	62,868,646	56,972,903	55,956,103	53,472,887	46,322,304
Plan fiduciary net position - ending	70,205,522	66,711,169	62,868,646	56,972,903	55,956,103	53,472,887
Net pension liability - ending	\$ 11,603,753	\$ 10,291,649	\$ 11,649,991	\$ 16,267,679	\$ 14,206,992	\$ 12,528,710
Plan fiduciary net position as a percentage of total pension liability	86%	87%	84%	78%	80%	81%
Covered payroll	\$ 13,596,271	\$ 13,175,927	\$ 13,056,245	\$ 13,053,400	\$ 12,961,992	\$ 12,747,601
Net pension liability as a percentage of covered payroll	85%	78%	89%	125%	110%	98%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2019 information was presented in the entity's fiscal year 2020 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, 2020

	Schools – Nonprofessional Employees Plan Year					
	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service cost	\$ 138,821	\$ 133,737	\$ 133,817	\$ 132,525	\$ 126,804	\$ 137,965
Interest on total pension liability	326,214	320,772	310,335	305,624	299,424	287,415
Changes of assumptions	127,676	-	(31,143)	-	-	-
Difference between expected and actual experience	45,765	(71,725)	11,549	(98,133)	(70,089)	-
Benefit payments, including refunds of employee contributions	(324,278)	(285,805)	(265,098)	(280,345)	(254,780)	(252,875)
Net change in total pension liability	314,198	96,979	159,460	59,671	101,359	172,505
Total pension liability - beginning	4,822,342	4,725,363	4,565,903	4,506,232	4,404,873	4,232,368
Total pension liability - ending	5,136,540	4,822,342	4,725,363	4,565,903	4,506,232	4,404,873
Plan Fiduciary Net Position						
Contributions - employer	63,072	73,835	72,037	95,491	93,422	118,587
Contributions - employee	62,051	62,086	60,431	56,470	55,511	57,398
Net investment income	330,236	354,248	535,907	75,984	199,346	608,037
Benefit payments, including refunds of employee contributions	(324,278)	(285,805)	(265,098)	(280,345)	(254,780)	(252,875)
Administrative expenses	(3,425)	(3,125)	(3,159)	(2,843)	(2,797)	(3,309)
Other	(207)	(314)	(474)	(33)	(42)	33
Net change in plan fiduciary net position	127,449	200,925	399,644	(55,276)	90,660	527,871
Plan fiduciary net position - beginning	5,053,014	4,852,089	4,452,445	4,507,721	4,417,061	3,889,190
Plan fiduciary net position - ending	5,180,463	5,053,014	4,852,089	4,452,445	4,507,721	4,417,061
Net pension (asset) liability - ending	\$ (43,923)	\$ (230,672)	\$ (126,726)	\$ 113,458	\$ (1,489)	\$ (12,188)
Plan fiduciary net position as a percentage of total pension liability	101%	105%	103%	98%	100%	100%
Covered payroll	\$ 1,290,027	\$ 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	-3%	-18%	-10%	10%	0%	1%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year - i.e., plan year 2019 information was presented in the entity's fiscal year 2020 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, 2020

Entity Fiscal Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
Primary Government					
2020	\$ 1,791,884	\$ 1,791,884	\$ -	\$ 13,920,331	12.87%
2019	1,750,448	1,750,448	-	13,596,271	12.87
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
Schools - Nonprofessional Employees					
2020	\$ 63,122	\$ 63,122	\$ -	\$ 1,318,931	4.79%
2019	63,072	63,072	-	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 six 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, 2020

Year Ended June 30	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability	Covered Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	0.23325%	\$ 30,697,025	\$ 19,463,488	158%	73.51%
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 six 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, 2020**

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
2020	\$ 3,044,773	\$ 3,044,773	-	\$ 19,985,866	15.23 %
2019	2,989,247	2,989,247	-	19,463,488	15.36
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 six 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, 2020

	Plan Year 2019		Plan Year 2018		Plan Year 2017	
	Primary Government	Schools	Primary Government	Schools	Primary Government	Schools
	Local Plan	Schools Local Plan	Local Plan	Schools Local Plan	Local Plan	Schools Local Plan
Total OPEB Liability						
Service cost	\$ 77,548	\$ 310,559	\$ 101,489	\$ 290,499	\$ 99,014	\$ 283,414
Interest on total OPEB liability	90,107	274,972	133,189	350,691	126,738	341,473
Difference between expected and actual experience	-	-	(1,128,599)	(1,201,183)	-	-
Changes in assumptions	259,706	762,154	162,634	59,753	(22,679)	(60,363)
Benefit payments	(23,088)	(508,850)	(67,493)	(339,786)	(104,308)	(522,536)
Net change in total OPEB liability	404,273	838,835	(798,780)	(840,026)	98,765	41,988
Total OPEB liability – beginning	<u>2,812,729</u>	<u>8,726,964</u>	<u>3,611,509</u>	<u>9,566,990</u>	<u>3,512,744</u>	<u>9,525,002</u>
Total OPEB liability – ending	<u><u>\$ 3,217,002</u></u>	<u><u>\$ 9,565,799</u></u>	<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>\$ 13,628,932</u>	<u>\$ 22,016,000</u>	<u>\$ 13,214,563</u>	<u>\$ 21,302,671</u>	<u>\$ 13,131,639</u>	<u>\$ 18,902,040</u>
Net OPEB liability as a percentage of covered payroll	<u>24%</u>	<u>43%</u>	<u>21%</u>	<u>41%</u>	<u>28%</u>	<u>51%</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 2019 information was presented in the entity's fiscal year 2020 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, 2020

Plan Year Ended June 30	Employer's Proportion of the Net OPEB Liability (Asset)	Employer's Proportionate Share of the Net OPEB Liability (Asset)	Covered Payroll	Employer's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
Virginia Retirement System - Health Insurance Credit - Schools - Teachers					
2019	0.2321%	\$ 3,037,760	\$ 18,991,552	16.00%	8.97%
2018	0.2346%	2,978,000	18,680,215	15.94%	8.08%
2017	0.2362%	2,996,000	18,647,567	16.07%	7.04%
Virginia Retirement System - Group Life Insurance - Primary Government Employees					
2019	0.0677%	\$ 1,102,147	\$ 13,305,144	8.28%	52.00%
2018	0.0693%	1,053,000	13,185,396	7.99%	51.22%
2017	0.0711%	1,069,000	13,437,608	7.96%	48.86%
Virginia Retirement System - Group Life Insurance - Schools - Teachers					
2019	0.0994%	\$ 1,617,828	\$ 19,489,779	8.30%	52.00%
2018	0.1001%	1,521,000	19,040,281	7.99%	51.22%
2017	0.1013%	1,524,000	18,687,655	8.16%	48.86%
Virginia Retirement System - Group Life Insurance - Schools - General Employees					
2019	0.0066%	\$ 107,074	\$ 1,290,027	8.30%	52.00%
2018	0.0068%	102,000	1,283,854	7.94%	51.22%
2017	0.0068%	102,000	1,249,590	7.94%	48.86%

Schedule is intended to show information for 10 years. Since fiscal year 2020 (plan year 2019) is the third year for this presentation, only two additional years of data are 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, 2020

Entity Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
Virginia Retirement System - Health Insurance Credit - Teachers					
2020	\$ 239,531	\$ 239,531	-	\$ 19,960,953	1.20%
2019	233,562	233,562	-	18,991,552	1.23%
2018	233,356	233,356	-	18,680,215	1.23%
Virginia Retirement System - Group Life Insurance - Primary Government Employees					
2020	\$ 70,800	\$ 70,800	-	\$ 13,615,577	0.52%
2019	69,037	69,037	-	13,305,144	0.52%
2018	68,563	68,563	-	13,185,396	0.52%
Virginia Retirement System - Group Life Insurance - Schools					
2020	\$ 110,796	\$ 110,796	-	\$ 21,334,991	0.52%
2019	108,055	108,055	-	20,779,806	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 amounts presented have a measurement date (plan year) of the previous fiscal year end.

