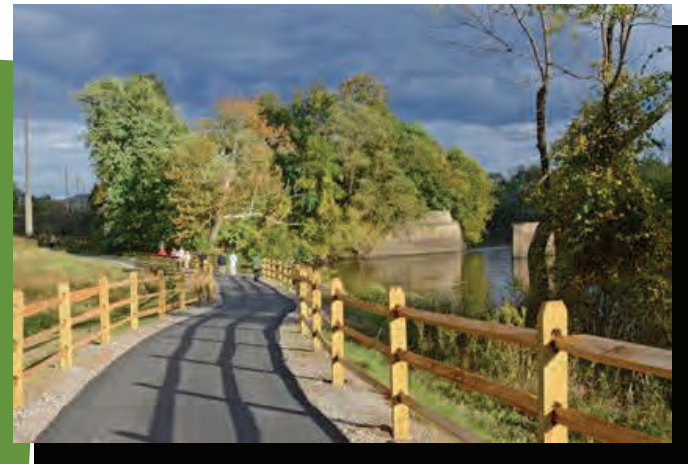


Comprehensive Annual Financial Report

Ending June 30, 2015



City of Colonial Heights, Virginia

CITY OF COLONIAL HEIGHTS, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2015



Prepared by the Department of Financial Administration

William E. Johnson
Director of Finance

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INTRODUCTORY SECTION

CITY OF COLONIAL HEIGHTS, VIRGINIA

DIRECTORY OF PRINCIPAL OFFICIALS

June 30, 2015

CITY COUNCIL

T. Gregory Kochuba, Mayor

Diane H. Yates, Vice Mayor

Kenneth B. Frenier

W. Joe Green, Jr.

John E. Piotrowski

Milton E. Freeland, Jr.

John T. Wood

OTHER OFFICIALS

Thomas L. Mattis.....City Manager

Hugh P. Fisher, IIICity Attorney

Pamela B. WallaceCity Clerk

William E. Johnson Director of Finance

Jeffrey W. Faries Chief of Police

William E. Henley Director of Public Works

Craig Skalak Director of Recreation and Parks

Bruce N. Hansen..... Library Director

Dr. Joseph O. Cox Superintendent of Schools



Government Finance Officers Association

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

Presented to

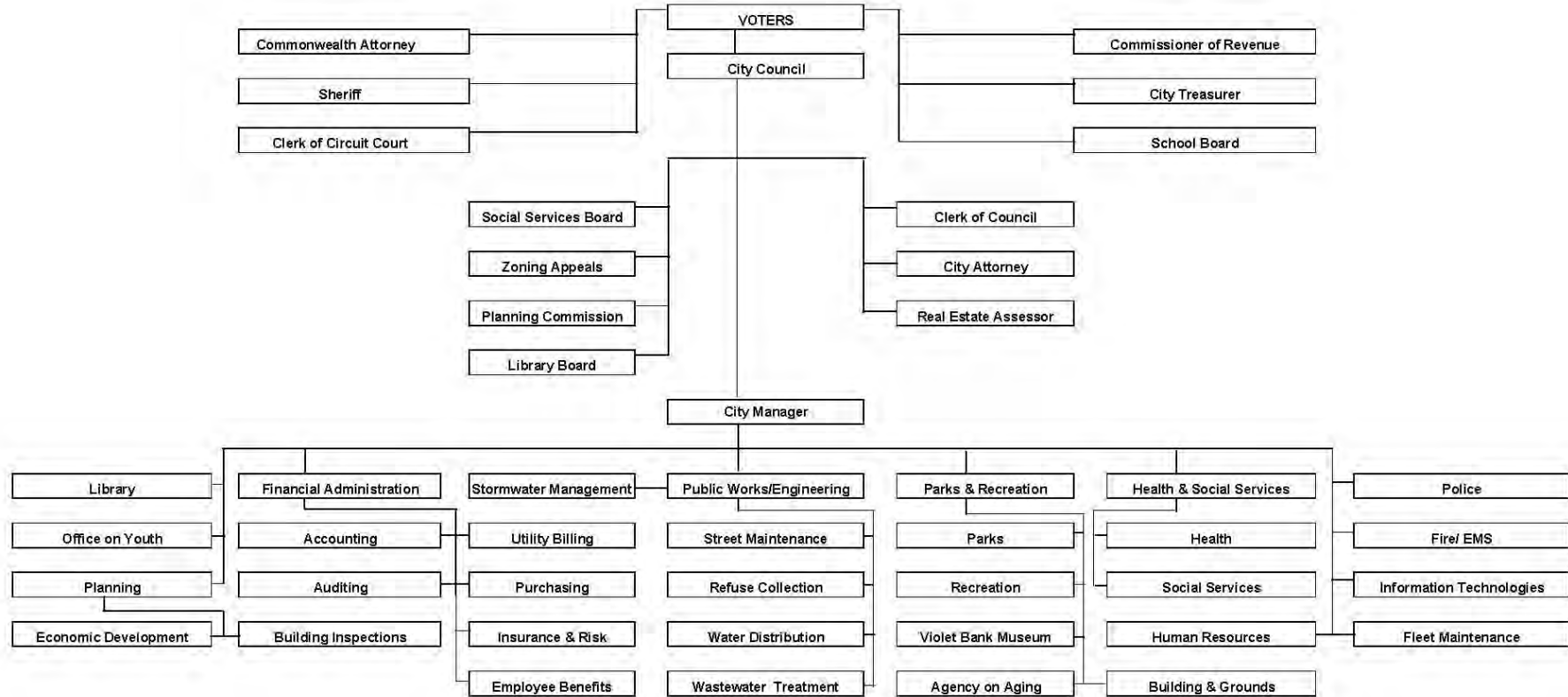
**City of Colonial Heights
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

CITY OF COLONIAL HEIGHTS, VIRGINIA ORGANIZATIONAL CHART





CITY OF COLONIAL HEIGHTS

Thomas L. Mattis
City Manager

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

William E. Johnson
Director of Finance

November 30, 2015

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

The Comprehensive Annual Financial Report (CAFR) of the City of Colonial Heights, Virginia (the "City") for the fiscal year ending June 30, 2015, is transmitted herewith. This report was prepared by the Department of Financial Administration, which assumes full responsibility for the accuracy of data, completeness and the fairness of presentation. We believe the data, as presented, is accurate in all material respects, and that it is presented in a manner designed to fairly set forth the financial position and results as measured by the financial activity of its various governmental activities, business-type activities and funds. All disclosures necessary for a reader to fully understand the City's financial affairs have been included.

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

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

Brown Edwards & Company, LLP, Certified Public Accountants have audited the City's basic financial statements. This independent audit's yearly goal is to provide reasonable assurance that the basic financial statements are free of material misstatement. The Independent auditors concluded, based upon the audit, that there was reasonable basis for rendering an unqualified opinion that the City's basic financial statements for the fiscal year ending June 30, 2015, are fairly presented in conformity with generally accepted accounting principals (GAAP). The independent auditors' report is presented as the first component of the Financial Section.

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

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

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

Economic Condition and Outlook

The City has a land area of 8.14 square miles, and is located in southeastern Virginia. Strategically located on Interstate 95 near its intersection with interstates, I85 and I64, thus giving the City access to the East Coast's major markets.

The City is less than 20 miles south of Virginia's state capital, Richmond, and 120 miles south of the nation's capital, Washington, D.C. The City of Petersburg lies just across the Appomattox River, which bisects the two cities, with Colonial Heights on the north bank. Richmond's 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 17,411 as reported by the Virginia Employment Commission. 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, six Fortune 500 companies, manufacturing, distribution and international trade.

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

The City has a civilian labor force of 9,500 and an average unemployment rate of 5.3% for 2014-2015. The City's goal is to promote development and expansion of a diversified business base to enhance the quality and standard of living through expanded job opportunities and tax base.

The City has added over 2.0 million square feet of retail, office and service industry development in the City's regionally based commercial center area known as "Southpark". Beginning with the opening of the area's only regional mall in 1989, the area has become a Mecca for giant retailers, specialty retailers, medical office, and office seekers. Recent construction includes the area's first 15,000 square feet Aldi

Grocery. The City is in negotiations with The Kroger Company for the sale of the former courthouse located on Temple Avenue for the construction of a 95,000 square feet grocery store. Reuse improvements have been made to a former auto dealership creating sales of medical condo space, which has become a strong market in the City within the last few years. Transportation access and diversity have been two key elements in the sustained success of the area. Fort Lee is a vital component to the City's economy as well as the regional economy. With the possibility of sequestration cuts by 2020, Fort Lee could see a potential loss of local Army positions, including soldiers and civilians which could impact the region's large and small business alike. Local and regional groups, as well as citizens, continue to provide public input regarding the potential reductions at Fort Lee. The City's older retail areas along the US1/301 corridor continue to benefit from the increased exposure of the City's regional emphasis and the new Courthouse in the Southern end of the City.

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

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

The City has endured the past economic challenges by maintaining a good local tax base that softened the effects of the Commonwealth's budget and economic cutbacks. This year's financial operations continued to effectively maintain existing service levels. For 2015, there has been a return to more traditional retail sales and food taxes, while lodging taxes still are showing reductions due to reduced Federal travel. The City continues to adhere to a conservative budget in order to keep existing programs funded and salaries of public employees competitive while dealing with changing budgetary challenges.

The City's Fund Balance goal of an unassigned fund balance of 10% had been exceeded in the past years to provide a rainy day fund in case of economic downturns. No reserves were utilized in the preparation of the Fiscal Year 2013, 2014, 2015, and 2016 budgets.

Accounting System and Budgetary Controls

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

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

Budgetary control is maintained at the function line-item level by the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. Purchase orders which result in an overrun of line item balances are not released until funds are appropriated or transferred to the specific line item. Open encumbrances are recorded as either committed or assigned fund balances at June 30, 2015.

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

Capital Financing and Debt Service

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

The Constitution of Virginia establishes a debt limit for Virginia cities of 10% of the assessed value of real estate. The City of Colonial Heights could incur debt in the amount of \$164,871,385, but has currently utilized 21.6% of its debt obligatory capacity.

Long-term liabilities, excluding notes payable, compensated absences, net pension liability, retirement incentive programs and environmental liabilities, for all funds of the primary government as of June 30, 2015, totaled \$35,555,000, of which \$4,681,042 for Enterprise Fund purposes is considered self-supporting and shown only as a liability of the respective fund.

The City’s bonds are rated as follows:

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

The City annually develops a 5 Year Capital Operations Program for all operating fixed assets proposed for funding in each City department, this was completed for Fiscal Years 2016-2020. Capital Improvement Program projects are evaluated annually for funding recommendations. This recommendation is evaluated and approved by the City's Planning Commission and submitted to the governing body for future funding consideration. This list is used to allocate future bond and pay-as-you funding by the City.

Certificates of Achievement for Excellence

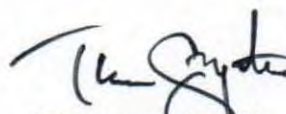
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Colonial Heights, Virginia for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014. The Certificate 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 35 consecutive years (fiscal years ended 1980 through 2014). We believe our current report conforms to the Certificate of Achievement program requirements, and we are submitting it to the GFOA for consideration.

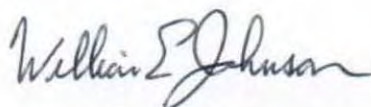
Acknowledgments

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

Respectfully submitted,



Thomas L. Mattis
City Manager



William E. Johnson
Director of Finance

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Colonial Heights, Virginia (the "City"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 19 to the financial statements, in 2015 the City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27, as amended by GASB Statement No. 71*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2015 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 30, 2015

**CITY OF COLONIAL HEIGHTS, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

The following discussion and analysis of the City of Colonial Heights, Virginia (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2015. It should be read in conjunction with the transmittal letter and the City's basic financial statements.

In 2015 the City and Schools adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions. The overall effect of this new standard is to reflect the City's and School's long-term Virginia Retirement System (VRS) obligations directly in the financial statements. Previously, such amounts were mostly disclosed, but were not recognized as long as the City and Schools were current with their required VRS contributions. The new standard not only changes certain measurement methodologies, but also requires certain new disclosures and that the City and Schools record a net pension liability directly on the statement of net position. Beginning net position has been restated as discussed in footnote 19, and this has had a significant impact on the City and School's net position. However, because similar information has been disclosed in prior years, both in the notes to the financial statements and in required supplementary information, the effect of this new standard is not expected to negatively affect how most governmental entities are viewed by sophisticated readers of their financial statements. Because information to restate prior years is not readily available, the prior year comparative information included in this discussion and analysis has not been restated.

FINANCIAL HIGHLIGHTS

The City's total net position, excluding those of its component unit, on the government-wide basis, totaled \$39,188,006 at June 30, 2015. Of this amount, \$46,749,042 is net investment in capital assets and \$332,329 is restricted for public safety and judicial administrative grants, which results in negative unrestricted net position of \$(7,893,365). The *Code of Virginia* requires the School Board to hold title to the capital assets (buildings and equipment) due to their responsibility for maintaining the asset, however in Virginia the School Board does not have taxing authority and, therefore, it cannot incur debt through general obligation bonds to fund the acquisition, construction or improvement to capital assets. This can result in an inequitable distribution of capital assets and corresponding debt presentation in Virginia. See the footnote presentation for further clarification.

On a government-wide basis for governmental activities, the City's general revenues of \$40,679,101, exclusive of transfers were \$5,377,472 more than the expenses net of program revenues of \$35,301,629.

At June 30, 2015, the City's governmental funds balance sheet reported fund balances of \$9,556,115. Of this amount, \$4,427,413 remains in the various governmental funds of the City as unassigned.

During the fiscal year, the City refunded Series 2004 and 2007 General Obligation Bonds of \$2,535,000 and \$6,125,000, respectively, for Series 2015 General Obligation Bonds, which also included a new issuance of \$4,300,000 for a total issuance of \$12,915,000, which included a premium.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

**CITY OF COLONIAL HEIGHTS, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015
(Continued)**

GOVERNMENT-WIDE FINANCIAL STATEMENTS (Continued)

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

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

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

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

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

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

FUND FINANCIAL STATEMENTS

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

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

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

**CITY OF COLONIAL HEIGHTS, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015
(Continued)**

FUND FINANCIAL STATEMENTS (Continued)

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

The following table presents a condensed comparison of net position:

**Summary Statement of Net Position
June 30, 2015 and 2014
(In Millions)**

	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit	
	2015	2014	2015	2014	2015	2014	2015	2014
Current and Other Assets	\$ 22.8	\$ 24.4	\$ 3.8	\$ 0.6	\$ 26.6	\$ 25.0	\$ 6.4	\$ 6.7
Capital Assets, net	67.1	64.1	13.6	13.0	80.7	77.1	18.2	18.9
Total Assets	89.9	88.5	17.4	13.6	107.3	102.1	24.6	25.6
Deferred Outflows	2.5	0.1	0.1	-	2.6	0.1	2.7	-
Other Liabilities	2.0	2.1	0.3	0.3	2.3	2.4	3.6	3.6
Non-current Liabilities	48.3	38.2	5.9	1.3	54.2	39.5	34.2	3.2
Total Liabilities	50.3	40.3	6.2	1.6	56.5	41.9	37.8	6.8
Deferred Inflows	14.0	12.0	0.2	-	14.2	12.0	5.4	-
Net Position								
Net Investment in Capital								
Assets	34.9	29.9	11.9	11.9	46.8	41.8	18.1	18.7
Restricted	0.3	0.4	-	0.4	0.3	0.8	-	-
Unrestricted	(7.1)	6.1	(0.8)	(0.3)	(7.9)	5.8	(34.0)	0.1
Total Net Position	\$ 28.1	\$ 36.3	\$ 11.1	\$ 12.0	\$ 39.2	\$ 48.3	\$ (15.9)	\$ 18.8

**CITY OF COLONIAL HEIGHTS, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015
(Continued)**

FUND FINANCIAL STATEMENTS (Continued)

The City's combined net position decreased from \$48.3 million to \$39.2 million. Net position of the governmental activities decreased from \$36.3 million to \$28.1 million, due to the fiscal year 2015 requirement of GASB 68 to include net pension liability to the statement of net position. This new liability of \$11.8 million for governmental activities, and \$0.7 million for business-type activities totaled \$12.5 as an additional liability for the current fiscal year. The GASB 68 net pension liabilities are further discussed in Note 19 of this report. Governmental activities' unrestricted net position, the portion of net position that can be used to finance the day-to-day operations of the City, reflects a negative position, signifying a decrease of \$13.2 million. Net investment in capital assets increased \$5.0 million. This represents the amount of capital assets owned by the City including infrastructure, net of any outstanding debt used to fund the asset purchase or construction. Net position is reported as restricted when constraints on asset use are externally imposed by creditors, grantors, contributors, regulators, or are imposed by law through constitutional provisions or enabling legislation.