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2020

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 actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Largest 10 – Non-Hazardous Duty:

- Update mortality table to RP-2014 projected to 2020
- Lowered rates at older ages and extended final retirement age from 70 to 75
- Update withdrawal rates to better fit experience at each age and service year
- Lowered rates of disability retirement
- No changes to salary rates
- Increase Line of Duty Disability rates from 14% to 20%
- Decrease discount rate from 7.00% to 6.75%
- Applicable to: Pension, GLI OPEB, and HIC OPEB

Largest 10 – Hazardous Duty/Public Safety Employees:

- Update mortality table to RP-2014 projected to 2020
- Lowered rates of retirement at older ages
- Update withdrawal rates to better fit experience at each age and service year
- Increased disability rates
- No changes to salary rates
- Increased Line of Duty Disability rates from 60% to 70%
- Decreased discount rate from 7.00% to 6.75%
- Applicable to: Pension and GLI OPEB

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2020**

Note 2. Changes of Assumptions (Continued)

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

- Update mortality table to RP-2014 projected to 2020
- Lowered rates of retirement at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience at each age and service year
- Lowered disability rates
- No changes to salary rates
- Increased Line of Duty Disability rate from 14% to 15%
- Decreased discount rate from 7.00% to 6.75%
- Applicable to: Pension, GLI OPEB, and HIC OPEB

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

- Update mortality table to RP-2014 projected to 2020
- Increased retirement rate at age 50 and lowered rates at older ages
- Update withdrawal rates to better fit experience at each age and service year
- Update disability rates to better fit experience
- No changes to salary rates
- Lowered Line of Duty rate from 60% to 45%
- Decreased discount rate from 7.00% to 6.75%
- Applicable to: Pension and GLI OPEB

Teacher cost-sharing pool

- Update mortality table to RP-2014 projected to 2020
- Lowered retirement rates at older ages and changed final retirement from 70 to 75
- Update withdrawal rates to better fit experience at each year age and service through 9 years of service
- Update disability rates to better fit experience
- No changes to salary rates
- Decreased discount rate from 7.00% to 6.75%
- Applicable to: Pension, GLI OPEB, and HIC OPEB

OTHER SUPPLEMENTARY INFORMATION

CITY OF COLONIAL HEIGHTS, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUND
June 30, 2020

	School Operating Fund
ASSETS	
Cash and investments	\$ 7,847,280
Receivables, net	2,965
Due from other governments	1,406,895
Inventories	40,593
Total assets	<u>\$ 9,297,733</u>
LIABILITIES	
Accounts payable and other current liabilities	\$ 3,763,078
Due to primary government	452,347
Unearned revenue	7,672
Total liabilities	<u>4,223,097</u>
FUND BALANCE	
Nonspendable	40,593
Committed	1,766,148
Assigned	3,267,895
Total fund balance	<u>5,074,636</u>
Total liabilities and fund balance	<u>\$ 9,297,733</u>
Adjustments for the Statement of Net Position (Exhibit 1):	
Total Fund Balance - School Board	\$ 5,074,636
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	43,923
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	
Nondepreciable	\$ 1,989,714
Depreciable, net	<u>24,093,511</u>
	26,083,225
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	\$ 6,306,074
Other postemployment benefits	1,372,659
Deferred inflows related to:	
Pensions	(3,634,017)
Other postemployment benefits	(1,229,152)
Net pension liability	(30,697,025)
Net other postemployment benefits liability	<u>(14,328,461)</u>
	(42,209,922)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	
Capital lease obligation	(378,607)
Compensated absences	<u>(2,266,580)</u>
Total Net Position - School Board Governmental Activities	<u>\$ (13,653,325)</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, 2020

	School Operating Fund
REVENUES	
Charges for services	\$ 256,739
Miscellaneous	367,951
Payments from City	22,249,720
Intergovernmental	19,239,002
Total revenue	<u>42,113,412</u>
EXPENDITURES	
Education:	
Administration, attendance, and health	2,209,616
Instruction	28,916,182
Operation and maintenance	4,354,536
Pupil transportation	1,771,861
Food service	1,160,601
Facilities	722,475
Technology	2,249,168
Reimbursement to City	1,154,414
Total expenditures	<u>42,538,853</u>
Deficiency of revenues over expenditures	(425,441)
OTHER FINANCING SOURCES	
Proceeds from capital lease	389,298
Total other financing sources	<u>389,298</u>
Net change in fund balance	(36,143)
FUND BALANCE AT JULY 1	<u>5,110,779</u>
FUND BALANCE AT JUNE 30	<u><u>\$ 5,074,636</u></u>
Reconciliation to the Statement of Activities (Exhibit 2):	
Net Change in Fund Balance - School Board	\$ (36,143)
Governmental funds report capital outlays as expenditures; however, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlays	\$ 2,369,801
Depreciation and amortization expense	<u>(1,235,946)</u>
	1,133,855
Governmental funds report proceeds from the sale of capital assets as an increase in financial resources while governmental activities report the gain or loss on the sale of capital assets.	(37,721)
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 \$3,107,895 exceed pension expense of \$2,785,757 in the current period.	322,138
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of those differences.	(378,607)
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 \$350,327 do not exceed other postemployment expense of \$402,503 in the current period.	52,176
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>(85,971)</u>
Change in Net Position - School Board Governmental Activities	<u><u>\$ 969,727</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, 2020

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES				
Revenue from local sources:				
Charges for services:				
Cafeteria	\$ 314,300	\$ 230,186	\$ 230,186	\$ -
Other	53,000	26,553	26,553	-
	367,300	256,739	256,739	-
Miscellaneous	95,000	367,951	367,951	-
Payments from City	21,566,405	22,249,720	22,249,720	-
Total revenue from local sources	22,028,705	22,874,410	22,874,410	-
Intergovernmental:				
Revenue from the Commonwealth of Virginia:				
Categorical aid:				
Basic school aid	7,353,867	7,323,451	7,323,451	-
State sales tax	3,177,820	3,268,973	3,268,973	-
Other	6,063,869	6,292,553	6,292,553	-
	16,595,556	16,884,977	16,884,977	-
Revenue from the federal government:				
Categorical aid:				
Title I Grant	538,510	598,508	598,508	-
Title VI B Grant	627,289	640,313	640,313	-
Other	1,040,996	1,033,760	1,115,204	81,444
	2,206,795	2,272,581	2,354,025	81,444
Total intergovernmental	18,802,351	19,157,558	19,239,002	81,444
Total revenues	40,831,056	42,031,968	42,113,412	81,444
EXPENDITURES				
Education:				
Administration, attendance, and health	1,996,391	2,246,832	2,209,616	37,216
Instruction	30,133,396	28,960,348	28,916,182	44,166
Operation and maintenance	4,263,880	4,434,436	4,354,536	79,900
Pupil transportation	1,513,119	1,383,891	1,771,861	(387,970)
Food service	1,129,043	1,077,271	1,160,601	(83,330)
Facilities	2,111	722,475	722,475	-
Technology	1,871,993	2,249,459	2,249,168	291
Contingencies	555,665	1,313,570	-	1,313,570
Reimbursement to City	876,186	1,154,414	1,154,414	-
Total expenditures	42,341,784	43,542,696	42,538,853	1,003,843
Deficiency of revenues over expenditures	(1,510,728)	(1,510,728)	(425,441)	1,085,287
OTHER FINANCING SOURCES				
Proceeds from capital lease	-	-	389,298	389,298
Total other financing sources	-	-	389,298	389,298
Net change in fund balance	\$ (1,510,728)	\$ (1,510,728)	\$ (36,143)	\$ 1,474,585

CITY OF COLONIAL HEIGHTS, VIRGINIA

STATEMENT OF NET POSITION
 DISCRETELY PRESENTED COMPONENT UNIT - ECONOMIC DEVELOPMENT AUTHORITY
 June 30, 2020

	<u>Economic Development Authority</u>
ASSETS	
Current assets:	
Cash and investments	<u>\$ 224,740</u>
Total assets	<u>224,740</u>
LIABILITIES	
Current liabilities:	
Unearned revenue	<u>100,000</u>
Total liabilities	<u>100,000</u>
NET POSITION	
Unrestricted	<u>124,740</u>
Total net position	<u><u>\$ 124,740</u></u>

CITY OF COLONIAL HEIGHTS, VIRGINIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT - ECONOMIC DEVELOPMENT AUTHORITY
Year Ended June 30, 2020

	Economic Development Authority
OPERATING REVENUES	
Charges for services	\$ -
Total operating revenues	<u>-</u>
OPERATING EXPENSES	
Professional services	5,500
Materials and supplies	<u>171</u>
Total operating expenses	<u>5,671</u>
Operating loss	<u>(5,671)</u>
Change in net position	<u>(5,671)</u>
NET POSITION AT JULY 1	<u>130,411</u>
NET POSITION AT JUNE 30	<u><u>\$ 124,740</u></u>

CITY OF COLONIAL HEIGHTS, VIRGINIA

STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT - ECONOMIC DEVELOPMENT AUTHORITY
Year Ended June 30, 2020

	Economic Development Authority
OPERATING ACTIVITIES	
Receipts from other sources	\$ 100,000
Payments to suppliers	<u>(5,671)</u>
Net cash provided by operating activities	<u>94,329</u>
Net increase in cash and cash equivalents	94,329
CASH AND CASH EQUIVALENTS	
Beginning at July 1	<u>130,411</u>
Ending at June 30	<u><u>\$ 224,740</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	\$ (5,671)
Change in assets and liabilities:	
Increase (decrease) in:	
Unearned revenue	<u>100,000</u>
Net cash provided by operating activities	<u><u>\$ 94,329</u></u>

SUPPORTING SCHEDULE

CITY OF COLONIAL HEIGHTS, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2020

Federal Granting Agency/Recipient State Agency/Grant Program	Federal CFDA Number	Cluster Amounts	Federal Expenditures
U.S. Department of Agriculture			
Pass-through payments:			
Commonwealth of Virginia Department of Agriculture and Consumer Services			
Child Nutrition Cluster			
School Breakfast Program	10.553	\$ 114,013	
COVID-19 School Breakfast Program	10.553	9,288	
National School Lunch Program	10.555	432,999	
COVID-19 National School Lunch Program	10.555	37,761	
National School Lunch Program - Commodities	10.555	81,444	
After School Snack	10.555	10,951	
Summer Food Service Program for Children	10.559	9,383	
COVID-19 Summer Food Service Program for Children	10.559	116,833	
Total Child Nutrition Cluster			\$ 812,672
Total U.S. Department of Agriculture			812,672
U.S. Department of Housing and Urban Development			
Direct payments:			
Community Development Block Grants/Entitlement Grants	14.218		153,371
Community Development Block Grants/Entitlement Grants- Covid-19	14.218		557
Total U.S. Department of Housing and Urban Development			153,928
U.S. Department of Justice			
Direct payments:			
Bulletproof Vest Partnership Program	16.607		3,525
Pass-through payments:			
Department of Criminal Justice Services			
Crime Victim Assistance	16.575		82,542
Edward Byrne Memorial Justice Assistance Grant Program	16.738		3,602
Total U.S. Department of Justice			89,669
U.S. Department of Transportation			
Pass-through payments:			
National Highway Traffic Safety Administration			
Alcohol Open Container Requirements	20.607		12,555
Federal Highway Administration			
Highway Planning and Construction	20.205		2,990,672
Total U.S. Department of Transportation			3,003,227
US Department of Treasury			
Pass-through payments:			
Department of Accounts			
Coronavirus Relief Fund	21.019		531,204
U.S. Department of Education			
Pass-through payments:			
Commonwealth of Virginia Department of Education:			
Title I Grants to Local Educational Agencies	84.010		598,508
Special Education Cluster (IDEA)			
Special Education - Grants to States	84.027	625,379	
Special Education - Preschool Grants	84.173	14,934	
Total Special Education Cluster (IDEA)			640,313
Career and Technical Education - Basic Grants to States	84.048		40,768
English Language Acquisition State Grants	84.365		1,899
Improving Teacher Quality State Grants	84.367		102,989
Total U.S. Department of Education			1,384,477

(Continued)

SCHEDULE 1

CITY OF COLONIAL HEIGHTS, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2019

Federal Granting Agency/Recipient State Agency/Grant Program	Federal CFDA Number	Cluster Amounts	Federal Expenditures
U.S. Department of Health and Human Services:			
Pass-through Payments:			
Commonwealth of Virginia Department of Medical Assistance Services:			
Medicaid Cluster			
Medical Assistance Program	93.778	\$ 156,876	
Total Medicaid Cluster			156,876
Total U.S. Department of Health and Human Services			156,876
U.S. Department of Homeland Security:			
Direct payments:			
Staffing for Adequate Fire and Emergency Response	97.083		89,211
Pass-through Payments:			
Department of Emergency Management:			
Emergency Management Performance Grants	97.042		7,500
Homeland Security Grant Program (SHSP)	97.067		3,270
Total U.S. Department of Homeland Security			99,981
Total Expenditures of Federal Awards			\$ 6,232,034

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 \$83,331 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, 2020, the City had no outstanding loan balances requiring continuing disclosure.