The component unit net position reflects a decrease of \$34.6 million due to the current year implementation of GASB 68 and recording the respective net pension liability.

**CITY OF COLONIAL HEIGHTS, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015
(Continued)**

FUND FINANCIAL STATEMENTS (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, 2015 and 2014
(In Millions)**

	Governmental Activities		Business-type Activities		Total Primary Government		Component Unit	
	2015	2014	2015	2014	2015	2014	2015	2014
Revenues:								
Program revenues:								
Charges for services	\$ 6.6	\$ 6.6	\$ 4.6	\$ 4.6	\$ 11.2	\$ 11.2	\$ 0.5	\$ 0.5
Operating grants and contributions	5.3	5.6	-	-	5.3	5.6	15.1	14.8
Capital grants and contributions	4.2	3.4	-	-	4.2	3.4	-	-
General revenues:								
Property taxes	21.6	21.4	-	-	21.6	21.4	-	-
Other local taxes	16.9	16.3	-	-	16.9	16.3	-	-
Payment from other governments	-	-	-	-	-	-	19.4	19.5
Intergovernmental, non-categorical aid	1.8	1.8	-	-	1.8	1.8	-	-
Use of money and property	0.2	0.2	-	-	0.2	.2	-	-
Miscellaneous	0.2	0.1	-	-	0.2	.1	0.1	0.1
Total revenues	<u>56.8</u>	<u>55.4</u>	<u>4.6</u>	<u>4.6</u>	<u>61.4</u>	<u>60.0</u>	<u>35.1</u>	<u>34.9</u>
Expenses:								
General government	4.0	4.2	-	-	4.0	4.2	-	-
Judicial administration	5.4	5.4	-	-	5.4	5.4	-	-
Public safety	11.3	11.3	-	-	11.3	11.3	-	-
Public works	5.6	6.1	-	-	5.6	6.1	-	-
Health and welfare	0.7	0.6	-	-	0.7	0.6	-	-
Parks, recreation and cultural	2.9	2.9	-	-	2.9	2.9	-	-
Community development	0.4	0.6	-	-	0.4	0.6	-	-
Education	19.4	19.5	-	-	19.4	19.5	35.9	37.0
Human services	0.4	0.5	-	-	0.4	0.5	-	-
Interest	1.3	1.1	-	-	1.3	1.1	-	-
Water, sewer, solid waste, and storm water management	<u>-</u>	<u>-</u>	<u>4.6</u>	<u>4.5</u>	<u>4.6</u>	<u>4.5</u>	<u>-</u>	<u>-</u>
Total expenses	<u>51.4</u>	<u>52.2</u>	<u>4.6</u>	<u>4.5</u>	<u>56.0</u>	<u>56.7</u>	<u>35.9</u>	<u>37.0</u>
Change in Net Position Before Transfers	5.4	3.2	-	0.1	5.4	3.3	(0.8)	(2.1)
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	5.4	3.2	-	0.1	5.4	3.3	(0.8)	(2.1)
Net Position, beginning as restated	<u>22.7</u>	<u>33.1</u>	<u>11.1</u>	<u>11.9</u>	<u>33.8</u>	<u>45.0</u>	<u>(15.1)</u>	<u>20.9</u>
Net Position, ending	<u>\$ 28.1</u>	<u>\$ 36.3</u>	<u>\$ 11.1</u>	<u>\$ 12.0</u>	<u>\$ 39.2</u>	<u>\$ 48.3</u>	<u>\$ (15.9)</u>	<u>\$ 18.8</u>

**CITY OF COLONIAL HEIGHTS, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015
(Continued)**

FUND FINANCIAL STATEMENTS (Continued)

The property tax classification, which comprised approximately 38% of total revenue generated by governmental activities, includes real estate tax, the local portion of personal property tax, and public services corporation taxes. Real estate tax revenue, the largest source of revenue for the City totaled \$18.3 million. The assessed value of real property in the City decreased overall 0.61% for the calendar year.

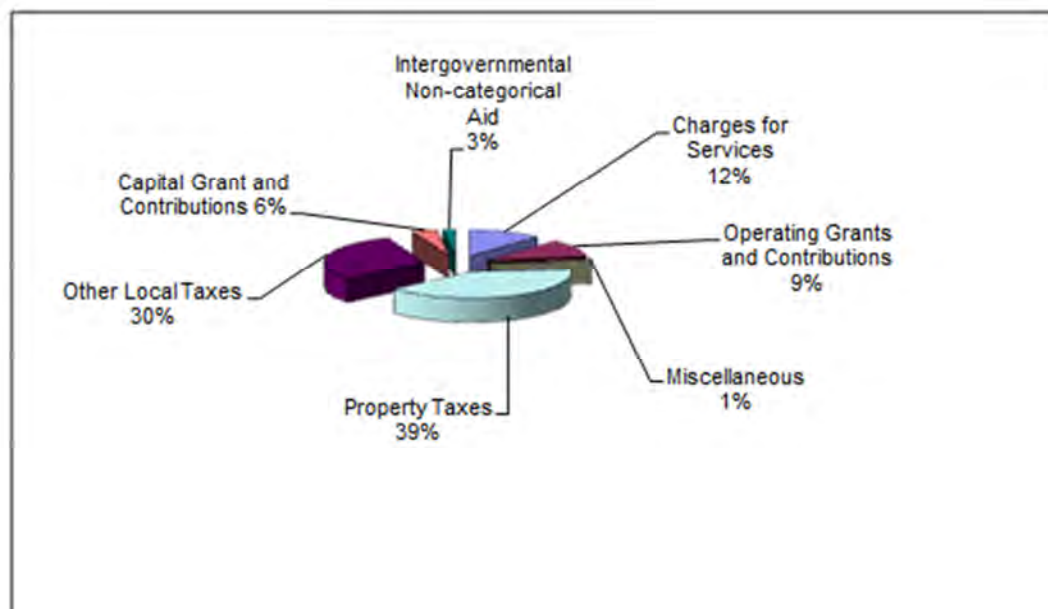
In 1998, the Commonwealth enacted the Personal Property Tax Relief Act (PPTRA). The Commonwealth's share of personal property taxes allocated to the City was 61% of vehicle loan values for the current fiscal year and is included in the intergovernmental category. Personal property tax revenue, including the Commonwealth share, remained \$4.4 million for fiscal year 2015. The net assessed value of taxable personal property increased \$1.1 million or 0.85% from 2014 to 2015 after an increase of \$2.3 million from 2013 to 2014.

Sales tax, utility tax, business and professional occupational tax, prepared food and beverage tax, transient room tax, and utility tax comprise the majority of other local taxes collected by the City which comprised approximately 29.8% of total revenues generated for governmental activities.

Operating grants and contributions comprised approximately 9.3% of governmental activities revenues. Street maintenance funds, funding received under House Bill 599 for law enforcement, and reimbursement for shared expenses of the constitutional officers are some of the major sources of revenue included in this category.

Charges for services include items such as EMS transport fees, court fees, inspection fees, reimbursements for housing prisoners, and garbage collection fees continue to show growth at 11.6%. EMS fees decreased 1.4% over past collections. This was the first year of the new billing and collection vendor, this change was made July 1, 2014; however, the change is anticipated to increase revenue in future years.

Revenue generated for governmental activities is presented below by category:



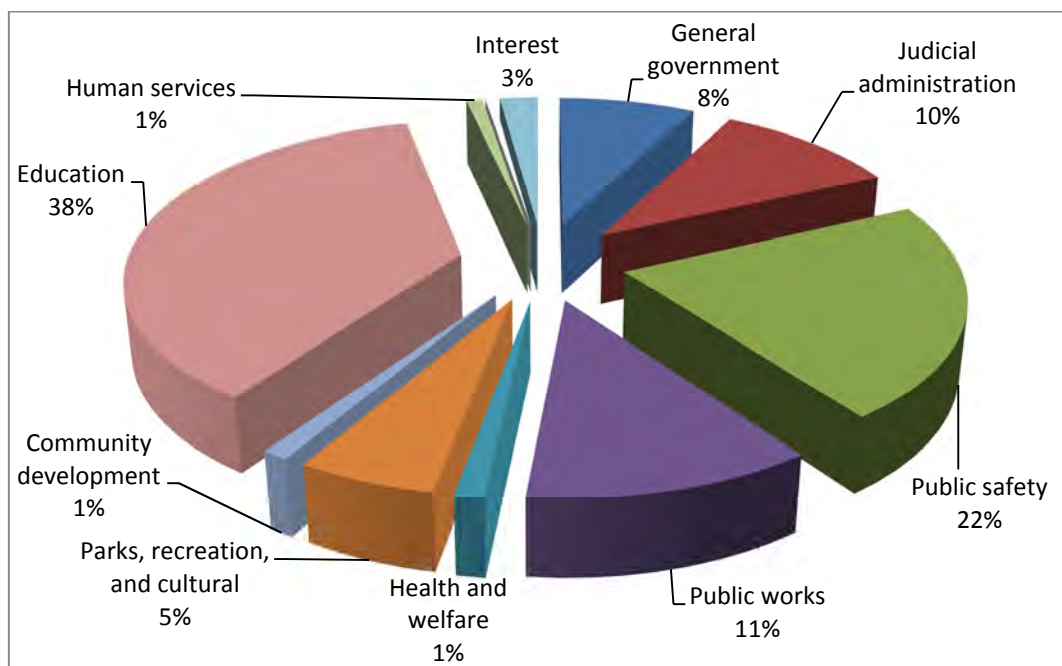
**CITY OF COLONIAL HEIGHTS, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015
(Continued)**

FUND FINANCIAL STATEMENTS (Continued)

Funding, established by the revenue sharing agreement, of \$19.38 million was provided to the City of Colonial Heights School Board to support School operations. This was slightly below the original budget estimated at \$19.44 million.

Public Works and Health and Welfare expenses comprised approximately 10.8% and 1.4% respectively, of governmental activities expenses. Expenses for Building Maintenance, Street Paving, and Street Maintenance are included in Public Works category. The Comprehensive Services Act and social services programs incurred the majority of expenses reported in the Health and Welfare category and reflect an increase over last year. Employee benefits showed an increase due to a change in traditional employee lapse.

Expenses of the governmental activities are shown by functional area:



The net position of business-type activities decreased \$56,573 during 2015.

The enterprise rate structure was increased 2.5% for fiscal year 2015 and a new rate structure was implemented for Fiscal Year 15 after a rate study was conducted during the prior fiscal year. This was to assure a proper balance of revenue and expenses within the utility funds of water within the enterprise funds. No major changes in operations were experienced. The City's established Stormwater Management fee to deal with operational and capital expenses for State and Federal mandates was maintained at current levels.

**CITY OF COLONIAL HEIGHTS, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015
(Continued)**

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

For the fiscal year ended June 30, 2015, the governmental funds reflect a total fund balance of \$9,556,115. Approximately \$4.4 million of this amount constitutes fund balances which are available for spending services and capital projects. Restricted, Committed and Assigned fund balances are designated to purchase capital equipment, pay claims, fund future debt service requirements, pay for future years' capital projects expenditures and encumbrances, which indicates that it has already been committed to liquidate contracts and purchase orders outstanding at year-end.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the General Fund spendable fund balance was \$9,694,279 while the total fund balance was \$9,754,878. 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 15.3% of the total General Fund expenditures, while total fund balance represents 18.6% of that same amount.

The fund balance of the General Fund reflects an increase of \$116,995 during the current fiscal year. The General Fund began Fiscal Year 2015 with budgeted revenue and expenditure amounts that are equal. This includes \$378,901 transferred to the Capital Projects fund for local share of VDOT projects and street paving.

Local taxes generated the majority of General Fund revenue, totaling approximately \$38.5 million in fiscal 2015. While lodging taxes were down about \$28,000, food tax held steady at \$6.3 million and personal property collections slightly fell from \$2.8 million to \$2.65 million.

Intergovernmental revenue is the second largest source of General Fund revenues, generating approximately \$6.7 million in fiscal year 2015. The majority of this revenue is received from the Commonwealth and includes law enforcement funding received under Virginia House Bill 599, and street maintenance funds. This is about a \$100,000 increase from fiscal year 2014. Increase is due to \$66,881 in Asset Forfeitures drawdown from Police, and \$38,450 received of the remaining total from the \$150,000 grant awarded in fiscal year 2014 for the 911 Switch.

CAPITAL PROJECTS FUND HIGHLIGHTS

The Capital Projects Fund Balance reflects Federal and State funding for ongoing road and trail projects and transfers of \$378,901 from the General Fund for matching grants from VDOT and street paving. Project expenditures totaled \$5,132,587 which resulted in a net decrease in fund balances of \$561,478 for an ending fund balance of \$(198,763).

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund revenues were under original budgeted revenues by \$0.3 million and under final budgeted revenues by \$0.4 million or (0.7%). The City raised the Meals Tax from 5% to 6% and raised the Real property rate from \$1.10 to \$1.14 per hundred on March 1, 2012 to pay for the construction of the new City Court House and rates have remained steady since that time. Under the Revenue Sharing Agreement with the City's School System, some revenue surpluses are also shared with the component unit based on their percentage allocation of these revenues.

**CITY OF COLONIAL HEIGHTS, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015
(Continued)**

GENERAL FUND BUDGETARY HIGHLIGHTS (Continued)

This Revenue Sharing Agreement was modified due to the above tax increases for the Courthouse, with any surplus funds generated by these increases being allocated under the original agreement. Fiscal Year 2013 revenues reflected the first full fiscal year of increased collections. However, the food and lodging taxes for fiscal year 2015 increased to \$7.3 million, which is up about \$500,000 from the prior year. This, with the increase in assessed Real Estate value increased Education transfers \$368,736 over fiscal year 2014.

General Fund expenditures and transfers were under the original budget by \$558,636, and were under the final, amended budget by \$1,464,061 or (2.7%). During fiscal year 2015, City Council amended the budget to appropriate the awarding of donations, receipt of operational grants, and reappropriation of prior year encumbrances at June 30, 2014.

CAPITAL ASSETS

As of June 30, 2015, the City's capital assets for its governmental and business-type activities amounted to \$80,761,070 (net of accumulated depreciation and amortization). This investment includes land, easements, construction in progress, land improvements, buildings and structures, equipment, software, and infrastructure. The total net increase (additions less retirements and depreciation and amortization) in the City's investment in capital assets for the current fiscal year was \$3,631,507 or 4.7%. This increase is a result of the amount expended to acquire capital assets during the year due greatly to the major road modernization projects.

**Summary Statement of
Capital Assets, Net of Accumulated Depreciation and Amortization
June 30, 2015 and 2014
(In Millions)**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land and Easements	\$ 4.8	\$ 4.7	\$ 0.2	\$ 0.1	\$ 5.0	\$ 4.8
Construction in Process	13.8	10.3	1.0	-	14.8	10.3
Building and Structures	28.3	29.2	1.5	1.6	29.8	30.8
Infrastructure	16.4	16.0	7.5	7.9	23.9	23.9
Equipment and Software	3.8	3.9	1.5	1.0	5.3	4.9
Purchased Capacity	-	-	2.0	2.4	2.0	2.4
Total	<u>\$ 67.1</u>	<u>\$ 64.1</u>	<u>\$ 13.7</u>	<u>\$ 13.0</u>	<u>\$ 80.8</u>	<u>\$ 77.1</u>

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

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

- Road improvements, to include Boulevard Corridor major expansion
- Riverfront Trail Expansion

**CITY OF COLONIAL HEIGHTS, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015
(Continued)**

LONG-TERM DEBT

At June 30, 2015, the City's long-term liabilities, including the landfill obligation, OPEB and not including compensated absences or net pension liabilities, totaled \$39,843,746 consisting of \$34,750,242 related to governmental activities, and \$5,093,504 related to business-type activities.