STATISTICAL SECTION

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

<u>Contents</u>	<u>Table</u>
Financial Trends These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	1-5
Revenue Capacity These tables contain information to help the reader assess the factors affecting the City's ability to generate its property taxes and utility revenues.	6-11
Debt Capacity These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	12-13
Demographic and Economic Information These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparison over time and with other governments.	14-15
Operating Information These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	16-17

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

Notes

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

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

TABLE 1

CITY OF COLONIAL HEIGHTS, VIRGINIA

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

	2020	2019	2018	2017	Fiscal Year 2016	2015	2014	2013	2012	2011
Governmental activities										
Net investment in capital assets	\$ 41,322,523	\$ 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
Restricted	1,156,780	221,514	209,951	590,549	235,027	332,329	313,998	329,699	-	-
Unrestricted	(793,984)	(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
Total governmental activities net position	<u>\$ 41,685,319</u>	<u>\$ 34,641,297</u>	<u>\$ 30,477,457</u>	<u>\$ 33,953,493</u>	<u>\$ 31,575,053</u>	<u>\$ 28,096,686</u>	<u>\$ 36,274,306</u>	<u>\$ 33,351,292</u>	<u>\$ 30,558,189</u>	<u>\$ 27,455,420</u>
Business-type activities										
Net investment in capital assets	\$ 11,092,180	\$ 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
Restricted	-	-	-	-	-	-	364,421	364,421	364,421	364,421
Unrestricted	1,230,104	1,015,978	428,086	(161,263)	(590,377)	(763,712)	(277,999)	(59,317)	331,577	417,781
Total business-type activities net position	<u>\$ 12,322,284</u>	<u>\$ 12,231,762</u>	<u>\$ 11,661,763</u>	<u>\$ 11,676,266</u>	<u>\$ 11,301,394</u>	<u>\$ 11,091,320</u>	<u>\$ 12,013,112</u>	<u>\$ 11,912,756</u>	<u>\$ 12,114,323</u>	<u>\$ 12,055,929</u>
Primary government										
Net investment in capital assets	\$ 52,414,703	\$ 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
Restricted	1,156,780	221,514	209,951	590,549	235,027	332,329	678,419	694,120	364,421	364,421
Unrestricted	436,120	(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
Total primary government net position	<u>\$ 54,007,603</u>	<u>\$ 46,873,059</u>	<u>\$ 42,139,220</u>	<u>\$ 45,629,759</u>	<u>\$ 42,876,447</u>	<u>\$ 39,188,006</u>	<u>\$ 48,287,418</u>	<u>\$ 45,264,048</u>	<u>\$ 42,672,512</u>	<u>\$ 39,511,349</u>
Component Units										
Net investment in capital assets	\$ 25,704,618	\$ 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
Restricted	43,923	-	-	-	-	-	-	-	-	-
Unrestricted	(39,277,126)	(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
Total component units net position	<u>\$ (13,528,585)</u>	<u>\$ (14,492,641)</u>	<u>\$ (19,930,108)</u>	<u>\$ (12,787,242)</u>	<u>\$ (14,125,128)</u>	<u>\$ (15,813,067)</u>	<u>\$ 18,777,575</u>	<u>\$ 20,861,859</u>	<u>\$ 21,858,911</u>	<u>\$ 21,577,604</u>
Total reporting entity										
Net investment in capital assets	\$ 69,183,489	\$ 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
Restricted	1,200,703	221,514	209,951	590,549	235,027	332,329	678,419	694,120	364,421	364,421
Unrestricted	(29,905,174)	(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
Total reporting entity	<u>\$ 40,479,018</u>	<u>\$ 32,380,418</u>	<u>\$ 22,209,112</u>	<u>\$ 32,842,517</u>	<u>\$ 28,751,319</u>	<u>\$ 23,374,939</u>	<u>\$ 67,064,993</u>	<u>\$ 66,125,907</u>	<u>\$ 64,531,423</u>	<u>\$ 61,088,953</u>

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)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Expenses										
Governmental activities										
General government	\$ 4,616,418	\$ 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
Judicial administration	5,180,828	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
Public safety	12,916,249	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
Public works	6,516,750	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
Health and welfare	1,124,958	1,053,058	1,141,789	1,082,908	900,875	700,961	623,784	758,401	650,043	564,251
Parks, recreation, and cultural	2,990,371	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
Community development	540,066	491,236	441,174	583,330	536,782	455,683	567,323	500,588	468,981	465,764
Education	21,952,287	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
Human Services	295,463	407,476	462,086	468,039	447,513	437,567	470,011	-	-	-
Interest	1,011,649	1,020,656	943,038	1,093,100	831,949	1,312,329	1,115,804	1,230,148	940,076	846,625
Total governmental activities	57,145,039	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
Business-type activities										
Water and Sewer	5,364,729	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
Sewer	-	-	-	-	-	-	-	-	2,687,436	2,142,288
Solid Waste	-	-	-	-	-	-	-	-	1,226,034	1,192,142
Storm water management	517,464	357,458	376,511	305,172	290,846	309,071	298,556	257,289	258,114	231,702
Total business-type activities expense	5,882,193	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
Total primary government expenses	63,027,232	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
Program revenues										
Governmental activities										
Charges for services										
Refuse collection	1,183,119	1,183,184	1,151,497	972,808	978,597	1,109,042	1,109,143	1,125,094	-	-
Parks and recreation	106,672	174,852	192,540	178,767	196,353	181,843	184,839	182,759	150,502	247,439
Other activities	1,759,294	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
Operating grants and contributions	6,688,762	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
Capital grants and contributions	5,263,281	1,320,884	1,606,438	765,492	913,850	4,230,162	3,436,635	2,413,293	2,809,970	941,115
Total governmental activities program revenues	15,001,128	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
Business-type activities										
Charges for services										
Water and sewer	5,229,957	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
Sewer	-	-	-	-	-	-	-	-	2,696,866	2,675,820
Solid waste	-	-	-	-	-	-	-	-	1,143,300	1,118,569
Storm water management	742,758	718,645	434,958	388,089	384,930	396,082	379,088	372,312	377,976	257,563
Total business-type activities program revenues	5,972,715	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
Total primary government program revenues	20,973,843	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

(Continued)