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

The Charter of the City and *Code of Virginia* limits the City's net debt to 10% of the assessed valuation of real estate. The City's entity-wide debt of \$35,555,000 is below the legal debt limit of \$164,871,385.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The unemployment rate for the City at June 30, 2015 was 5.3%, compared to a June 30, 2014 rate of 6.0%. This is above the state average of 5.0% and compares favorably with the national average unemployment rate of 5.5%.

The City had a population of 17,411, according to the 2010 census, with an anticipated increase of 500 since the 2000 census. Current estimation of the City's population by the U.S. Census Bureau is 17,911.

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

The adopted fiscal 2015 General Fund budget increased \$536,169 over 2015 amounts that maintained basic current services to the community and current operating capital investments, while providing funding for the newly issued 2015 General Obligation Public Improvement and Refunding Bonds. The projected revenues for fiscal year 2016 are \$53,448,622 or 1.7% greater than fiscal 2015 actual. The projected increase in the major six revenues, minus any rate increases, at budget creation was 0.5% for fiscal 2014. Since its passage, the Commonwealth of Virginia's estimated funding has been increased slightly due to mostly increases in projected street maintenance revenues, but the City will be expected to refund estimated State revenues to balance current State revenue reduction estimates.

**CITY OF COLONIAL HEIGHTS, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015
(Continued)**

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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BASIC FINANCIAL STATEMENTS

CITY OF COLONIAL HEIGHTS, VIRGINIA

STATEMENT OF NET POSITION

June 30, 2015

	Primary Government			Discretely Presented
	Governmental Activities	Business-Type Activities	Totals	Component Unit School Board
ASSETS				
Cash and investments (Note 2)	\$ 6,318,129	\$ 425,933	\$ 6,744,062	\$ 5,050,807
Receivables, net (Note 3)	11,791,247	835,282	12,626,529	63,603
Due from other governments (Note 4)	3,728,043	21,884	3,749,927	1,320,327
Due from primary government	-	-	-	9,823
Internal balances (Note 5)	(2,497,805)	2,497,805	-	-
Inventories	51,766	-	51,766	31,803
Prepays	8,833	-	8,833	-
Restricted cash (Note 2)	3,388,835	-	3,388,835	-
Capital assets: (Note 7)				
Nondepreciable	18,658,782	1,159,292	19,818,074	1,090,102
Depreciable, net	48,492,578	12,450,418	60,942,996	17,081,755
Total assets	89,940,408	17,390,614	107,331,022	24,648,220
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	505,390	24,461	529,851	-
Pension contributions subsequent to measurement date (Note 11)	1,945,674	120,545	2,066,219	2,700,000
Total deferred outflows of resources	2,451,064	145,006	2,596,070	2,700,000
LIABILITIES				
Accounts payable and other current liabilities	1,869,454	165,181	2,034,635	3,403,249
Due to component unit	9,823	-	9,823	-
Unearned revenue	-	-	-	17,253
Accrued interest	83,281	12,275	95,556	-
Customer security deposits	43,778	144,103	187,881	-
Noncurrent liabilities:				
Net pension liability (Note 11)	11,776,987	751,723	12,528,710	30,816,812
Due within one year (Note 8)	3,569,511	379,193	3,948,704	158,216
Due in more than one year (Note 8)	32,941,750	4,797,160	37,738,910	3,405,877
Total liabilities	50,294,584	6,249,635	56,544,219	37,801,407
DEFERRED INFLOWS OF RESOURCES				
Property taxes and grants	10,950,450	-	10,950,450	-
Net difference between projected and actual investment earnings on pension plan investments (Note 11)	3,049,752	194,665	3,244,417	4,845,880
Changes in proportion – teacher cost sharing pool (Note 11)	-	-	-	514,000
Total deferred inflows of resources	14,000,202	194,665	14,194,867	5,359,880
NET POSITION				
Net investment in capital assets	34,894,010	11,855,032	46,749,042	18,080,934
Restricted for public safety and judicial administration grants	332,329	-	332,329	-
Unrestricted	(7,129,653)	(763,712)	(7,893,365)	(33,894,001)
Total net position	\$ 28,096,686	\$ 11,091,320	\$ 39,188,006	\$ (15,813,067)

EXHIBIT 2

CITY OF COLONIAL HEIGHTS, VIRGINIA

STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Totals	Discretely Presented Component Unit School Board
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business- Type Activities		
Primary Government:								
Governmental activities:								
General government	\$ 4,035,396	\$ 3,428,899	\$ 851,774	\$ -	\$ 245,277		\$ 245,277	
Judicial administration	5,401,538	505,391	736,014	-	(4,160,133)		(4,160,133)	
Public safety	11,268,573	1,247,962	905,682	38,450	(9,076,479)		(9,076,479)	
Public works	5,568,423	1,221,780	2,422,450	4,191,712	2,267,519		2,267,519	
Health and welfare	700,961	-	4,457	-	(696,504)		(696,504)	
Parks, recreation, and cultural	2,860,914	181,843	-	-	(2,679,071)		(2,679,071)	
Community development	455,683	-	-	-	(455,683)		(455,683)	
Education	19,383,253	-	377,274	-	(19,005,979)		(19,005,979)	
Human services	437,567	-	9,320	-	(428,247)		(428,247)	
Interest	1,312,329	-	-	-	(1,312,329)		(1,312,329)	
Total governmental activities	51,424,637	6,585,875	5,306,971	4,230,162	(35,301,629)		(35,301,629)	
Business-type activities:								
Water and sewer	4,324,991	4,181,407	-	-		\$ (143,584)	(143,584)	
Storm water management	309,071	396,082	-	-		87,011	87,011	
Total business-type activities	4,634,062	4,577,489	-	-		(56,573)	(56,573)	
Total primary government	\$ 56,058,699	\$ 11,163,364	\$ 5,306,971	\$ 4,230,162	(35,301,629)	(56,573)	(35,358,202)	
Discretely Presented Component Unit:								
School Board	\$ 35,871,027	\$ 376,249	\$ 15,234,548	\$ -				\$ (20,260,230)
General revenues:								
Taxes:								
General property taxes					21,604,557	-	21,604,557	-
Other local taxes:								
Local sales and use					7,505,833	-	7,505,833	-
Food and lodging					7,277,458	-	7,277,458	-
Consumer utility and communications sales and use					1,664,150	-	1,664,150	-
Other					481,685	-	481,685	-
Payments from City					-	-	-	19,383,253
Intergovernmental, non-categorical aid					1,758,845	-	1,758,845	-
Use of money and property					167,783	-	167,783	-
Miscellaneous					218,790	-	218,790	103,926
Total general revenues					40,679,101	-	40,679,101	19,487,179
Change in net position					5,377,472	(56,573)	5,320,899	(773,051)
NET POSITION AT JULY 1, AS RESTATED (NOTE 19)					22,719,214	11,147,893	33,867,107	(15,040,016)
NET POSITION AT JUNE 30					\$ 28,096,686	\$ 11,091,320	\$ 39,188,006	\$ (15,813,067)

CITY OF COLONIAL HEIGHTS, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash and investments	\$ 6,318,129	\$ -	\$ 6,318,129
Receivables, net	11,791,095	152	11,791,247
Due from other governments	2,642,466	1,085,577	3,728,043
Due from other funds	1,118,337	-	1,118,337
Inventories	51,766	-	51,766
Prepays	8,833	-	8,833
Restricted cash	-	3,388,835	3,388,835
Total assets	<u>\$ 21,930,626</u>	<u>\$ 4,474,564</u>	<u>\$ 26,405,190</u>
LIABILITIES			
Accounts payable and other current liabilities	\$ 1,191,186	\$ 678,268	\$ 1,869,454
Due to other funds	-	3,616,142	3,616,142
Due to component unit	9,823	-	9,823
Customer security deposits	43,778	-	43,778
Total liabilities	<u>1,244,787</u>	<u>4,294,410</u>	<u>5,539,197</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable/unearned revenue	10,930,961	378,917	11,309,878
Total deferred inflows of resources	<u>10,930,961</u>	<u>378,917</u>	<u>11,309,878</u>
FUND BALANCES (Note 13)			
Nonspendable	60,599	-	60,599
Restricted	332,329	3,388,835	3,721,164
Committed	618,698	-	618,698
Assigned	728,241	-	728,241
Unassigned	8,015,011	(3,587,598)	4,427,413
Total fund balances	<u>9,754,878</u>	<u>(198,763)</u>	<u>9,556,115</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 21,930,626</u>	<u>\$ 4,474,564</u>	<u>\$ 26,405,190</u>

CITY OF COLONIAL HEIGHTS, VIRGINIA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2015**

Total Fund Balance - Governmental Funds		\$ 9,556,115
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	\$ 18,658,782	
Depreciable, net	<u>48,492,578</u>	
		67,151,360
Certain receivables are not available to pay for current-period expenditures and therefore are deferred in the funds.		
		359,428
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources for 2015 employer contributions	1,945,674	
Deferred inflows of resources for the net differences between projected and actual investment earnings on pension plan investments	(3,049,752)	
Net pension liability	<u>(11,776,987)</u>	
		(12,881,065)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Bonds payable, including unamortized premiums and discounts	(32,838,646)	
Deferred charge on refunding	505,390	
Landfill post-closure liability	(356,000)	
Compensated absences	(1,761,019)	
Other post-employment benefits	(1,440,660)	
Capital lease payable	(114,936)	
Accrued interest payable	<u>(83,281)</u>	
		(36,089,152)
Total Net Position - Governmental Activities		<u><u>\$ 28,096,686</u></u>

EXHIBIT 5

CITY OF COLONIAL HEIGHTS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

Year Ended June 30, 2015

	General	Capital Projects	Total Governmental Funds
REVENUES			
General property taxes	\$ 21,560,377	\$ -	\$ 21,560,377
Other local taxes	16,929,126	-	16,929,126
Permits, privilege fees, and regulatory licenses	3,541,207	-	3,541,207
Fines and forfeitures	505,391	-	505,391
Charges for services	2,539,277	-	2,539,277
Use of money and property	167,287	496	167,783
Miscellaneous	245,348	-	245,348
Reimbursement from School Board	377,274	-	377,274
Intergovernmental	6,700,434	4,191,712	10,892,146
Total revenues	52,565,721	4,192,208	56,757,929
EXPENDITURES			
Current:			
General government	3,774,029	-	3,774,029
Judicial administration	5,452,078	-	5,452,078
Public safety	11,146,037	-	11,146,037
Public works	4,079,575	-	4,079,575
Health and welfare	697,163	-	697,163
Parks, recreation, and cultural	2,726,632	-	2,726,632
Community development	515,386	-	515,386
Education	19,383,253	-	19,383,253
Human services	447,668	-	447,668
Nondepartmental	334,301	-	334,301
Debt service:			
Principal retirement	2,607,026	-	2,607,026
Interest and fiscal charges	1,190,669	-	1,190,669
Capital outlays	-	5,132,587	5,132,587
Total expenditures	52,353,817	5,132,587	57,486,404
Excess (deficiency) of revenues over expenditures	211,904	(940,379)	(728,475)
OTHER FINANCING SOURCES (USES)			
Proceeds from long-term debt	8,424,044	-	8,424,044
Payment to refunded bond escrow agent	(8,887,096)	-	(8,887,096)
Premium on sale of bonds	625,569	-	625,569
Proceeds from capital lease	121,475	-	121,475
Transfers in (Note 6)	-	378,901	378,901
Transfers out (Note 6)	(378,901)	-	(378,901)
Total other financing sources (uses)	(94,909)	378,901	283,992
Net change in fund balances	116,995	(561,478)	(444,483)
FUND BALANCES AT JULY 1	9,637,883	362,715	10,000,598
FUND BALANCES AT JUNE 30	\$ 9,754,878	\$ (198,763)	\$ 9,556,115

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, 2015

Net Change in Fund Balances - Governmental Funds \$ (444,483)

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

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

Capital outlays	\$ 5,729,345	
Depreciation expense	(2,717,143)	
		3,012,202

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		44,180
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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.		2,485,551
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Some expenses reported in the Statement of Activities, such as compensated
absences and other post-employment benefits do not require the use of current
financial resources and therefore are not reported as expenditures in
governmental funds.

Change in compensated absences	12,465	
Change in other post-employment benefits	(122,293)	
		(109,828)

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 \$1,945,674 exceed pension expense \$1,271,647 in the current period.		674,027
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Governmental funds report the effect of bond premiums and discounts when debt
is first issued; whereas, these amounts are deferred and amortized in the
Statement of Activities. Interest is recognized as an expenditure in the
governmental funds when it is due. In the statement of activities, interest
expense is recognized as it accrues, regardless of when it is due. The net effect
of those differences is as follows:

Bond proceeds, net of payment to refunded bond escrow agent	463,052	
Bond premium	(625,569)	
Amortization of discounts and premiums	(46,263)	
Amortization of gain/loss from refundings	(87,502)	
Change in accrued interest payable	12,105	
		(284,177)

Change in Net Position - Governmental Activities		\$ 5,377,472
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CITY OF COLONIAL HEIGHTS, VIRGINIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2015

	Business-Type Activities – Enterprise Funds		
	Water and Sewer	Storm Water Management	Totals
ASSETS			
Current assets:			
Cash and investments	\$ 139,150	\$ 286,783	\$ 425,933
Receivables, net	763,206	72,076	835,282
Due from other governments	21,884	-	21,884
Due from other funds	325,381	2,172,424	2,497,805
Total current assets	1,249,621	2,531,283	3,780,904
Noncurrent assets:			
Capital assets, net	13,112,991	496,719	13,609,710
Total noncurrent assets	13,112,991	496,719	13,609,710
Total assets	14,362,612	3,028,002	17,390,614
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	24,461	-	24,461
Pension contributions subsequent to measurement date	103,296	17,249	120,545
Total deferred outflows of resources	127,757	17,249	145,006
LIABILITIES			
Current liabilities:			
Accounts payable and other current liabilities	157,477	7,704	165,181
Accrued interest	6,975	5,300	12,275
Customer security deposits	144,103	-	144,103
Compensated absences	41,657	2,758	44,415
Debt obligations, current	220,263	114,515	334,778
Total current liabilities	570,475	130,277	700,752
Noncurrent liabilities:			
Compensated absences	36,013	2,421	38,434
Other post-employment benefits	107,922	8,450	116,372
Net pension liability	626,436	125,287	751,723
Debt obligations	2,313,007	2,329,347	4,642,354
Total noncurrent liabilities	3,083,378	2,465,505	5,548,883
Total liabilities	3,653,853	2,595,782	6,249,635
DEFERRED INFLOWS OF RESOURCES			
Net difference between projected and actual investment earnings on pension plan investments	162,221	32,444	194,665
NET POSITION			
Net investment in capital assets	11,629,751	225,281	11,855,032
Unrestricted	(955,456)	191,744	(763,712)
Total net position	\$ 10,674,295	\$ 417,025	\$ 11,091,320

CITY OF COLONIAL HEIGHTS, VIRGINIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2015

	Business-Type Activities – Enterprise Funds		
	Water and Sewer	Storm Water Management	Totals
OPERATING REVENUES			
Charges for services	\$ 4,015,466	\$ 392,380	\$ 4,407,846
Connection fees	104,531	-	104,531
Penalties	53,535	3,702	57,237
Miscellaneous	7,875	-	7,875
Total operating revenues	<u>4,181,407</u>	<u>396,082</u>	<u>4,577,489</u>
OPERATING EXPENSES			
Personnel	734,538	119,077	853,615
Fringe benefits	305,418	47,949	353,367
Utilities	80,909	-	80,909
Repairs and maintenance	38,738	2,763	41,501
Materials and supplies	148,696	6,317	155,013
Sewage treatment costs	1,279,968	-	1,279,968
Water purchased for resale	426,842	-	426,842
Depreciation and amortization	766,174	32,674	798,848
Other charges	477,677	54,995	532,672
Total operating expenses	<u>4,258,960</u>	<u>263,775</u>	<u>4,522,735</u>
Operating income (loss)	<u>(77,553)</u>	<u>132,307</u>	<u>54,754</u>
NONOPERATING EXPENSES			
Interest expense	<u>(66,031)</u>	<u>(45,296)</u>	<u>(111,327)</u>
Change in net position	<u>(143,584)</u>	<u>87,011</u>	<u>(56,573)</u>
NET POSITION AT JULY 1, AS RESTATED (NOTE 19)	<u>10,817,879</u>	<u>330,014</u>	<u>11,147,893</u>
NET POSITION AT JUNE 30	<u><u>\$ 10,674,295</u></u>	<u><u>\$ 417,025</u></u>	<u><u>\$ 11,091,320</u></u>