TABLE 2

CITY OF COLONIAL HEIGHTS, VIRGINIA

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Net (expense) revenue										
Governmental activities	\$ (42,143,911)	\$ (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)
Business-type activities	90,522	569,999	203,355	124,828	210,074	(56,573)	38,554	62,412	(21,606)	440,380
Total primary government net expense	(42,053,389)	(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)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
General property taxes	24,047,590	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
Local sales and use	7,809,472	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
Food and lodging	7,869,846	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
Other taxes	5,829,775	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
Intergovernmental, non-categorical aid	3,126,275	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
Use of money and property	409,352	475,088	440,533	359,133	215,801	167,783	175,282	233,822	194,826	158,013
Miscellaneous	95,623	53,177	51,670	368,686	217,348	218,790	142,232	97,933	123,392	669,645
Transfers	-	-	-	(250,044)	-	-	-	263,979	(80,000)	(108,566)
Gain on sale of capital assets	-	-	-	30,450	2,027,297	-	-	-	-	-
Total governmental activities	49,187,933	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
Business-type activities:										
Use of money and property	-	-	-	-	-	-	-	-	-	238
Miscellaneous	-	-	-	-	-	-	-	-	-	5,190
Transfers	-	-	-	250,044	-	-	-	(263,979)	80,000	108,566
Total business-type activities	-	-	-	250,044	-	-	-	(263,979)	80,000	113,994
Total primary government	49,187,933	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
Changes in Net Position										
Governmental activities	7,044,022	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)
Business-type activities	90,522	569,999	203,355	374,872	210,074	(56,573)	38,554	(201,567)	58,394	554,374
Total primary government	7,134,544	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
Component Units:										
Expenses:										
Education	41,143,685	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
Economic Development Authority	5,671	-	-	-	-	-	-	-	-	-
Total component units	41,149,356	-	-	-	-	-	-	-	-	-
Program revenues										
Charges for services	256,739	438,978	410,270	389,665	390,422	376,249	478,386	573,499	409,019	407,204
Operating grants and contributions	19,239,002	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
Total program revenues	19,495,741	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
Net expense	(21,653,615)	(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)
General Revenues and Other Changes in Net Position										
Contribution from primary government	22,249,720	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
Use of money and property	-	5	-	-	-	-	-	-	434	2,477
Miscellaneous	367,951	175,497	106,668	135,032	110,631	103,926	115,801	102,450	341,305	278,643
Loss on sale of capital assets	-	-	-	-	(31,686)	-	-	-	-	-
Total general revenue	22,617,671	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
Total component units change in net position	\$ 964,056	\$ 5,437,467	\$ 4,458,566	\$ 1,337,886	\$ 1,687,939	\$ (773,051)	\$ (2,084,284)	\$ (997,052)	\$ 281,318	\$ 1,397,563

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)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Post-GASB 54 implementation:										
General Fund										
Nonspendable	\$ 49,791	\$ 55,371	\$ 39,876	\$ 60,051	\$ 64,871	\$ 60,599	\$ 68,832	\$ 69,859	\$ 67,373	\$ 109,011
Restricted	1,156,780	221,514	209,951	590,549	235,027	332,329	313,998	329,699	369,152	350,067
Committed	941,440	539,946	129,903	196,092	554,259	618,698	431,512	327,569	484,422	592,493
Assigned	2,315,581	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	10,861,863	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>\$ 15,325,455</u>	<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	\$ 6,483,427	\$ 8,241,167	\$ 8,089,873	\$ 11,462,474	\$ 2,192,697	\$ 3,388,835	\$ 372,795	\$ 7,207,335	\$ 16,792,519	\$ -
Committed	-	-	-	-	-	-	-	-	246,683	957,111
Assigned	-	-	-	-	-	-	-	-	197,390	308,416
Unassigned	-	-	-	(348,287)	(1,505,584)	(3,587,598)	(10,080)	(1,245,870)	-	-
Total capital projects fund	<u>\$ 6,483,427</u>	<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>

TABLE 4

CITY OF COLONIAL HEIGHTS, VIRGINIA

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Revenues										
General property taxes	\$ 24,133,663	\$ 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
Other local taxes	21,509,093	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
Permits, fees, and licenses	174,232	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
Fines and forfeitures	245,712	342,061	415,893	341,560	438,930	505,391	540,368	729,979	718,053	747,448
Charges for services	2,629,141	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
Use of money and property	409,352	475,088	440,533	359,133	215,801	167,783	175,282	233,822	194,826	158,013
Miscellaneous	95,623	53,177	51,670	368,686	217,348	245,348	142,232	97,933	123,392	669,645
Reimbursement from component unit	1,045,732	1,394,495	907,818	538,537	381,605	377,274	781,768	323,897	315,449	314,345
Intergovernmental	14,032,586	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
Total revenues	64,275,134	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
Expenditures										
General government	4,407,791	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
Judicial administration	5,183,133	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
Public safety	12,132,266	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
Public works	4,483,490	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
Health and welfare	1,132,135	1,040,789	1,102,579	1,072,990	897,077	697,163	619,986	754,603	646,245	560,453
Parks, recreation, and cultural	2,621,295	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
Community development	539,068	503,584	504,284	583,721	547,914	515,386	568,937	487,155	465,879	476,452
Education	21,952,287	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
Human services	298,113	440,153	477,214	465,663	458,317	447,668	490,762	444,346	433,956	509,570
Nondepartmental	171,006	151,017	333,790	336,656	417,516	334,301	249,008	269,748	361,190	366,238
Debt service:										
Principal retirement	2,692,616	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
Interest and fiscal charges	1,122,773	1,116,082	1,086,667	1,227,077	927,997	1,190,669	1,220,379	1,511,054	788,734	865,566
Bond issuance costs	-	-	-	-	-	-	-	-	311,693	-
Capital expenditures	7,730,473	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
Total expenditures	64,466,446	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
Excess of revenues over (under) expenditures	(191,312)	(2,480,910)	(3,080,268)	(334,061)	(736,125)	(728,475)	(6,279,550)	(11,418,795)	(2,383,432)	(147,839)
Other Financing Sources (Uses)										
Premium on issuance of debt	-	-	-	918,669	-	625,569	-	-	1,460,910	-
Payment to refunded bond escrow agent	-	-	-	-	-	(8,887,096)	-	-	(3,970,000)	-
Issuance of debt	-	5,225,000	-	10,285,000	-	8,424,044	-	-	21,830,000	-
Proceeds from capital lease	225,000	-	-	-	-	121,475	-	-	-	-
Proceeds from sale of capital assets	-	-	-	30,450	2,641,368	-	-	-	-	-
Transfers in	1,274,438	577,758	754,666	11,735,993	826,982	378,901	657,198	311,497	366,197	115,000
Transfers out	(1,274,438)	(577,758)	(754,666)	(11,986,037)	(826,982)	(378,901)	(657,198)	(55,000)	(446,197)	(223,566)
Total other financing sources (uses)	225,000	5,225,000	-	10,984,075	2,641,368	283,992	-	256,497	19,240,910	(108,566)
Net change in fund balances	\$ 33,688	\$ 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)

TABLE 4

CITY OF COLONIAL HEIGHTS, VIRGINIA

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Debt service as a percentage of noncapital expenditures:										
Primary Government										
Total debt service	\$ 3,815,389	\$ 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
Total expenditures	64,466,446	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
Capital expenditures	(7,621,519)	(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)
Non-capital expenditures	<u>\$ 56,844,927</u>	<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>
Debt service as a percentage of non-capital expenditures - primary government only	<u>6.71%</u>	<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>
School Board										
School expenditures, excluding City contribution	\$ 19,899,833	\$ 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
Capital expenditures - Public Schools	(2,006,929)	(3,701,608)	(4,133,792)	(2,151,024)	(320,139)	(170,982)	(543,416)	(280,731)	(1,550,915)	(2,496,489)
Non-capital expenditures	<u>\$ 17,892,904</u>	<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>
Debt service as a percentage of non-capital expenditures - total reporting entity	<u>5.11%</u>	<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>

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, 2020
(Unaudited)

	Revenues and Resources					Expenditures and Contract Commitments			
	Prior Years	Current	Transfers In/(Out)	Uncollected Future	Revised Budget	Prior Years	Current	Contract Commitment	Unobligated Balance
General Government:									
Allocable to Complete Projects:									
Ambulance (Fire Apparatus)	\$ 274,566	\$ -	\$ (2,772)	\$ -	\$ 271,794	\$ 271,794	\$ -	\$ -	\$ -
Quint (Fire Apparatus)	1,100,000	100,000	2,772	-	1,202,772	880,000	323,561	-	(789)
Technology Projects	-	-	12,000	-	12,000	-	12,000	-	-
Public Safety Building Generator	300,000	-	-	-	300,000	290,143	9,016	-	841
Computer Replacement	-	256,000	35,665	-	291,665	-	291,609	-	56
Mayor's Beautification Committee	4,512	-	-	-	4,512	-	-	-	4,512
City Hall HVAC Replacement	-	72,000	-	-	72,000	-	55,000	-	17,000
Total	1,679,078	428,000	47,665	-	2,154,743	1,441,937	691,186	-	21,620
Allocable to Incomplete Projects:									
Ent. Resource Planning System	1,300,000	-	-	-	1,300,000	338,316	243,026	329,742	388,916
Communications System	5,500,000	-	-	-	5,500,000	1,171,471	337,724	3,520,047	470,758
Computer Aided Dispatch	1,200,000	-	-	-	1,200,000	46,101	415,004	524,086	214,809
E911 System Hardware	-	30,000	-	150,000	180,000	-	-	-	180,000
Total	8,000,000	30,000	-	150,000	8,180,000	1,555,888	995,754	4,373,875	1,254,483
Total General Government	9,679,078	458,000	47,665	150,000	10,334,743	2,997,825	1,686,940	4,373,875	1,276,103
Recreational Facilities									
Allocable to Complete Projects:									
White Bank Restrooms	300,000	-	(85,000)	-	215,000	24,900	181,047	-	9,053
Facilities Master Plan	181,666	-	(33,904)	-	147,762	147,762	-	-	-
CHMS Tennis Courts	-	139,837	-	-	139,837	-	139,837	-	-
Shepherd Stadium Improvements	-	43,000	85,000	-	128,000	-	129,538	-	(1,538)
Total	481,666	182,837	(33,904)	-	630,599	172,662	450,422	-	7,515
Allocable to Incomplete Projects:									
Violet Bank Museum	100,000	118,446	54,073	-	272,519	-	31,287	31,223	210,009
Appomattox River Greenway Ph IV	-	286,932	-	340,068	627,000	-	439,357	46,039	141,604
Appomattox River Greenway Ph V	101,681	81,546	-	47,273	230,500	72,245	64,038	56,552	37,665
Barrier Free Playground	-	50,000	-	-	50,000	-	35,000	-	15,000
Total	201,681	536,924	54,073	387,341	1,180,019	72,245	569,682	133,814	404,278
Total Recreational Facilities	683,347	719,761	20,169	387,341	1,810,618	244,907	1,020,104	133,814	411,793
Educational Facilities									
Allocable to Complete Projects:									
CHHS Tennis Courts	523,211	-	-	-	523,211	517,038	6,172	-	1
Total	523,211	-	-	-	523,211	517,038	6,172	-	1
Allocable to Incomplete Projects:									
Transfer to School CIP Projects	6,840,000	-	-	-	6,840,000	5,836,428	683,315	-	320,257
Total	6,840,000	-	-	-	6,840,000	5,836,428	683,315	-	320,257
Total Educational Facilities	7,363,211	-	-	-	7,363,211	6,353,466	689,487	-	320,258

TABLE 5

CITY OF COLONIAL HEIGHTS, VIRGINIA

**SCHEDULE OF REVENUES, RESOURCES, EXPENDITURES, CONTRACT COMMITMENTS,
AND UNOBLIGATED BALANCE**
Year Ended June 30, 2020
(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
Streets and Bridges:									
Allocable to Complete Projects:									
Redevelopment Project	\$ 53,292	\$ -	\$ (20,169)	\$ -	\$ 33,123	\$ 33,123	\$ -	\$ -	\$ -
Highway Construction-Local Share	96,724	-	-	-	96,724	-	-	-	96,724
Blvd. Resurfacing	825,269	-	-	174,731	1,000,000	825,269	-	-	174,731
Blvd. Enh. A to Temple	63,046	(14,925)	-	223,979	272,100	29,682	5,938	-	236,480
Blvd. Enh. James to A	14,870	31,192	-	184,251	230,313	-	-	-	230,313
Williamsburg & Yorkshire Reconstruction	496,288	-	-	3,154	499,442	527,644	-	-	(28,202)
Conduit/Ellerslie Intersection	387,324	325,284	-	(27,608)	685,000	164,412	578,479	-	(57,891)
Stratford Drive	395,088	35,877	-	-	430,965	409,077	-	-	21,888
Mallard Drive	139,361	-	-	639	140,000	130,633	-	-	9,367
Temple Ave. Resurfacing	-	178,821	-	41,179	220,000	176,913	319	-	42,768
Temple Ave. Resurfacing	-	565,433	-	214,567	780,000	566,837	736	-	212,427
Total	2,471,262	1,121,682	(20,169)	814,892	4,387,667	2,863,590	585,472	-	938,605
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	600	-	243,992	250,592	6,145	600	-	243,847
Safe Routes to School- N. Elem. Ph II/ Sidew	132,082	11,159	-	289,748	432,989	66,367	11,951	78,948	275,723
Dupuy Avenue Modernization	1,332,290	2,486,159	-	379,551	4,198,000	1,855,207	2,001,047	835,547	(493,801)
Lakeview Ave Modernization	889,162	36,389	-	2,388,449	3,314,000	858,095	36,389	27,924	2,391,592
Bridge Rehabilitation Project	101,460	626,337	-	131,699	859,496	114,192	765,493	288,264	(308,453)
Temple Ave. Signal Coordination	79,563	314,289	-	101,148	495,000	80,662	359,652	78,698	(24,012)
Holly Ave/ Jamestown Rd Pavement	15,000	636,116	-	90,884	742,000	1,500	560,231	47,917	132,352
Animal Shelter Entrance Ph I	-	-	-	420,000	420,000	-	-	-	420,000
Branders Bridge Right Turn Route 1	-	-	-	25,000	25,000	-	-	-	25,000
Boulevard Resurfacing	-	17,454	-	982,546	1,000,000	-	688,572	98,787	212,641
Animal Shelter Entrance Ph II	-	-	-	15,000	15,000	-	-	-	15,000
Westover at Boulevard Right Turn	-	66,025	-	256,091	322,116	-	66,025	156,775	99,316
Gateway Roundabout	-	50,000	-	-	50,000	-	-	-	50,000
Total	2,555,557	4,244,528	-	5,740,555	12,540,640	2,998,575	4,489,960	1,612,860	3,439,245
Total Streets and Bridges	5,026,819	5,366,210	(20,169)	6,555,447	16,928,307	5,862,165	5,075,432	1,612,860	4,377,850
Utility Improvements:									
Allocable to Complete Projects:									
Utility Infrastructure	292,715	-	(178,084)	-	114,631	114,631	-	-	-
Total	292,715	-	(178,084)	-	114,631	114,631	-	-	-
Allocable to Incomplete Projects:									
Dupuy Avenue Modernization - Utility	577,223	-	(37,223)	-	540,000	7,795	-	57,429	474,776
Lakeview Ave Modernization - Utility	527,130	-	(152,130)	-	375,000	53,650	-	-	321,350
Hrouda Pump Station	-	-	178,084	600,000	778,084	5,250	-	-	772,834
Total	1,104,353	-	(11,269)	600,000	1,693,084	66,695	-	57,429	1,568,960
Total Utility Improvements	1,397,068	-	(189,353)	600,000	1,807,715	181,326	-	57,429	1,568,960