CITY OF COLONIAL HEIGHTS, VIRGINIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2015

	Business-Type Activities – Enterprise Funds		
	Water and Sewer	Storm Water Management	Totals
OPERATING ACTIVITIES			
Receipts from customers and properties	\$ 4,154,959	\$ 394,489	\$ 4,549,448
Receipts from other sources	6,791	-	6,791
Payments to suppliers	(2,459,822)	(62,455)	(2,522,277)
Payments to employees	(1,074,695)	(171,332)	(1,246,027)
Net cash provided by operating activities	627,233	160,702	787,935
NONCAPITAL FINANCING ACTIVITIES			
Interfund borrowing	(1,224,878)	(2,177,987)	(3,402,865)
Net cash used in noncapital financing activities	(1,224,878)	(2,177,987)	(3,402,865)
CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(1,142,439)	(261,132)	(1,403,571)
Principal paid	(770,654)	(24,279)	(794,933)
Proceeds from long term liabilities	2,334,249	2,378,767	4,713,016
Interest paid	(104,049)	(64,898)	(168,947)
Net cash provided by capital and related financing activities	317,107	2,028,458	2,345,565
Net increase (decrease) in cash and cash equivalents	(280,538)	11,173	(269,365)
CASH AND CASH EQUIVALENTS			
Beginning at July 1	419,688	275,610	695,298
Ending at June 30	<u>\$ 139,150</u>	<u>\$ 286,783</u>	<u>\$ 425,933</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (77,553)	\$ 132,307	\$ 54,754
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization	766,174	32,674	798,848
Pension expense net of employer contributions	(35,655)	(3,721)	(39,376)
Change in assets and liabilities:			
(Increase) decrease in:			
Receivables, net	(26,529)	(1,540)	(28,069)
Due from other governments	(1,084)	-	(1,084)
Increase in:			
Accounts payable and other current liabilities	(10,690)	1,562	(9,128)
Customer deposits	7,956	(53)	7,903
Compensated absences	(4,547)	(1,244)	(5,791)
Other post-employment benefits	9,161	717	9,878
Net cash provided by operating activities	<u>\$ 627,233</u>	<u>\$ 160,702</u>	<u>\$ 787,935</u>
SUPPLEMENTAL CASH FLOW INFORMATION			
INTEREST CAPITALIZED	<u>\$ 16,429</u>	<u>\$ 19,487</u>	<u>\$ 35,916</u>

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies

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

A. The Financial Reporting Entity

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

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

Discretely Presented Component Unit – School Board

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

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

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (Continued)

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

The City reports the following major governmental funds:

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

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

The City reports the following major enterprise funds:

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

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgets and Budgetary Accounting

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

1. At least 60 days prior to June 30, the City Manager submits to City Council a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them.
2. The capital projects budget is prepared on a project length basis under which the total outlay for each project is estimated for the length of the project.
3. Public hearings are conducted to obtain citizen comments on the proposed budget. Prior to July 1, the budget is legally adopted at the function level through passage of an appropriation ordinance by City Council.
4. The City Manager is authorized to transfer amounts within functions, with any other transfers being approved by City Council. During the year, \$1,124,326 in supplemental appropriations were approved by City Council. These amendments consisted primarily of appropriations of prior year encumbrances, the appropriation of fund balance, and the appropriation of additional intergovernmental grants received during the year.
5. Actual expenditures and operating transfers out may not legally exceed budget appropriations for each function. City Council legally adopts an annual budget for the General Fund. General government and judicial administration expenditures exceeded budgeted appropriations.

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

Investments.

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

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

Property Taxes.

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (Continued)

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

Property Taxes. (Continued)

Real Property (Continued) – For real estate assessed on January 1, payment is due in two installments on May 15 and November 15 and is considered delinquent if not received by the due date. On January 1, real estate taxes become an enforceable lien on related property. The real estate taxes reported as current year revenue are the second installment (November 15) of the levy on assessed value at January 1 of the prior year and the first installment (May 15) of the levy at January 1 of the current year. The tax rate for calendar year 2014 and 2015 was \$1.14 per \$100 of assessed value.

Personal Property – The City levies personal property taxes on motor vehicles and personal and business property. These levies are assessed on a calendar year basis as of January 1. Personal property taxes are payable in two installments, which are due on June 5 and December 5. Taxes become delinquent if not received by the due date. On January 1, personal property taxes become an enforceable lien on related property. The personal property taxes reported as revenue are the second installment (December 5) of the levy on assessed value at January 1 of the prior year, and the first installment (June 5) of the levy at January 1 of the current year. The tax rate for calendar year 2015 was \$3.50 per \$100 of assessed value. Under the provisions of the Personal Property Tax Relief Act of 1998 (PPTRA), the City received \$1,753,369 for the State's share of the local personal property tax payment with the remainder collected from City residents.

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

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

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

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (Continued)

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

Capital Assets. (Continued)

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

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, \$16,429 and \$19,487 in interest expense was included as part of the cost of capital assets under construction, in the Water and Sewer fund and the Storm Water Management fund, respectively.

Deferred Outflows/Inflows of Resources. In addition to assets, the statements which present financial position report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category. The first is the deferred charge on refunding reported in the government-wide and proprietary funds statements of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding of debt. The second item consists of contributions subsequent to the measurement date for pensions; this will be applied to the net pension liability in the next fiscal year.

In addition to liabilities, the statements which present financial position report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has four types of items that qualify for reporting in this category. The first item occurs only under a modified accrual basis of accounting. The item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes and other receivables not collected within 45 days of year-end and property taxes levied to fund future years. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item is the deferred inflow reported in the government-wide statement of net position for unearned revenue in the governmental funds. This deferred inflow is a result of resources received in non-exchange transactions, but not yet earned due to allowable costs not yet having been spent or due to their intention to fund subsequent year expenditures. The third item is the net difference between projected and actual earnings on pension plan investments. This difference will be recognized in pension expense over a closed five year period. The final deferred inflow results from participation in the Virginia Retirement System's teacher cost sharing pool, where changes in proportion and differences between employer contributions and the proportionate share of employer contributions are reported as a deferred inflow or outflow, as appropriate.

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (Continued)

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

Fund Equity. (Continued)

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

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

Minimum Fund Balance Policy

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

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

Encumbrances:

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Significant encumbrances as of June 30 total \$583,232 in the general fund and \$719,407 in the capital projects fund. The capital projects fund encumbrances are listed as committed on Table 5, and are broken out among the various departments.

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1. Summary of Significant Accounting Policies (Continued)

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

Encumbrances: (Continued)

Net Position. (Continued)

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

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

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

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

F. Use of Estimates

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 2. Deposits and Investments

Deposits

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

Investments

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

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

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

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 2. Deposits and Investments (Continued)

Investments (Continued)

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

Deposits:	
Demand deposits	\$ 4,909,642
Cash on hand	<u>12,700</u>
	4,922,342
Investments (Fair Value):	
LGIP	5,025,097
SNAP	<u>185,458</u>
Total deposits and investments	<u><u>\$ 10,132,897</u></u>

Exhibit 1 total deposits and investments is composed as follows:

Cash and investments	\$ 6,744,062
Restricted cash	<u>3,388,835</u>
Total deposits and investments	<u><u>\$ 10,132,897</u></u>

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

Deposits:	
Demand deposits	<u><u>\$ 5,050,807</u></u>

Credit Risk

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

Restricted Cash

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 3. Receivables

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

	<u>General</u>	<u>Capital Projects</u>	<u>Water and Sewer</u>	<u>Storm Water Management</u>	<u>Total</u>	<u>School Board</u>
Taxes	\$ 11,446,356	\$ -	\$ -	\$ -	\$ 11,446,356	\$ -
Accounts	432,947	-	838,206	72,076	1,343,229	63,603
Other	32,662	152	-	-	32,814	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Gross receivables	11,911,965	152	838,206	72,076	12,822,399	63,603
Less allowance for uncollectible accounts	(120,718)	-	(75,000)	-	(195,718)	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net receivables	<u>\$ 11,791,247</u>	<u>\$ 152</u>	<u>\$ 763,206</u>	<u>\$ 72,076</u>	<u>\$ 12,626,681</u>	<u>\$ 63,603</u>

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

Note 4. Due from Other Governmental Units

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>School Board</u>
Federal:			
FEMA	\$ 59,090	\$ -	\$ -
Highway planning and construction	1,085,577	-	-
Other grants	12,000	-	-
Title I	-	-	308,117
Title II and III	-	-	53,179
IDEA	-	-	184,189
Perkins	-	-	9,879
Child nutrition	-	-	100,900
Commonwealth of Virginia:			
Other aid, grants, and reimbursements	359,377	-	180,000
Sales tax	1,251,734	-	484,063
PPTRA	960,265	-	-
Chesterfield County	-	14,476	-
Virginia State University	-	7,250	-
Other governments	-	158	-
	<hr/>	<hr/>	<hr/>
	<u>\$ 3,728,043</u>	<u>\$ 21,884</u>	<u>\$ 1,320,327</u>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 5. Interfund Obligations

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

	<u>Receivables</u>	<u>Payables</u>
General	\$ 1,118,337	\$ -
Capital Projects	-	3,616,142
Water and Sewer	325,381	-
Storm Water Management	<u>2,172,424</u>	<u>-</u>
	<u>\$ 3,616,142</u>	<u>\$ 3,616,142</u>

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

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

Note 6. Interfund Transfers

	<u>Transfer From Fund</u>
	<u>General</u>
Transfer to fund:	
Capital Projects	<u>\$ 378,901</u>

The transfer from the General Fund to the Capital Projects Fund was for local funding for capital improvement projects.

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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	\$ 2,455,154	\$ 113,802	\$ -	\$ 2,568,956
Easements	2,245,247	-	-	2,245,247
Construction in progress	10,330,050	5,132,587	(1,618,058)	13,844,579
	<u>15,030,451</u>	<u>5,246,389</u>	<u>(1,618,058)</u>	<u>18,658,782</u>
Capital assets, depreciated and amortized:				
Buildings and structures	38,081,491	118,667	-	38,200,158
Infrastructure	56,871,822	1,412,630	-	58,284,452
Equipment	15,467,198	569,717	-	16,036,915
Intangibles	106,615	-	-	106,615
	<u>110,527,126</u>	<u>2,101,014</u>	<u>-</u>	<u>112,628,140</u>
Less accumulated depreciation and amortization for:				
Buildings and structures	(8,909,843)	(986,450)	-	(9,896,293)
Infrastructure	(40,861,843)	(1,006,515)	-	(41,868,358)
Equipment	(11,566,202)	(719,418)	-	(12,285,620)
Intangibles	(80,531)	(4,760)	-	(85,291)
	<u>(61,418,419)</u>	<u>(2,717,143)</u>	<u>-</u>	<u>(64,135,562)</u>
Capital assets, depreciated and amortized, net	<u>49,108,707</u>	<u>(616,129)</u>	<u>-</u>	<u>48,492,578</u>
Governmental activities capital assets, net	<u>\$ 64,139,158</u>	<u>\$ 4,630,260</u>	<u>\$ (1,618,058)</u>	<u>\$ 67,151,360</u>

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

Governmental activities:	
General government	\$ 24,673
Judicial administration	14,712
Public safety	474,393
Public works	1,790,760
Health and welfare	3,798
Parks, recreation, and cultural	408,807
	<u>\$ 2,717,143</u>

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

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 7. Capital Assets (Continued)

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated or amortized:				
Construction in Progress	\$ -	\$ 1,022,992	\$ -	\$ 1,022,992
Land	136,300	-	-	136,300
	<u>136,300</u>	<u>1,022,992</u>	<u>-</u>	<u>1,159,292</u>
Capital assets, depreciated and amortized:				
Land improvements	48,927	-	-	48,927
Buildings and structures	3,790,420	-	-	3,790,420
Infrastructure	14,486,487	114,631	-	14,601,118
Equipment	3,055,645	280,530	-	3,336,175
Intangibles	303,982	-	-	303,982
Purchased capacity	9,874,437	-	-	9,874,437
	<u>31,559,898</u>	<u>395,161</u>	<u>-</u>	<u>31,955,059</u>
Less accumulated depreciation and amortization for:				
Land improvements	(39,715)	(249)	-	(39,964)
Buildings and structures	(2,238,492)	(81,263)	-	(2,319,755)
Infrastructure	(6,598,131)	(193,966)	-	(6,792,097)
Equipment	(2,080,626)	(100,138)	-	(2,180,764)
Intangibles	(244,257)	(28,254)	-	(272,511)
Purchased capacity	(7,504,572)	(394,978)	-	(7,899,550)
	<u>(18,705,793)</u>	<u>(798,848)</u>	<u>-</u>	<u>(19,504,641)</u>
Capital assets, depreciated and amortized, net	<u>12,854,105</u>	<u>(403,687)</u>	<u>-</u>	<u>12,450,418</u>
Business-type activities capital assets, net	<u>\$ 12,990,405</u>	<u>\$ 619,305</u>	<u>\$ -</u>	<u>\$ 13,609,710</u>

Equipment includes capitalized leases of \$126,739 with a net book value of \$116,177.

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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	\$ 766,174
Storm Water	<u>32,674</u>
	<u><u>\$ 798,848</u></u>

South Central Wastewater Authority (SCWA) treatment plant rights:

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

<u>Component Unit – School Board</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not depreciated or amortized:				
Land	\$ 1,090,102	\$ -	\$ -	\$ 1,090,102
Capital assets, depreciated and amortized:				
Buildings and structures	31,067,487	153,418	-	31,220,905
Equipment	4,562,075	17,564	-	4,579,639
Intangibles	12,155	-	-	12,155
	<u>35,641,717</u>	<u>170,982</u>	<u>-</u>	<u>35,812,699</u>
Less accumulated depreciation and amortization for:				
Buildings and structures	(14,218,370)	(702,092)	-	(14,920,462)
Equipment	(3,614,261)	(184,066)	-	(3,798,327)
Intangibles	(10,191)	(1,964)	-	(12,155)
	<u>(17,842,822)</u>	<u>(888,122)</u>	<u>-</u>	<u>(18,730,944)</u>
Capital assets, depreciated and amortized, net	<u>17,798,895</u>	<u>(717,140)</u>	<u>-</u>	<u>17,081,755</u>
School Board capital assets, net	<u><u>\$ 18,888,997</u></u>	<u><u>\$ (717,140)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 18,171,857</u></u>

Equipment includes capitalized leases of \$282,316 with a net book value of \$228,206.