(Continued)

TABLE 5

CITY OF COLONIAL HEIGHTS, VIRGINIA

**SCHEDULE OF REVENUES, RESOURCES, EXPENDITURES, CONTRACT COMMITMENTS,
AND UNOBLIGATED BALANCE
Year Ended June 30, 2020
(Unaudited)**

	Revenues and Resources					Expenditures and Contract Commitments			
	Prior Years	Current	Transfers In/(Out)	Uncollected Future	Revised Budget	Prior Years	Current	Contract Commitment	Unobligated Balance
Stormwater Improvements:									
Allocable to Complete Projects:									
Stormwater Drainage Nantucket	\$ 133,500	\$ -	\$ -	\$ -	\$ 133,500	\$ 24,888	\$ 93,593	\$ -	\$ 15,019
Stormwater Drainage Hemlock	133,500	-	-	-	133,500	13,285	56,413	-	63,802
Total Stormwater Improvements	267,000	-	-	-	267,000	38,173	150,006	-	78,821
Allocable to Incomplete Projects:									
Bruce Avenue Drainage Phase IV	1,967,481	-	-	-	1,967,481	1,462,101	-	-	505,380
Total Stormwater Improvements	2,234,481	-	-	-	2,234,481	1,500,274	150,006	-	584,201
Total Projects	<u>\$ 26,384,004</u>	<u>\$ 6,543,971</u>	<u>\$ (141,688)</u>	<u>\$ 7,692,788</u>	<u>\$ 40,479,075</u>	<u>\$ 17,139,963</u>	<u>\$ 8,621,969</u>	<u>\$ 6,177,978</u>	<u>\$ 8,539,165</u>

TABLE 6

CITY OF COLONIAL HEIGHTS, VIRGINIA

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

Calendar Year	Real Property			Public Service**	Personal Property***	Total Taxable Assessed Value	Total Direct Tax Rate	Actual Taxable Value	Value as a Percentage of Assessed Value
	Residential Property*	Multi-Family Property	Commercial Property						
2020	\$ 1,048,656,100	\$ 96,316,500	\$ 671,801,340	\$ 38,869,088	138,946,665	\$ 1,994,589,693	\$ 1.36	\$ 1,994,589,693	100.00 %
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

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

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

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

TABLE 7

CITY OF COLONIAL HEIGHTS, VIRGINIA

DIRECT PROPERTY TAX RATES

Last Ten Calendar Years

(rate per \$100 of assessed value)

(unaudited)

Year	Real Estate	Public Service	Personal Property	Total Direct Rate
2020	\$ 1.20	\$ 1.20	\$ 3.50	\$ 1.36
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

Notes: 1) There is no overlapping government taxation.

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

TABLE 8

CITY OF COLONIAL HEIGHTS, VIRGINIA

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

(unaudited)

Taxpayer	Calendar Year					
	2020			2011		
	Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Southpark Mall	\$ 62,117,900	1	3.11%	\$ 69,824,912	1	3.78%
Roslyn Farms Corp	34,153,400	2	1.71%	44,796,569	2	2.43%
Southgate Square Virginia LLC	30,764,900	3	1.54%	-	-	-
Wal-Mart/Sams	26,942,000	4	1.35%	25,592,169	3	1.39%
Faison Colonial Heights	17,272,700	5	0.87%	12,330,794	8	0.67%
Virginia Electric & Power	16,644,604	6	0.83%	13,115,562	6	0.71%
Dunlop House	16,533,300	7	0.83%	14,281,700	5	0.77%
Colonial Square Associates	14,971,000	8	0.75%	-	-	-
Dimmock Square Marketplace	14,052,200	9	0.70%	-	-	-
Southpark Hotel	13,200,800.00	10	0.66%	11,563,581	9	0.63%
Roslyn Farms Associates LP	-	-	-	24,870,100	4	1.35%
Colonial Heights Operations	-	-	-	12,669,946	7	0.69%
Southpark Hilton LLC	-	-	-	10,833,810	10	0.59%
	<u>\$ 246,652,804</u>		<u>12.35%</u>	<u>\$ 239,879,143</u>		<u>13.01%</u>

TABLE 9

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

Calendar Year Ended December 31	Taxes Levied for the Year	Collected within the Year of the Levy		Collections in Subsequent Years*	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2019	\$ 25,557,177	\$ 25,099,156	98.21 %	\$ 370,920	25,470,076	99.66 %
2018	24,988,073	24,357,798	97.48	393,029	24,750,827	99.05
2017	23,672,547	23,096,026	97.56	519,744	23,615,770	99.76
2016	23,612,144	23,056,541	97.65	358,813	23,415,354	99.17
2015	23,205,467	22,622,829	97.49	484,795	23,107,624	99.58
2014	23,087,247	22,546,470	97.66	494,193	23,040,663	99.80
2013	23,197,067	22,707,550	97.89	455,649	23,163,199	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

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)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Apparel	\$ 76,758	\$ 78,521	\$ 76,804	\$ 77,638	\$ 73,203	\$ 71,591	\$ 71,301	\$ 68,317	\$ 64,286	\$ 61,381
Automotive	8,206	7,151	4,323	4,053	3,816	3,623	3,665	4,331	5,977	12,392
Food	176,395	168,728	146,146	160,041	158,054	144,188	136,078	137,113	127,548	119,677
Furniture, home furnishings, and equipment	12,201	11,169	11,533	11,536	12,567	12,387	12,944	14,781	12,205	8,100
General merchandise	257,336	262,380	268,174	272,096	283,051	286,433	282,948	280,835	302,806	275,618
Machinery, equipment, and supplies	26,328	27,375	25,779	29,123	28,851	29,887	31,905	34,033	28,439	37,309
Miscellaneous	200,015	217,240	184,478	175,037	161,193	150,454	144,172	82,789	83,710	76,519
Total	<u>\$ 757,239</u>	<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>
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 2019 and 2010

(taxable sales in thousands of dollars)

(unaudited)