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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	\$ 33,406,897	\$ 8,424,044	\$ (10,956,983)	\$ 30,873,958	\$ 2,760,215
Issuance premiums	1,562,476	625,569	(223,357)	1,964,688	-
Issuance discounts	(224,788)	-	224,788	-	-
Capital lease payable	-	121,475	(6,539)	114,936	22,790
Landfill post-closure liability	356,000	-	-	356,000	-
	35,100,585	9,171,088	(10,962,091)	33,309,582	2,783,005
Compensated absences	1,773,484	845,728	(858,193)	1,761,019	786,506
Other post-employment benefits	1,318,367	244,888	(122,595)	1,440,660	-
	<u>\$ 38,192,436</u>	<u>\$ 10,261,704</u>	<u>\$ (11,942,879)</u>	<u>\$ 36,511,261</u>	<u>\$ 3,569,511</u>
Business-Type Activities					
General obligation bonds	\$ 633,103	\$ 4,490,956	\$ (443,017)	\$ 4,681,042	\$ 309,785
Capital lease payable	94,789	-	(24,279)	70,510	24,993
Obligations payable - SCWA	327,637	-	(327,637)	-	-
Issuance premiums	19,498	222,060	(15,978)	225,580	-
Issuance discounts	(1,291)	-	1,291	-	-
	1,073,736	4,713,016	(809,620)	4,977,132	334,778
Compensated absences	88,640	35,435	(41,226)	82,849	44,415
Other post-employment benefits	106,494	19,780	(9,902)	116,372	-
	<u>\$ 1,268,870</u>	<u>\$ 4,768,231</u>	<u>\$ (860,748)</u>	<u>\$ 5,176,353</u>	<u>\$ 379,193</u>
Component Unit – School Board					
Capital lease payable	\$ 178,772	\$ -	\$ (87,849)	\$ 90,923	\$ 90,923
Compensated absences	1,070,622	586,567	(311,333)	1,345,856	67,293
Other post-employment benefits	1,947,874	560,388	(380,948)	2,127,314	-
	<u>\$ 3,197,268</u>	<u>\$ 1,146,955</u>	<u>\$ (780,130)</u>	<u>\$ 3,564,093</u>	<u>\$ 158,216</u>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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 2007	2007	4.00	\$ 975,000
Series 2010	2010	2.00-4.00	2,115,000
Series 2012	2012	2.50-4.00	19,550,000
Series 2015	2015	2.00-5.00	<u>12,915,000</u>
Total general obligation bonds			<u>\$ 35,555,000</u>
Capital leases payable:			
Motor Grader	2014	2.90%	\$ 70,510
Bucket Truck	2015		<u>114,936</u>
			<u>\$ 185,446</u>

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

Capital lease payable:			
Buses	2013	3.50%	<u>\$ 90,923</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>
2016	\$ 2,760,215	\$ 916,942	\$ 309,785	\$ 145,508
2017	2,374,672	835,639	270,328	139,136
2018	2,435,697	771,375	279,303	122,975
2019	1,971,636	713,203	238,364	117,547
2020	2,024,222	664,088	240,778	112,912
2021-2025	8,595,000	2,484,000	950,000	451,250
2026-2030	7,845,000	1,087,800	1,105,000	293,250
2031-2035	<u>2,867,516</u>	<u>130,051</u>	<u>1,287,484</u>	<u>117,449</u>
	<u>\$ 30,873,958</u>	<u>\$ 7,603,098</u>	<u>\$ 4,681,042</u>	<u>\$ 1,500,027</u>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 8. Long-Term Liabilities (Continued)

Fiscal Year Ending	<u>Capital Lease Payable Governmental Activities</u>		<u>Capital Lease Payable Business-type Activities</u>		<u>Capital Lease Payable School Board</u>	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 22,790	\$ 3,364	\$ 24,993	\$ 1,715	\$ 90,923	\$ 3,182
2017	23,519	2,581	25,727	990	-	-
2018	24,271	1,883	19,790	240	-	-
2019	25,047	1,107	-	-	-	-
2020	19,309	306	-	-	-	-
	<u>\$ 114,936</u>	<u>\$ 9,241</u>	<u>\$ 70,510</u>	<u>\$ 2,945</u>	<u>\$ 90,923</u>	<u>\$ 3,182</u>

Current Year Defeasance of Debt

On February 3, 2015, the City issued \$8,730,000 in General Obligation Public Improvement and Refunding Bonds with interest rates ranging between 3.00% and 5.00% per annum. The City issued the bonds to advance refund \$2,535,000 of the outstanding 2004 General Obligation Bonds with interest rates ranging from 3.50% to 3.75% per annum and \$6,125,000 of the outstanding 2007 General Obligation Bonds with an interest rate of 4.00% per annum. The City used the net proceeds along with other resources to purchase U.S. government securities that were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the 2004 and 2007 bonds. As a result, that portion of the 2004 and 2007 bonds are considered defeased, and the City has removed the liabilities from its accounts. The outstanding principal of the defeased bonds is \$6,125,000 at June 30, 2015. The advance refunding reduced total debt service payments over the next 13 years by nearly \$667,000. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$624,035. The bonds are due in annual installments ranging from \$500,000 to \$725,000, paid semi-annually, through June 1, 2027.

Note 9. Environmental Liabilities

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

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

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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.

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

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

Construction Commitments: The City has entered into various construction contracts with approximately \$719,000 still outstanding to be completed at year-end. These construction commitments are listed on Table 5, and are broken down into four main categories: general government, recreational facilities, streets and bridges, and utility improvements. This includes a multi-phase walking trail along the Appomattox River and various street projects.

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

Note 11. Defined Benefit Pension Plan

City Employees and School Nonprofessional Employees:

Plan Description

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

City Employees and School Nonprofessional Employees: (Continued)

Plan Description (Continued)

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 set out in the table below:

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1</p> <p>Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About Plan 2</p> <p>Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>About the Hybrid Retirement Plan</p> <p>The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members")</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

City Employees and School Nonprofessional Employees: (Continued)

Plan Description (Continued)

<p>Eligible Members</p> <p>Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election</p> <p>VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Eligible Members</p> <p>Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election</p> <p>Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>Eligible Members</p> <p>Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. <p>*Non-Eligible Members</p> <p>Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
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CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

City Employees and School Nonprofessional Employees: (Continued)

Plan Description (Continued)

Retirement Contributions	Retirement Contributions	Retirement Contributions
Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016.	A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

City Employees and School Nonprofessional Employees: (Continued)

Plan Description (Continued)

<p>Creditable Service</p> <p>Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service</p> <p>Same as Plan 1.</p>	<p>Creditable Service</p> <p><u>Defined Benefit Component:</u></p> <p>Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions Component:</u></p> <p>Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>
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CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

City Employees and School Nonprofessional Employees: (Continued)

Plan Description (Continued)

<p>Vesting</p> <p>Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting</p> <p>Same as Plan 1.</p>	<p>Vesting</p> <p><u>Defined Benefit Component:</u></p> <p>Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u></p> <p>Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p>
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(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

City Employees and School Nonprofessional Employees: (Continued)

Plan Description (Continued)

		<p>Vesting (Continued)</p> <p><u>Defined Contributions</u> <u>Component: (Continued)</u></p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
<p>Calculating the Benefit</p> <p>The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier, and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit</p> <p>See definition under Plan 1.</p>	<p>Calculating the Benefit</p> <p><u>Defined Benefit Component:</u></p> <p>See definition under Plan 1.</p> <p><u>Defined Contribution</u> <u>Component:</u></p> <p>The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

City Employees and School Nonprofessional Employees: (Continued)

Plan Description (Continued)

<p>Average Final Compensation</p> <p>A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation</p> <p>A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation</p> <p>Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier</p> <p>VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier</p> <p>VRS: Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier</p> <p><u>Defined Benefit Component:</u></p> <p>VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u></p> <p>Not applicable.</p>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

City Employees and School Nonprofessional Employees: (Continued)

Plan Description (Continued)

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

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

City Employees and School Nonprofessional Employees: (Continued)

Plan Description (Continued)

<p>Earliest Reduced Retirement Eligibility</p> <p>VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility</p> <p>VRS: Age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility</p> <p><u>Defined Benefit Component:</u></p> <p>VRS: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u></p> <p>Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p>The Cost-of-Living Adjustment (COLA) matches the first 3.00% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4.00%) up to a maximum COLA of 5.00%.</p> <p><u>Eligibility:</u></p> <p>For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p>The Cost-of-Living Adjustment (COLA) matches the first 2.00% increase in the CPI-U and half of any additional increase (up to 2.00%), for a maximum COLA of 3.00%.</p> <p><u>Eligibility:</u></p> <p>Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p><u>Defined Benefit Component:</u></p> <p>Same as Plan 2.</p> <p><u>Defined Contribution Component:</u></p> <p>Not applicable.</p> <p><u>Eligibility:</u></p> <p>Same as Plan 1 and Plan 2.</p>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

City Employees and School Nonprofessional Employees: (Continued)

Plan Description (Continued)

Cost-of-Living Adjustment (COLA) in Retirement (Continued)	Cost-of-Living Adjustment (COLA) in Retirement (Continued)	Cost-of-Living Adjustment (COLA) in Retirement (Continued)
<p><u>Eligibility:</u> (Continued)</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><u>Exceptions to COLA Effective Dates:</u></p> <p>The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. 	<p><u>Exceptions to COLA Effective Dates:</u></p> <p>Same as Plan 1.</p>	<p><u>Exceptions to COLA Effective Dates:</u></p> <p>Same as Plan 1 and Plan 2.</p>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

City Employees and School Nonprofessional Employees: (Continued)

Plan Description (Continued)

<p>Cost-of-Living Adjustment (COLA) in Retirement (Continued)</p> <p><u>Exceptions to COLA Effective Dates:</u> (Continued)</p> <ul style="list-style-type: none"> • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 		
<p>Disability Coverage</p> <p>Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage</p> <p>Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased, or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage</p> <p>Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

City Employees and School Nonprofessional Employees: (Continued)

Plan Description (Continued)

Purchase of Prior Service	Purchase of Prior Service	Purchase of Prior Service
<p>Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Same as Plan 1.</p>	<p><u>Defined Benefit Component:</u></p> <p>Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4.00% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <p><u>Defined Contribution Component:</u></p> <p>Not applicable.</p>

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

City Employees and School Nonprofessional Employees: (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2013 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>	
	<u>City</u>	<u>School Non- Professional</u>
Inactive members or their beneficiaries currently receiving benefits	<u>144</u>	<u>55</u>
Inactive members:		
Vested inactive members	32	7
Non-vested inactive members	37	8
Inactive members active elsewhere in VRS	<u>118</u>	<u>7</u>
Total inactive members	187	22
Active members	<u>246</u>	<u>38</u>
Total covered employees	<u><u>577</u></u>	<u><u>115</u></u>

Contributions

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

City Employees and School Nonprofessional Employees: (Continued)

Contributions (Continued)

The contractually required contribution rates for the year ended June 30, 2015 were 15.94% of covered employee compensation for the City employees and School Board non-professional employees, respectively. These rates were based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

These rates, when combined with employee contributions, were 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 City were \$2,066,219 and \$2,141,597 for the years ended June 30, 2015 and June 30, 2014, respectively. Contributions to the pension plan for the School Board non-professional employees were \$100,000 and \$118,587 for the years ended June 30, 2015 and 2014, respectively.

Net Pension Liability (Asset)

The political subdivision's net pension liability (asset) was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

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

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.00%. However, since the difference was minimal, and a more conservative 7.00% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.00% to simplify preparation of pension liabilities.

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

City Employees and School Nonprofessional Employees: (Continued)

Actuarial Assumptions – General Employees (Continued)

Mortality rates: 14% of deaths are assumed to be service related.

Largest 10 – Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

City Employees and School Nonprofessional Employees: (Continued)

Actuarial Assumptions – General Employees (Continued)

Largest 10 – Non-LEOS:

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

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

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

Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety employees in the Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

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

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.00%. However, since the difference was minimal, and a more conservative 7.00% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.00% to simplify preparation of pension liabilities.

Mortality rates: 60% of deaths are assumed to be service related.

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

City Employees and School Nonprofessional Employees: (Continued)

Actuarial Assumptions – Public Safety Employees (Continued)

Largest 10 – LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

All Others (Non 10 Largest) – LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 –LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – LEOS:

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

City Employees and School Nonprofessional Employees: (Continued)

Long-Term Expected Rate of Return

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

<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>
U.S. Equity	19.50 %	6.46 %	1.26 %
Developed Non U.S. Equity	16.50	6.28	1.04
Emerging Market Equity	6.00	10.00	0.60
Fixed Income	15.00	0.09	0.01
Emerging Debt	3.00	3.51	0.11
Rate Sensitive Credit	4.50	3.51	0.16
Non Rate Sensitive Credit	4.50	5.00	0.23
Convertibles	3.00	4.81	0.14
Public Real Estate	2.25	6.12	0.14
Private Real Estate	12.75	7.10	0.91
Private Equity	12.00	10.41	1.25
Cash	1.00	(1.50)	(0.02)
Total	100.00 %		<u>5.83 %</u>
	Inflation		<u>2.50</u>
	* Expected arithmetic nominal return		<u>8.33 %</u>

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

City Employees and School Nonprofessional Employees: (Continued)

Discount Rate

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

Changes in Net Pension Liability (Asset)

	City		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2013	\$ 62,884,212	\$ 46,322,304	\$ 16,561,908
Changes for the year:			
Service cost	1,701,944	-	1,701,944
Interest	4,300,904	-	4,300,904
Differences between expected and actual experience	-	-	-
Contributions – employer	-	2,141,597	(2,141,597)
Contributions – employee	-	640,031	(640,031)
Net investment income	-	7,293,094	(7,293,094)
Benefit payments, including refunds of employee contributions	(2,885,463)	(2,885,463)	-
Administrative expenses	-	(39,060)	39,060
Other changes	-	384	(384)
Net changes	3,117,385	7,150,583	(4,033,198)
Balances at June 30, 2014	\$ 66,001,597	\$ 53,472,887	\$ 12,528,710

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

City Employees and School Nonprofessional Employees: (Continued)

Changes in Net Pension Liability (Asset) (Continued)

	School Board Non-professional		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a) – (b)
Balances at June 30, 2013	\$ 4,232,368	\$ 3,889,190	\$ 343,178
Changes for the year:			
Service cost	137,965	-	137,965
Interest	287,415	-	287,415
Differences between expected and actual experience	-	-	-
Contributions – employer	-	118,587	(118,587)
Contributions – employee	-	57,398	(57,398)
Net investment income	-	608,037	(608,037)
Benefit payments, including refunds of employee contributions	(252,875)	(252,875)	-
Administrative expenses	-	(3,309)	3,309
Other changes	-	33	(33)
Net changes	172,505	527,871	(355,366)
Balances at June 30, 2014	\$ 4,404,873	\$ 4,417,061	\$ (12,188)

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

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
City's net pension liability	\$ 21,344,347	\$ 12,528,710	\$ 5,201,434
School Board Non-professional Employees' net pension Liability (Asset)	\$ 489,687	\$ (12,188)	\$ (438,101)

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

City Employees and School Nonprofessional Employees: (Continued)

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

For the year ended June 30, 2015, the City recognized pension expense of \$1,352,816. At June 30, 2015, the City 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	\$ -	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	3,244,417
Employer contributions subsequent to the measurement date	<u>2,066,219</u>	<u>-</u>
Total	<u><u>\$ 2,066,219</u></u>	<u><u>\$ 3,244,417</u></u>

For the year ended June 30, 2015, the School Board Non-professional employees recognized pension expense of \$34,101. At June 30, 2015, the School Board Non-professional employees 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	\$ -	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	270,880
Employer contributions subsequent to the measurement date	<u>100,000</u>	<u>-</u>
Total	<u><u>\$ 100,000</u></u>	<u><u>\$ 270,880</u></u>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

City Employees and School Nonprofessional Employees: (Continued)

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. 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	
	City	School Board Non-professional Employees
2016	\$ 811,104	\$ 67,720
2017	\$ 811,104	\$ 67,720
2018	\$ 811,104	\$ 67,720
2019	\$ 811,105	\$ 67,720
Thereafter	\$ -	\$ -

Payables to the Pension Plan

At June 30, 2015, approximately \$235,487 and \$8,005 were payable to the Virginia Retirement System for the legally required contributions by the City and School Board, respectively, related to June 2015 payroll.

Teacher Cost Sharing Pool

Plan Description

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their 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.

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

Teacher Cost Sharing Pool (Continued)

Plan Description (Continued)

The System administers three different benefit structures for covered employees in the VRS Teacher Retirement Plan – 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 set out in the table below:

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1</p> <p>Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About Plan 2</p> <p>Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>About the Hybrid Retirement Plan</p> <p>The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members")</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

Teacher Cost Sharing Pool (Continued)

Plan Description (Continued)

		<p>About the Hybrid Retirement Plan (Continued)</p> <ul style="list-style-type: none"> • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members</p> <p>Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election</p> <p>VRS Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members</p> <p>Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election</p> <p>Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members</p> <p>Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • School division employees. • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

Teacher Cost Sharing Pool (Continued)

Plan Description (Continued)

Retirement Contributions	Retirement Contributions	Retirement Contributions
Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016.	A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

Teacher Cost Sharing Pool (Continued)

Plan Description (Continued)

<p>Creditable Service</p> <p>Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service</p> <p>Same as Plan 1.</p>	<p>Creditable Service</p> <p><u>Defined Benefit Component:</u></p> <p>Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions Component:</u></p> <p>Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>
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CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

Teacher Cost Sharing Pool (Continued)

Plan Description (Continued)

<p>Vesting</p> <p>Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting</p> <p>Same as Plan 1.</p>	<p>Vesting</p> <p><u>Defined Benefit Component:</u></p> <p>Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u></p> <p>Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p>
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(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

Teacher Cost Sharing Pool (Continued)

Plan Description (Continued)

		<p><u>Vesting (Continued)</u></p> <p><u>Defined Contributions Component: (Continued)</u></p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
<p>Calculating the Benefit</p> <p>The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier, and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit</p> <p>See definition under Plan 1.</p>	<p>Calculating the Benefit</p> <p><u>Defined Benefit Component:</u></p> <p>See definition under Plan 1.</p> <p><u>Defined Contribution Component:</u></p> <p>The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

Teacher Cost Sharing Pool (Continued)

Plan Description (Continued)

<p>Average Final Compensation</p> <p>A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation</p> <p>A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation</p> <p>Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier</p> <p>The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for members is 1.70%.</p>	<p>Service Retirement Multiplier</p> <p>Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. The retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013.</p>	<p>Service Retirement Multiplier</p> <p><u>Defined Benefit Component:</u></p> <p>The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p><u>Defined Contribution Component:</u></p> <p>Not applicable.</p>
<p>Normal Retirement Age</p> <p>Age 65.</p>	<p>Normal Retirement Age</p> <p>Normal Social Security retirement age.</p>	<p>Normal Retirement Age</p> <p><u>Defined Benefit Component:</u></p> <p>Same as Plan 2.</p> <p><u>Defined Contribution Component:</u></p> <p>Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

Teacher Cost Sharing Pool (Continued)

Plan Description (Continued)

<p>Earliest Unreduced Retirement Eligibility</p> <p>Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility</p> <p>Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p>	<p>Earliest Unreduced Retirement Eligibility</p> <p><u>Defined Benefit Component:</u></p> <p>Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><u>Defined Contribution Component:</u></p> <p>Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility</p> <p>VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility</p> <p>VRS: Age 60 with at least five years (60 months) of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility</p> <p><u>Defined Benefit Component:</u></p> <p>VRS: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p><u>Defined Contribution Component:</u></p> <p>Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

Teacher Cost Sharing Pool (Continued)

Plan Description (Continued)

Cost-of-Living Adjustment (COLA) in Retirement	Cost-of-Living Adjustment (COLA) in Retirement	Cost-of-Living Adjustment (COLA) in Retirement
<p>The Cost-of-Living Adjustment (COLA) matches the first 3.00% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4.00%) up to a maximum COLA of 5.00%.</p> <p><u>Eligibility:</u></p> <p>For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><u>Exceptions to COLA Effective Dates:</u></p> <p>The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p>	<p>The Cost-of-Living Adjustment (COLA) matches the first 2.00% increase in the CPI-U and half of any additional increase (up to 2.00%), for a maximum COLA of 3.00%.</p> <p><u>Eligibility:</u></p> <p>Same as Plan 1.</p> <p><u>Exceptions to COLA Effective Dates:</u></p> <p>Same as Plan 1.</p>	<p><u>Defined Benefit Component:</u></p> <p>Same as Plan 2.</p> <p><u>Defined Contribution Component:</u></p> <p>Not applicable.</p> <p><u>Eligibility:</u></p> <p>Same as Plan 1 and Plan 2.</p> <p><u>Exceptions to COLA Effective Dates:</u></p> <p>Same as Plan 1 and Plan 2.</p>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

Teacher Cost Sharing Pool (Continued)

Plan Description (Continued)

<p>Cost-of-Living Adjustment (COLA) in Retirement (Continue)</p> <p><u>Exceptions to COLA Effective Dates: (Continued)</u></p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 		
<p>Disability Coverage</p> <p>Not applicable.</p>	<p>Disability Coverage</p> <p>Not applicable.</p>	<p>Disability Coverage</p> <p>Employees of political subdivisions and school divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members.</p>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

Teacher Cost Sharing Pool (Continued)

Plan Description (Continued)

		<p>Disability Coverage (Continued)</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p>Purchase of Prior Service</p> <p>Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service</p> <p>Same as Plan 1.</p>	<p>Purchase of Prior Service</p> <p><u>Defined Benefit Component:</u></p> <p>Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4.00% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <p><u>Defined Contribution Component:</u></p> <p>Not applicable.</p>

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

Teacher Cost Sharing Pool (Continued)

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin requiring that the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. Each school division's contractually required contribution rate for the year ended June 30, 2015 was 14.50% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the Teacher Retirement Plan was 18.20%. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2015. Contributions to the pension plan from the school division were \$2,600,000 and \$2,175,312 for the years ended June 30, 2015 and June 30, 2014, respectively.

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

At June 30, 2015, the school division reported a liability of \$30,829,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2014 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, 2014 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2014, the school division's proportion was 0.255% as compared to 0.260% at June 30, 2013.

For the year ended June 30, 2015, the school division recognized pension expense of \$2,325,000. Since there was a change in proportionate share between June 30, 2013 and June 30, 2014, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

Teacher Cost Sharing Pool (Continued)

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

At June 30, 2015, 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	\$ -	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	4,575,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	514,000
Employer contributions subsequent to the measurement date	<u>2,600,000</u>	<u>-</u>
Total	<u><u>\$ 2,600,000</u></u>	<u><u>\$ 5,089,000</u></u>

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, 2016. 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 Ended June 30,

2016	\$ (1,258,000)
2017	\$ (1,258,000)
2018	\$ (1,258,000)
2019	\$ (1,258,000)
2020	\$ (57,000)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

Teacher Cost Sharing Pool (Continued)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

Inflation	2.50%
Salary increases, including inflation	3.50 – 5.95%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.00%. However, since the difference was minimal, and a more conservative 7.00% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.00% to simplify preparation of pension liabilities.

Mortality rates:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females were set back 5 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back years and females were set back 3 years.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

Teacher Cost Sharing Pool (Continued)

Long-Term Expected Rate of Return

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

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

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 11. Defined Benefit Pension Plan (Continued)

Teacher Cost Sharing Pool (Continued)

Discount Rate

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

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

	<u>1.00% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1.00% Increase (8.00%)</u>
School division's proportionate share of the VRS teacher employee retirement plan net pension liability	<u>\$ 45,270,000</u>	<u>\$ 30,829,000</u>	<u>\$ 18,940,000</u>

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2014 Comprehensive Annual Financial Report (CAFR). A copy of the 2014 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2014-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, 2015, approximately \$246,862 was payable to the Virginia Retirement System for the legally required contributions related to June 2015 payroll.

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 12. Other Post-employment Benefits

Plan Description

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

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

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

The plans do not issue stand-alone financial reports.

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

The City and School Board had actuarial valuations of post-employment benefits performed as of July 1, 2013. The annual cost of OPEB under GASB Statement No. 45 is called the annual required contribution or ARC. The estimated pay as you go cost for OPEB benefits for the City's plan is \$132,497 and the annual benefit cost is \$264,668. The percentage of annual OPEB cost contributed is 50.06%. The estimated pay as you go cost for OPEB benefits for the School Board's plan is \$380,948 and the annual benefit cost is \$560,388. The percentage of OPEB cost contributed is 67.98%.

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 12. Other Post-employment Benefits (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

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

	<u>City</u>	<u>School Board</u>
Annual required contribution (ARC)	\$ 265,846	\$ 561,998
Interest on net OPEB obligation	57,262	77,915
Adjustment to annual required contribution	<u>(58,440)</u>	<u>(79,525)</u>
Annual OPEB cost	264,668	560,388
Estimated contributions made	<u>(132,497)</u>	<u>(380,948)</u>
Increase in net OPEB obligation	132,171	179,440
Net OPEB obligation, beginning of year	<u>1,424,861</u>	<u>1,947,874</u>
Net OPEB obligation, end of year	<u><u>\$ 1,557,032</u></u>	<u><u>\$ 2,127,314</u></u>

City:

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
June 30, 2015	\$ 264,668	50.06%	\$ 1,557,032
June 30, 2014	\$ 264,793	40.16%	\$ 1,424,861
June 30, 2013	\$ 425,754	26.43%	\$ 1,266,421

School Board:

June 30, 2015	\$ 560,388	67.98%	\$ 2,127,314
June 30, 2014	\$ 560,565	47.08%	\$ 1,947,874
June 30, 2013	\$ 695,127	52.44%	\$ 1,651,222

Funding Status and Funding Progress

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 12. Other Post-employment Benefits (Continued)

Funding Status and Funding Progress (Continued)

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

Actuarial Methods and Assumptions

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

The Projected Unit Credit Actuarial Cost Method was used, in the actuarial valuations. The actuarial assumptions include a 2.50% inflation rate, 4% rate of return and an annual healthcare cost trend rate of 10% initially, reduced by decrements to an ultimate rate of 5% after eight years. The unfunded liability is amortized over a period of 30 years based on a level percent of payroll method on an open basis.

Note 13. Fund Balances

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

	<u>General Fund</u>	<u>Capital Projects Fund</u>
Nonspendable:		
Inventories	\$ 51,766	\$ -
Prepays	8,833	-
	<u>60,599</u>	<u>-</u>
Restricted:		
Judicial administration	112,492	185,458
Public safety – funds restricted for forfeited assets and Animal Shelter expansion	219,837	-
Other capital projects – funds restricted from 2015 Bond issuance for other capital projects such as Bruce Avenue drainage and other utility infrastructure and repairs	<u>-</u>	<u>3,203,377</u>
Total restricted	<u>332,329</u>	<u>3,388,835</u>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 13. Fund Balances (Continued)

	<u>General Fund</u>	<u>Capital Projects Fund</u>
Committed:		
General government	\$ 27,058	\$ -
Judicial administration	64,482	-
Public safety – Encumbrances approved by Council for second phase of radio project and Police car purchases	255,515	-
Public works – Encumbrances approved by Council for paving and curbside recycling	240,932	-
Health and welfare	2,067	-
Parks, recreation and cultural	23,745	-
Community development	3,670	-
Human services	484	-
Nondepartmental	745	-
Total committed	<u>618,698</u>	<u>-</u>
Assigned:		
General government – Funds reserved for FEMA contingency	251,500	-
Judicial administration	2,050	-
Public safety	111,786	-
Public works – Funds reserved for utilities to include pavement	251,937	-
Parks, recreation and cultural	110,968	-
Total assigned	<u>728,241</u>	<u>-</u>
Unassigned	<u>8,015,011</u>	<u>(3,587,598)</u>
Total fund balance	<u><u>\$ 9,754,878</u></u>	<u><u>\$ (198,763)</u></u>

Note 14. Risk Management

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

Risk Pools:

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 14. Risk Management (Continued)

Risk Pools: (Continued)

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

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

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

Note 15. Jointly Governed Organizations

Riverside Regional Jail Authority:

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

The general purpose of the Authority is to acquire, construct, equip, maintain and operate a regional jail facility to meet the needs of the participating jurisdictions for additional jail facilities. The Authority completed the feasibility study and conceptual design of the jail and proceeded with the preparation of the Service Agreement. The Service Agreement is a long-term contract regulating usage of the jail and establishing payment terms applicable to participating jurisdictions. It guarantees that the facility will be used and provides for the issuance of revenue bonds to fund the final design and construction of the regional jail facility. The City's cost for adult incarceration services for 2015 was approximately \$2,642,000.

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 15. Jointly Governed Organizations (Continued)

Appomattox River Water Authority:

The City, in conjunction with the Counties of Chesterfield, Dinwiddie and Prince George and the City of Petersburg, participated in the creation of the Authority. The Authority, whose five-member board is comprised of one representative from each participating entity, is responsible for providing a supply of filtered water to be purchased by the members of the Authority. In accordance with the joint venture agreement, each participating entity is required to purchase water from the Authority. The City retains an ongoing financial responsibility for the joint venture due to this requirement of the agreement. The City's purchase of water for 2015 was approximately \$427,000. 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 2015 excluding debt service was approximately \$1,280,000. Complete financial statements for the Authority can be obtained from the Authority's office at 900 Magazine Road, Petersburg, Virginia 23803.

Central Virginia Waste Management Authority:

The Authority's board is comprised of representatives from the Cities of Colonial Heights, Petersburg and Richmond, as well as the Counties of Charles City, Chesterfield, Goochland, Hanover, Henrico, New Kent, Powhatan, Prince George, and the Town of Ashland. The Authority is comprised of a 20-member board with member jurisdictions making at least one but no more than three appointments. The City appoints one board member. The Authority is responsible for creating and implementing recycling and solid waste management programs for member jurisdictions in order to meet waste reduction mandates set by the Virginia General Assembly. Except for contribution requirements and direct payments for special projects, no participant has an ongoing financial interest or responsibility in the Authority. The City's 2015 contribution requirement and direct payments for special projects totaled approximately \$651,000. Complete financial statements for the Authority can be obtained from the Authority's office at 2100 W. Laburnum Ave., Suite 105, Richmond, Virginia 23227.

Virginia Gateway Region Board:

The Virginia Gateway Region Board (VGRB) serves the Cities of Colonial Heights, Hopewell and Petersburg, as well as the Counties of Chesterfield, Dinwiddie and Prince George in their efforts to provide balanced industrialization to corporation members. The City appoints two members of the Appomattox Basin Industrial Development Corporation (ABIDCO) board and contributed approximately \$28,000 to ABIDCO during 2015.

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 16. Related Organization

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

Note 17. Subsequent Events

On November 6, 2015, the City sold land where the former courthouse was located to the Kroger Company for \$2.56 million. The transaction also includes a number of additional commitments by the Kroger Company for public improvement and substantial financial investment.

Note 18. New Accounting Standards

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

GASB Statement No. 72, *Fair Value Measurement and Application* addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement will be effective for the year ending June 30, 2016.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pensions* improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ending June 30, 2017.

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 18. New Accounting Standards (Continued)

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* identifies – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement will be effective for the year ending June 30, 2016 and should be applied retroactively. Earlier application is permitted.

GASB Statement No. 77, *Tax Abatement Disclosures*, requires governments to disclose information about the nature and magnitude of tax abatements granted to a specific taxpayer, typically for the purpose of economic development. This does not cover programs that reduce the tax liabilities of broad classes of taxpayers, such as senior citizens or veterans, and which are not the product of individual agreements with each taxpayer. The Statement does not consider issues related to recognition. This Statement will be effective for the year ending June 20, 2017.

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

Note 19. Adoption of New Standard and Prior Period Restatements

In the current year the City and the School Board adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27, as amended by GASB Statement No. 71*. This standard replaces the requirements of GASB Statements No. 27 and No. 50 as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. The new Statement requires governments providing defined benefit pensions to recognize the long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information, including disclosing descriptive information about the types of benefits provided, how contributions to the pension plan are determined, and assumptions and methods used to calculate the pension liability. Comparative prior year information, to the extent presented, has not been restated because the necessary information is not available.