	Calendar Year 2019				Calendar Year 2010			
	Number of Filers	Percentage of Total	Taxable Sales	Percentage of Total	Number of Filers	Percentage of Total	Taxable Sales	Percentage of Total
Apparel	71	10.96 %	\$ 76,758	10.14 %	67	13.48 %	\$ 61,381	10.39 %
Automotive	11	1.70	8,206	1.08	13	2.62	12,392	2.10
Food	114	17.59	176,395	23.29	96	19.32	119,677	20.25
Furniture, home furnishings, and equipment	12	1.85	12,201	1.61	14	2.82	8,100	1.37
General merchandise	79	12.19	257,336	33.98	71	14.29	275,618	46.64
Machinery, equipment, and supplies	14	2.16	26,328	3.48	16	3.22	37,309	6.31
Miscellaneous	347	53.55	200,015	26.42	220	44.27	76,519	12.95
Total	648	100.00 %	\$ 757,239	100.00 %	497	100.00 %	\$ 590,996	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)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Debt limit	\$ 199,458,969	\$ 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
Total net debt applicable to limit	37,085,000	39,925,000	36,864,995	40,125,000	32,485,000	35,555,000	34,040,000	37,045,000	39,750,000	24,125,000
Legal debt margin	<u>\$ 162,373,969</u>	<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>
Total net debt applicable to the limit as a percentage of debt limit	18.59%	21.43%	19.94%	22.27%	18.06%	19.89%	19.29%	20.72%	22.38%	13.13%

Legal Debt Margin Calculation for Fiscal Year 2020

Assessed value*	<u>\$ 1,994,589,693</u>
Debt limit (10% of assessed value)	\$ 199,458,969
Less debt applicable to limit:	
General obligation bonds	<u>37,085,000</u>
Legal debt margin	<u>\$ 162,373,969</u>

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

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

TABLE 13

CITY OF COLONIAL HEIGHTS, VIRGINIA

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

(unaudited)

Governmental Activities				Business-type Activities		
Fiscal Year	General Obligation Bonds	Net Deferred Amounts ⁽¹⁾	Capital Leases	General Obligation Bonds	Net Deferred Amounts ⁽¹⁾	Capital Leases
2020	\$ 33,150,002	\$ 1,915,089	\$ 150,917	\$ 3,934,998	\$ 155,443	\$ -
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

Fiscal Year	Total Net General Bonded Debt ⁽²⁾	Net General Bonded Debt Per Capita	Net General Bonded Debt to Estimated Actual Value of Taxable Property	Total Primary Government Outstanding Debt	Total Outstanding Debt Per Capita	Total Outstanding Debt to Estimated Actual Value of Taxable Property ⁽³⁾
2020	\$ 39,155,531	\$ 2,254	1.96 %	\$ 39,306,449	\$ 2,263	1.97 %
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

(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)

Calendar Year	Population	Median Household Income	Per Capita Personal Income	School Fall Membership	Unemployment Rate
2019	17,370	*	*	2,899	3.20 %
2018	17,582	*	*	2,866	3.40
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

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)

Employer	2020		2011	
	Employees	Rank	Employees	Rank
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	8
Red Lobster & Olive Garden	100 to 249	6	100 to 249	7
Publix Nc Employee Services, LLC	100 to 249	7	-	-
J.C. Penny Corporation, Inc.	100 to 249	8	100 to 249	6
Chick-Fil-A at Southpark	100 to 249	9	-	-
The Home Depot	100 to 249	10	-	-
Priority Imports Richmond	-	-	100 to 249	10
Sabra Dipping Co. LLC	-	-	100 to 249	5
Martin's Food Market	-	-	100 to 249	9

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)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<u>Function/Program</u>										
General government										
Management services	7	7	7	7	7	7	7	6	6	6
Tax collections	6	6	6	6	9	9	9	9	9	11
Finance	15	15	15	15	11	11	11	11	11	9
Information technology	2	2	2	2	2	2	2	2	2	1
Board of elections	2	2	2	2	2	2	2	2	2	2
Judicial administration	28	28	27	26	25	25	22	22	23	21
Public safety	118	118	118	118	115	115	115	114	113	113
Public works	48	48	48	48	48	48	45	45	30	28
Parks, recreation, and cultural	27	27	27	27	27	26	26	25	24	24
Community development	6	6	6	6	6	5	5	5	5	5
Human services	3	3	3	3	3	3	4	4	4	5
Education	481	481	482	464	456	453	436	439	437	430
Total	743	743	743	724	711	706	684	684	666	655

Source: City Adopted Budget.

TABLE 17

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

Function/Program	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General Government										
Registered voters	12,314	12,112	12,240	12,172	12,113	11,775	12,050	12,056	12,282	11,971
Structures										
Detached	6,133	6,135	6,155	6,152	6,159	6,161	6,221	6,195	6,168	6,172
Duplex/Triplex/Quadplex	357	375	357	357	357	379	379	169	170	178
Multi-family	1,198	1,198	1,198	1,198	1,198	1,198	1,198	1,198	1,211	1,211
Parcel with elderly/disabled:										
Exemptions	154	169	175	178	207	234	272	296	316	314
Judicial Administration										
Average daily jail population	125	144	155	165	172	181	180	179	152	163
Public safety										
Volunteers	31	31	44	46	54	46	53	47	61	60
Public works										
Road mileage maintained:										
Arterial	30	30	30	30	31	31	31	31	31	31
Local/collector	164	164	164	163	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	75	71	71
Recreation:										
Baseball fields	11	11	11	11	11	11	11	11	11	11
Tennis courts	8	6	4	9	9	9	9	9	9	9
Basketball courts	10	10	10	10	10	10	10	11	10	6
Soccer fields	7	11	11	11	11	11	11	11	11	11
Library										
Volumes in collection	44,249	55,848	60,535	62,663	62,399	60,789	61,326	60,521	64,703	63,871
Community development										
Building permits issued - calendar	240	561	588	647	491	520	551	532	407	547
Value	\$ 14,033,991	\$ 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
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

THIS PAGE INTENTIONALLY BLANK

COMPLIANCE SECTION

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, 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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 20, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
January 20, 2021

**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, 2020. 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, 2020.

Report on Internal Control Over Compliance

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

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

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
January 20, 2021

CITY OF COLONIAL HEIGHTS, VIRGINIA

SUMMARY OF COMPLIANCE MATTERS

June 30, 2020

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
Fire Program Aid

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, 2020

A. SUMMARY OF AUDITOR'S RESULTS

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

Name of Program:

Highway Planning and Construction

CFDA #

20.205

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

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

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

None.

D. FINDINGS – COMMONWEALTH OF VIRGINIA

None.

CITY OF COLONIAL HEIGHTS, VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2020

A. 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).

Recommendation:

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

Current Status:

Policies were updated during the year. Condition no longer applicable.

B. 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.

Recommendation:

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

Current Status:

Condition not noted during the current year.

2019-003: General Government Budget Appropriations

Condition:

Debt service expenditures exceeded budget appropriations.

Recommendation:

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

Current Status:

Condition not noted during the current year.