The following is a summary of the restatements to net position resulting from the adoption of GASB Statement No. 68:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Water and Sewer Fund</u>	<u>Storm Water Management Fund</u>	<u>DPCU - School Board</u>
Net position, July 1, 2014, as previously stated	\$ 36,274,306	\$ 12,013,112	\$ 11,538,895	\$ 474,217	\$ 18,777,575
Recognition of pension related liabilities and deferred outflows in accordance With GASB No. 68	<u>(13,555,092)</u>	<u>(865,219)</u>	<u>(721,016)</u>	<u>(144,203)</u>	<u>(33,817,591)</u>
Net position, July 1, 2014 as restated	<u>\$ 22,719,214</u>	<u>\$ 11,147,893</u>	<u>\$ 10,817,879</u>	<u>\$ 330,014</u>	<u>(15,040,016)</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COLONIAL HEIGHTS, VIRGINIA

**SCHEDULES OF FUNDING PROGRESS –
OTHER POST EMPLOYMENT BENEFITS
Year Ended June 30, 2015**

	(a)	(b)	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)		Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
A. City:						
July 1, 2009	\$ -	\$ 2,765,044	\$ 2,765,044	0.00%	\$ 11,145,672	24.81%
July 1, 2011	\$ -	\$ 3,476,123	\$ 3,476,123	0.00%	\$ 11,528,726	30.15%
July 1, 2013	\$ -	\$ 2,896,944	\$ 2,896,944	0.00%	\$ 11,201,000	25.86%
B. School Board:						
July 1, 2009	\$ -	\$ 8,699,403	\$ 8,699,403	0.00%	\$ 21,181,247	41.07%
July 1, 2011	\$ -	\$ 7,746,438	\$ 7,746,438	0.00%	\$ 18,437,990	42.01%
July 1, 2013	\$ -	\$ 7,928,338	\$ 7,928,338	0.00%	\$ 19,987,000	39.67%

CITY OF COLONIAL HEIGHTS, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Revenue from local sources:				
General property taxes:				
Real property	\$ 17,812,367	\$ 17,742,350	\$ 17,777,734	\$ 35,384
Real and personal public service corporation property	409,706	409,706	386,031	(23,675)
Personal property	2,496,821	2,496,821	2,451,391	(45,430)
Delinquent	694,686	694,686	777,304	82,618
Penalties and interest	200,000	200,000	167,917	(32,083)
Total general property taxes	21,613,580	21,543,563	21,560,377	16,814
Other local taxes:				
Communication sales and use	722,000	722,000	693,885	(28,115)
Food and lodging	6,953,019	6,953,019	7,277,458	324,439
Consumer utility	975,000	975,000	970,265	(4,735)
Bank stock	300,000	300,000	299,594	(406)
Local option sales and use	7,498,400	7,498,400	7,505,833	7,433
Recordation	255,000	255,000	182,091	(72,909)
Total other local taxes	16,703,419	16,703,419	16,929,126	225,707
Permits, fees, and licenses:				
Business and occupational licenses	3,109,722	3,109,722	2,822,451	(287,271)
Motor vehicle licenses	520,000	520,000	509,003	(10,997)
Zoning and construction permits	177,000	177,000	112,738	(64,262)
Other fees	107,120	107,120	97,015	(10,105)
Total permits, fees, and licenses	3,913,842	3,913,842	3,541,207	(372,635)
Fines and forfeitures	732,880	732,800	505,391	(227,409)
Charges for services:				
Refuse collection fees	1,146,000	1,146,000	1,109,042	(36,958)
Recreation use charges and fees	169,000	169,000	181,843	12,843
Administrative	1,299,750	1,299,750	1,240,816	(58,934)
Other	12,500	12,500	7,576	(4,924)
Total charges for services	2,627,250	2,627,250	2,539,277	(87,973)
Use of money and property:				
Interest	5,000	5,000	(2,841)	(7,841)
Rental of property	162,500	162,500	168,022	5,522
Sale of commodities and property	28,000	28,000	2,106	(25,894)
Total use of money and property	195,500	195,500	167,287	(28,213)
Miscellaneous	30,000	101,673	245,348	143,675
Reimbursement from School Board	329,142	359,157	377,274	18,117
Total revenue from local sources	46,145,613	46,177,204	45,865,287	(311,917)

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues (Continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Personal property tax relief	\$ 1,753,369	\$ 1,753,369	\$ 1,753,369	\$ -
Rolling stock tax	5,700	5,563	5,475	(88)
Total non-categorical aid	1,759,069	1,758,932	1,758,844	(88)
Categorical aid:				
Commissioner of Revenue	84,844	84,442	83,652	(790)
Treasurer	88,588	87,893	87,833	(60)
Circuit Court	261,196	257,377	266,989	9,612
Sheriff	291,859	286,056	287,354	1,298
Commonwealth's attorney	474,530	479,208	469,025	(10,183)
Law enforcement	561,786	544,692	544,690	(2)
Street construction and maintenance	2,386,068	2,422,085	2,422,450	365
Other	485,164	695,099	647,765	(47,334)
Total categorical aid	4,634,035	4,856,852	4,809,758	(47,094)
Total revenue from the Commonwealth	6,393,104	6,615,784	6,568,602	(47,182)
Revenue from federal government:				
Categorical aid	159,472	162,371	131,832	(30,539)
Total intergovernmental	6,552,576	6,778,155	6,700,434	(77,721)
Total revenue	\$ 52,698,189	\$ 52,955,359	\$ 52,565,721	\$ (389,638)
Expenditures				
General government:				
City council	\$ 78,492	\$ 87,322	\$ 82,762	\$ 4,560
Clerk of council	47,408	48,691	46,011	2,680
City manager	222,923	221,748	221,609	139
Human resources	101,650	101,625	104,197	(2,572)
City attorney	221,043	220,583	209,941	10,642
Real estate assessor	145,798	145,798	134,976	10,822
Commissioner of the revenue	200,862	201,210	189,703	11,507
Treasurer	263,184	261,419	255,608	5,811
Finance	562,335	563,180	560,747	2,433
Information technologies	189,062	191,262	170,163	21,099
Auditing	94,300	94,300	95,414	(1,114)
Purchasing	150,262	118,482	126,467	(7,985)
Insurance and risk management	554,252	554,252	548,941	5,311
Employee benefits	5,191,452	5,206,611	5,300,229	(93,618)
Board of elections	25,194	25,194	16,043	9,151
Registrar	111,061	110,771	99,912	10,859
Economic development	140,290	150,048	144,599	5,449
Total general government	8,299,568	8,302,496	8,307,322	(4,826)

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2015**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Expenditures (Continued)				
Judicial administration:				
Circuit courts	\$ 420,241	\$ 439,121	\$ 415,875	\$ 23,246
General district court	91,961	92,301	100,106	(7,805)
Probation	6,050	5,740	5,696	44
Commonwealth’s attorney	547,035	559,099	548,053	11,046
Sheriff	763,045	767,925	724,215	43,710
Incarceration	2,710,500	2,711,021	2,859,916	(148,895)
Community correction services	98,800	102,350	101,920	430
Community diversion services	58,800	58,800	57,158	1,642
Victim witness	75,327	73,787	69,421	4,366
Juvenile & Domestic Court	-	-	1,562	(1,562)
Total judicial administration	4,771,759	4,810,144	4,883,922	(73,778)
Public safety:				
Bureau of police	3,894,521	4,106,125	3,855,235	250,890
Bureau of fire	3,212,343	3,261,283	3,234,707	26,576
Emergency preparedness	52,297	57,697	55,185	2,512
Communications	1,158,596	1,552,788	1,335,919	216,869
Total public safety	8,317,757	8,977,893	8,481,046	496,847
Public works:				
Administration	238,939	241,769	166,697	75,072
Engineering division	815,001	829,404	750,883	78,521
Street maintenance	1,278,436	1,314,215	1,124,159	190,056
Building maintenance	548,400	555,713	505,761	49,952
Fleet maintenance	284,756	285,506	289,146	(3,640)
Solid waste	565,000	595,228	482,229	112,999
Recycling	299,401	299,386	209,710	89,676
Total public works	4,029,933	4,121,221	3,528,585	592,636
Health and welfare:				
Health	190,000	190,000	196,500	(6,500)
Welfare	265,000	265,000	225,322	39,678
Comprehensive services	155,000	175,396	275,341	(99,945)
Total heath and welfare	610,000	630,396	697,163	(66,767)
Parks, recreation, and cultural:				
Parks and recreation	539,817	577,242	546,535	30,707
Parks and grounds	513,346	516,765	462,223	54,542
Agency on aging	255,866	257,184	255,615	1,569
Violet bank museum	83,498	81,541	72,466	9,075
Library	621,942	644,216	631,580	12,636
Recreation trips and classes	160,000	160,000	159,640	360
Horticulture	86,892	86,679	74,305	12,374
Total parks, recreation, and cultural	2,261,361	2,323,627	2,202,364	121,263

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures: (Continued)				
Community development:				
Planning	\$ 214,158	\$ 211,684	\$ 192,040	\$ 19,644
Building inspections	222,933	223,103	202,113	20,990
Total community development	437,091	434,787	394,153	40,634
Education:				
Payments to School Board	19,443,447	19,373,430	19,383,253	(9,823)
Human Services:				
Office of youth	135,249	158,579	154,182	4,397
Better beginnings	2,600	2,600	2,177	423
Juvenile crime	103,159	103,159	93,980	9,179
CDBG	75,577	82,623	64,703	17,920
Kids after school program	28,100	28,607	28,971	(364)
Total human services	344,685	375,568	344,013	31,555
Nondepartmental:				
Contributions and subsidies	207,619	207,619	201,651	5,968
Contingencies and miscellaneous	321,800	197,662	132,650	65,012
Total nondepartmental	529,419	405,281	334,301	70,980
Debt service:				
Principal retirement	2,620,487	2,620,487	2,607,026	13,461
Interest and fiscal charges	1,377,548	1,377,548	1,036,273	341,275
Bond issuance costs	60,000	65,000	154,396	(89,396)
Total debt service	4,058,035	4,063,035	3,797,695	265,340
Total expenditures	53,103,055	53,817,878	52,353,817	1,464,061
Excess of revenues over (under) expenditures	(404,866)	(862,519)	211,904	1,074,423
Other financing source (uses):				
Proceeds from long-term debt	-	-	8,424,044	8,424,044
Payment to refunded bond escrow agent	-	-	(8,887,096)	(8,887,096)
Premium on sale of bonds	-	-	625,569	625,569
Proceeds from capital lease	-	-	121,475	121,475
Transfers out	-	(378,901)	(378,901)	-
Total other financing sources (uses)	-	(378,901)	(94,909)	283,992
Net change in fund balance	\$ (404,866)	\$ (1,241,420)	\$ 116,995	\$ 1,358,415

Note:

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

CITY OF COLONIAL HEIGHTS, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
June 30, 2015

	Primary Government	Schools-- Nonprofessional Employees
Total Pension Liability		
Service cost	\$ 1,701,944	\$ 137,965
Interest on total pension liability	4,300,904	287,415
Benefit payments, including refunds of employee contributions	(2,885,463)	(252,875)
Net change in total pension liability	3,117,385	172,505
Total pension liability - beginning	62,884,212	4,232,368
Total pension liability - ending	66,001,597	4,404,873
Plan Fiduciary Net Position		
Contributions - employer	2,141,597	118,587
Contributions - employee	640,031	57,398
Net investment income	7,293,094	608,037
Benefit payments, including refunds of employee contributions	(2,885,463)	(252,875)
Administrative expenses	(39,060)	(3,309)
Other	384	33
Net change in plan fiduciary net position	7,150,583	527,871
Plan fiduciary net position - beginning	46,322,304	3,889,190
Plan fiduciary net position - ending	53,472,887	4,417,061
Net pension (asset) liability - ending	\$ 12,528,710	\$ (12,188)
Plan fiduciary net position as a percentage of total pension liability	81%	100%
Covered employee payroll	\$ 12,747,601	\$ 1,147,986
Net pension (asset) liability as a percentage of covered employee payroll	98%	(1)%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

CITY OF COLONIAL HEIGHTS, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
June 30, 2015

Year Ended June 30	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Payroll
Primary Government					
2015	\$ 2,066,219	\$ 2,066,219	\$ -	\$ 12,961,992	15.94%
Schools - Nonprofessional Employees					
2015	\$ 100,000	\$ 100,000	\$ -	\$ 1,116,864	8.95%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

CITY OF COLONIAL HEIGHTS, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
 VRS TEACHER RETIREMENT PLAN
 June 30, 2015

Year Ended June 30	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.25511%	\$ 30,829,000	\$ 17,861,181	172%	70.88%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

CITY OF COLONIAL HEIGHTS, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
VRS TEACHER RETIREMENT PLAN
June 30, 2015

Year Ended June 30	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2015	\$ 2,600,000	\$ 2,600,000	\$ -	\$ 17,861,181	14.56%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

CITY OF COLONIAL HEIGHTS, VIRGINIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2015

Note 1. Changes of Benefit Terms

There have been no significant changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012 (fiscal year 2014 for the teacher cost sharing pool). The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013, and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

Note 2. Changes of Assumptions

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

Largest 10 – Non-LEOS:

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

Largest 10 –LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) – LEOS:

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

Teacher cost-sharing pool

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

CITY OF COLONIAL HEIGHTS, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUND
June 30, 2015

	School Operating Fund
ASSETS	
Cash and investments	\$ 5,050,807
Receivables, net	63,603
Due from other governments	1,320,327
Due from primary government	9,823
Inventories	31,803
Total assets	<u>\$ 6,476,363</u>
LIABILITIES	
Accounts payable and other current liabilities	\$ 3,403,249
Unearned revenue	17,253
Total liabilities	<u>\$ 3,420,502</u>
FUND BALANCE	
Nonspendable	31,803
Committed	941,234
Assigned	2,082,824
Total fund balance	<u>3,055,861</u>
Total liabilities and fund balance	<u>\$ 6,476,363</u>

Adjustments for the Statement of Net Position (Exhibit 1):

Total Fund Balance - School Board \$ 3,055,861

Amounts reported for the School Board's governmental activities in the Statement of Net Position are different because:

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

Nondepreciable	\$ 1,090,102	
Depreciable, net	<u>17,081,755</u>	
		18,171,857

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

Deferred outflows of resources for 2015 employer contributions	2,700,000	
Deferred inflows of resources for the net differences between projected and actual investment earnings on pension plan investments	(4,845,880)	
Deferred inflows of resources due to changes in proportion and differences between employer contributions and proportionate share of contributions – teacher cost sharing pension plan	(514,000)	
Net pension liability	<u>(30,816,812)</u>	(33,476,692)

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	(90,923)	
Compensated absences	(1,345,856)	
Other post-employment benefits	<u>(2,127,314)</u>	
		(3,564,093)

Total Net Position - School Board Governmental Activities \$ (15,813,067)

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, 2015

	School Operating Fund
REVENUES	
Charges for services	\$ 376,249
Miscellaneous	103,926
Payments from City	19,383,253
Intergovernmental	<u>15,234,548</u>
Total revenue	<u>35,097,976</u>
EXPENDITURES	
Education:	
Administration, attendance and health	2,074,381
Instruction	25,967,613
Operation and maintenance	3,490,924
Pupil transportation	887,135
Food service	1,038,338
Technology	1,292,296
Reimbursement to City	<u>377,274</u>
Total expenditures	<u>35,127,961</u>
Net change in fund balance	(29,985)
FUND BALANCE AT JULY 1	<u>3,085,846</u>
FUND BALANCE AT JUNE 30	<u><u>\$ 3,055,861</u></u>
Reconciliation to the Statement of Activities (Exhibit 2):	
Net Change in Fund Balance - School Board	\$ (29,985)
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	\$ 170,982
Depreciation and amortization expense	<u>(888,122)</u>
	(717,140)
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 \$2,700,000 exceed pension expense \$2,359,101 in the current period.	340,899
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. However, the transaction has no effect on net position.	87,849
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	(275,234)
Other post-employment benefits	<u>(179,440)</u>
	(454,674)
Change in Net Position - School Board Governmental Activities	<u><u>\$ (773,051)</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, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES				
Revenue from local sources:				
Charges for services:				
Cafeteria	\$ 414,865	\$ 329,971	\$ 329,971	\$ -
Other	104,643	46,278	46,278	-
	519,508	376,249	376,249	-
Miscellaneous	25,000	103,926	103,926	-
Payments from City	19,373,430	19,383,253	19,383,253	-
Total revenue from local sources	19,917,938	19,863,428	19,863,428	-
Intergovernmental:				
Revenue from the Commonwealth of Virginia:				
Categorical aid:				
Basic school aid	6,714,576	6,698,027	6,698,027	-
State sales tax	2,736,039	2,757,050	2,757,050	-
Other	3,997,046	3,968,985	3,968,985	-
	13,447,661	13,424,062	13,424,062	-
Revenue from the federal government:				
Categorical aid:				
Title I Grant	318,308	382,148	382,148	-
Title VI B Grant	562,413	593,966	593,966	-
Other	749,954	775,926	834,372	58,446
	1,630,675	1,752,040	1,810,486	58,446
Total intergovernmental	15,078,336	15,176,102	15,234,548	58,446
Total revenues	34,996,274	35,039,530	35,097,976	58,446
EXPENDITURES				
Education:				
Administration, attendance and health	1,684,986	2,075,327	2,074,381	946
Instruction	27,273,719	26,117,191	25,967,613	149,578
Operation and maintenance	3,505,607	3,640,009	3,490,924	149,085
Pupil transportation	918,479	891,343	887,135	4,208
Food service	1,052,958	996,257	1,038,338	(42,081)
Technology	1,290,177	1,328,245	1,292,296	35,949
Contingencies	491,672	1,189,384	-	1,189,384
Reimbursement to City	354,176	377,274	377,274	-
Total expenditures	36,571,774	36,615,030	35,127,961	1,487,069
Net change in fund balance	\$ (1,575,500)	\$ (1,575,500)	\$ (29,985)	\$ 1,545,515

SUPPORTING SCHEDULE

CITY OF COLONIAL HEIGHTS, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2015

Federal Granting Agency/Recipient State Agency/Grant Program	Federal CFDA Number	Federal Expenditures
U.S. Department of Agriculture		
Pass-through payments:		
Commonwealth of Virginia Department of Agriculture and Consumer Services		
Child Nutrition Cluster		
School Breakfast Program	10.553	\$ 111,725
National School Lunch Program	10.555	480,438
National School Lunch Program - Commodities	10.555	58,446
Special Milk Program for Children	10.556	5,339
Total U.S. Department of Agriculture		<u>655,948</u>
U.S. Department of Housing and Urban Development		
Direct payments:		
Community Development Block Grants/Entitlement Grants	14.218	<u>68,318</u>
Total U.S. Department of Housing and Urban Development		<u>68,318</u>
U.S. Department of Justice		
Pass-through payments:		
Department of Criminal Justice Services		
Crime Victim Assistance	16.575	70,929
Public Safety Partnership and Community Policing Grants	16.710	39,560
Edward Byrne Memorial Justice Assistance Grant Program	16.738	<u>3,166</u>
Total U.S. Department of Justice		<u>113,655</u>
U.S. Department of Transportation		
Pass-through payments:		
National Highway Traffic Safety Administration		
State and Community Highway Safety	20.600	6,357
Alcohol Open Container Requirements	20.607	6,288
Federal Highway Administration		
Highway Planning and Construction	20.205	<u>3,169,385</u>
Total U.S. Department of Transportation		<u>3,182,030</u>
U.S. Department of Education		
Direct payments:		
Impact Aid	84.041	18,480
Pass-through payments:		
Commonwealth of Virginia Department of Education:		
Title I, Part A Cluster		
Title I Grants to Local Educational Agencies	84.010	382,148
Special Education Cluster (IDEA)		
Special Education - Grants to States	84.027	580,604
Special Education - Preschool Grants	84.173	13,362
Career and Technical Education - Basic Grants to States	84.048	39,885
Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	84.330	555
English Language Acquisition State Grants	84.365	5,047
Improving Teacher Quality State Grants	84.367	<u>70,023</u>
Total U.S. Department of Education		<u>1,110,104</u>

(Continued)

CITY OF COLONIAL HEIGHTS, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2015

Federal Granting Agency/Recipient State Agency/Grant Program	Federal CFDA Number	Federal Expenditures
U.S. Department of Health and Human Services:		
Pass-through Payments:		
Commonwealth of Virginia Department of Medical Assistance Services:		
Medicaid Cluster		
Medical Assistance Program	93.778	\$ 44,434
Total U.S. Department of Health and Human Services		<u>44,434</u>
U.S. Department of Homeland Security:		
Pass-through Payments:		
Department of Emergency Management:		
Non-Profit Security Program	97.008	11,640
Emergency Management Performance Grants	97.042	7,500
Total U.S. Department of Homeland Security		<u>19,140</u>
Total Expenditures of Federal Awards		<u>\$ 5,193,629</u>

Note 1. Basis of Presentation

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

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

Note 2. Non-Cash Assistance

The City of Colonial Heights participated in the National School Lunch Program, CFDA Number 10.555, which provides non-cash benefits. The accompanying Schedule of Expenditure of Federal Awards includes commodity distributions of \$58,446 from the National School Lunch Program.

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STATISTICAL SECTION

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

<u>Contents</u>	<u>Table</u>
Financial Trends These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	1-4
Revenue Capacity These tables contain information to help the reader assess the factors affecting the City's ability to generate its property taxes and utility revenues.	5-10
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.	11-12
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.	13-14
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.	15-16

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

TABLE 1

CITY OF COLONIAL HEIGHTS, VIRGINIA

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

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Governmental activities										
Net investment in capital assets	\$ 34,894,010	\$ 29,874,492	\$ 27,289,172	\$ 22,707,728	\$ 18,555,807	\$ 21,261,760	\$ 29,035,677	\$ 29,309,034	\$ 22,517,214	\$ 21,868,903
Restricted	332,329	313,998	329,699	-	-	-	-	-	-	-
Unrestricted	(7,129,653)	6,085,816	5,732,421	7,850,461	8,899,613	6,429,655	(1,362,767)	(678,937)	9,554,692	7,078,261
Total governmental activities net position	<u>\$ 28,096,686</u>	<u>\$ 36,274,306</u>	<u>\$ 33,351,292</u>	<u>\$ 30,558,189</u>	<u>\$ 27,455,420</u>	<u>\$ 27,691,415</u>	<u>\$ 27,672,910</u>	<u>\$ 28,630,097</u>	<u>\$ 32,071,906</u>	<u>\$ 28,947,164</u>
Business-type activities										
Net investment in capital assets	\$ 11,855,032	\$ 11,926,690	\$ 11,607,652	\$ 11,418,325	\$ 11,273,727	\$ 9,712,661	\$ 9,348,617	\$ 9,162,549	\$ 9,177,810	\$ 8,966,789
Restricted	-	364,421	364,421	364,421	364,421	-	-	-	-	-
Unrestricted	(763,712)	(277,999)	(59,317)	331,577	417,781	164,831	674,952	641,715	810,543	992,359
Total business-type activities net position	<u>\$ 11,091,320</u>	<u>\$ 12,013,112</u>	<u>\$ 11,912,756</u>	<u>\$ 12,114,323</u>	<u>\$ 12,055,929</u>	<u>\$ 9,877,492</u>	<u>\$ 10,023,569</u>	<u>\$ 9,804,264</u>	<u>\$ 9,988,353</u>	<u>\$ 9,959,148</u>
Primary government										
Net investment in capital assets	\$ 46,749,042	\$ 41,801,182	\$ 38,896,824	\$ 34,126,053	\$ 29,829,534	\$ 30,974,421	\$ 38,384,294	\$ 38,471,583	\$ 31,695,024	\$ 30,835,692
Restricted	332,329	678,419	694,120	364,421	364,421	-	-	-	-	-
Unrestricted	(7,893,365)	5,807,817	5,673,104	8,182,038	9,317,394	6,594,486	(687,815)	(37,222)	10,365,235	8,070,620
Total primary government net position	<u>\$ 39,188,006</u>	<u>\$ 48,287,418</u>	<u>\$ 45,264,048</u>	<u>\$ 42,672,512</u>	<u>\$ 39,511,349</u>	<u>\$ 37,568,907</u>	<u>\$ 37,696,479</u>	<u>\$ 38,434,361</u>	<u>\$ 42,060,259</u>	<u>\$ 38,906,312</u>
School Board										
Net investment in capital assets	\$ 18,080,934	\$ 18,710,224	\$ 19,250,268	\$ 19,873,661	\$ 19,170,921	\$ 17,508,207	\$ 18,513,205	\$ 14,734,444	\$ 11,110,058	\$ 10,762,746
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	(33,894,001)	67,351	1,611,591	1,985,250	2,406,683	2,104,270	1,877,210	3,275,955	1,390,118	(399,777)
Total component unit net position	<u>\$ (15,813,067)</u>	<u>\$ 18,777,575</u>	<u>\$ 20,861,859</u>	<u>\$ 21,858,911</u>	<u>\$ 21,577,604</u>	<u>\$ 19,612,477</u>	<u>\$ 20,390,415</u>	<u>\$ 18,010,399</u>	<u>\$ 12,500,176</u>	<u>\$ 10,362,969</u>
Total reporting entity										
Net investment in capital assets	\$ 58,993,061	\$ 54,238,252	\$ 51,380,705	\$ 46,754,260	\$ 41,320,933	\$ 40,380,353	\$ 48,108,917	\$ 43,763,749	\$ 40,503,216	\$ 38,942,429
Restricted	332,329	678,419	694,120	364,421	364,421	-	-	-	-	-
Unrestricted	(35,950,451)	12,148,322	14,051,082	17,412,742	19,403,599	16,801,031	9,977,977	12,681,011	14,057,219	10,326,852
Total reporting entity	<u>\$ 23,374,939</u>	<u>\$ 67,064,993</u>	<u>\$ 66,125,907</u>	<u>\$ 64,531,423</u>	<u>\$ 61,088,953</u>	<u>\$ 57,181,384</u>	<u>\$ 58,086,894</u>	<u>\$ 56,444,760</u>	<u>\$ 54,560,435</u>	<u>\$ 49,269,281</u>

Notes:

GASB Statement No. 68 was adopted in fiscal year 2015

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

TABLE 2

CITY OF COLONIAL HEIGHTS, VIRGINIA

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

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Expenses										
Governmental activities										
General government	\$ 4,035,396	\$ 4,229,539	\$ 8,513,050	\$ 8,430,859	\$ 8,252,642	\$ 8,420,688	\$ 8,075,559	\$ 7,617,133	\$ 6,631,282	\$ 6,389,754
Judicial administration	5,401,538	5,373,484	4,654,684	4,185,393	4,784,397	4,622,336	4,453,918	4,401,401	3,758,743	3,618,242
Public safety	11,268,573	11,299,988	9,019,958	8,862,843	8,132,209	8,157,263	8,007,156	7,446,556	6,603,707	6,611,272
Public works	5,568,423	6,056,945	5,340,369	4,204,531	4,093,809	4,644,140	3,675,598	3,650,407	3,488,051	3,705,174
Health and welfare	700,961	623,784	758,401	650,043	564,251	511,097	593,946	716,096	905,641	727,289
Parks, recreation, and cultural	2,860,914	2,914,469	2,388,151	2,262,706	2,332,036	2,420,733	2,450,217	2,350,085	1,755,411	2,049,025
Community development	455,683	567,323	500,588	468,981	465,764	613,699	571,243	580,574	575,426	367,863
Education	19,383,253	19,461,176	19,296,419	18,996,933	19,405,770	18,598,070	20,202,607	23,330,795	16,738,368	15,886,549
Interest	1,312,329	1,115,804	1,230,148	940,076	846,625	996,773	1,181,785	1,136,041	911,350	972,251
Human Services	437,567	470,011	-	-	-	-	-	-	-	-
Total governmental activities	51,424,637	52,112,523	51,701,768	49,002,365	48,877,503	48,984,799	49,212,029	51,229,088	41,367,979	40,327,419
Business-type activities										
Water and Sewer	4,324,991	4,206,290	4,197,076	-	-	-	-	-	3,962,952	3,999,152
Water	-	-	-	1,599,243	1,599,110	1,692,407	1,625,950	1,610,037	-	-
Sewer	-	-	-	2,687,436	2,142,288	2,863,099	2,903,274	2,772,254	-	-
Solid Waste	-	-	-	1,226,034	1,192,142	1,174,794	1,145,197	1,263,794	1,292,339	1,196,750
Storm water management	309,071	298,556	257,289	258,114	231,702	229,545	243,483	-	-	-
Total business-type activities expense	4,634,062	4,504,846	4,454,365	5,770,827	5,165,242	5,959,845	5,917,904	5,646,085	5,255,291	5,195,902
Total primary government expenses	56,058,699	56,617,369	56,156,133	54,773,192	54,042,745	54,944,644	55,129,933	56,875,173	46,623,270	45,523,321
Program revenues										
Governmental activities										
Charges for services										
Refuse collection	1,109,042	1,109,143	1,125,094	-	-	-	-	-	-	-
Parks and recreation	181,843	184,839	182,759	150,502	247,439	336,773	254,040	285,497	234,477	290,542
Other activities	5,294,990	5,289,334	5,626,146	5,313,067	5,235,500	5,125,656	5,234,826	5,001,743	5,068,830	1,074,769
Operating grants and contributions	5,306,971	5,556,569	4,971,475	5,418,602	4,836,631	5,102,144	5,487,211	5,472,945	4,732,453	4,587,798
Capital grants and contributions	4,230,162	3,436,635	2,413,293	2,809,970	941,115	1,320,778	151,333	-	-	190,254
Total governmental activities program revenues	16,123,008	15,576,520	14,318,767	13,692,141	11,260,685	11,885,351	11,127,410	10,760,185	10,035,760	6,143,363
Business-type activities										
Charges for services										
Water and sewer	4,181,407	4,164,312	4,144,465	-	-	-	-	-	3,842,186	3,751,822
Water	-	-	-	1,531,079	1,553,670	1,640,431	1,769,893	1,663,191	-	-
Sewer	-	-	-	2,696,866	2,675,820	2,740,934	2,892,816	2,523,737	-	-
Solid waste	-	-	-	1,143,300	1,118,569	1,096,627	1,070,028	1,061,581	1,042,343	816,533
Storm water management	396,082	379,088	372,312	377,976	257,563	-	-	-	-	-
Total business-type activities program revenues	4,577,489	4,543,400	4,516,777	5,749,221	5,605,622	5,477,992	5,732,737	5,248,509	4,884,529	4,568,355
Total primary government program revenues	20,700,497	20,119,920	18,835,544	19,441,362	16,866,307	17,363,343	16,860,147	16,008,694	14,920,289	10,711,718

(Continued)

TABLE 2

CITY OF COLONIAL HEIGHTS, VIRGINIA

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

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Net (expense) revenue										
Governmental activities	\$ (35,301,629)	\$ (36,536,003)	\$ (37,383,001)	\$ (35,310,224)	\$ (37,616,818)	\$ (37,099,448)	\$ (38,084,619)	\$ (40,468,903)	\$ (31,332,219)	\$ (34,184,056)
Business-type activities	(56,573)	38,554	62,412	(21,606)	440,380	(481,853)	(185,167)	(397,576)	(370,762)	(627,547)
Total primary government net expense	(35,358,202)	(36,497,449)	(37,320,589)	(35,331,830)	(37,176,438)	(37,581,301)	(38,269,786)	(40,866,479)	(31,702,981)	(34,811,603)
General Revenues and Other Changes in Net Position										
Position										
Governmental activities:										
Taxes										
General property taxes	21,604,557	21,415,093	21,512,047	20,829,561	20,545,422	21,409,820	21,101,105	20,292,300	18,259,813	16,437,184
Local sales and use	7,505,833	7,192,330	7,174,334	7,066,137	6,662,265	6,687,050	6,998,818	7,247,183	7,350,271	7,027,037
Food and lodging	7,277,458	6,841,952	6,930,069	6,338,213	5,509,401	5,105,057	4,813,420	4,622,383	4,335,522	4,241,906
Other taxes	2,145,835	2,232,755	2,205,223	2,183,334	2,288,483	2,151,134	2,097,530	2,211,189	1,983,102	2,017,427
Intergovernmental, non-categorical aid	1,758,845	1,759,070	1,758,697	1,757,530	1,757,878	1,856,496	1,871,849	1,777,424	1,868,699	4,884,469
Use of money and property	167,783	175,282	233,822	194,826	158,013	47,549	175,942	713,779	692,864	461,199
Miscellaneous	218,790	142,232	97,933	123,392	669,645	195,415	465,376	364,836	334,807	355,460
Transfers	-	-	263,979	(80,000)	(108,566)	(334,568)	(396,608)	(202,000)	(368,118)	(502,500)
Total governmental activities	40,679,101	39,758,714	40,176,104	38,412,993	37,482,541	37,117,953	37,127,432	37,027,094	34,456,960	34,922,182
Business-type activities:										
Use of money and property	-	-	-	-	238	1,208	7,864	11,217	31,849	48,233
Miscellaneous	-	-	-	-	5,190	-	-	-	-	351,736
Transfers	-	-	(263,979)	80,000	108,566	334,568	396,608	202,000	368,118	502,500
Total business-type activities	-	-	(263,979)	80,000	113,994	335,776	404,472	213,217	399,967	902,469
Total primary government	40,679,101	39,758,714	39,912,125	38,492,993	37,596,535	37,453,729	37,531,904	37,240,311	34,856,927	35,824,651
Changes in Net Position										
Governmental activities	5,377,472	3,222,711	2,793,103	3,102,769	(134,277)	18,505	(957,187)	(3,441,809)	3,124,741	738,126
Business-type activities	(56,573)	38,554	(201,567)	58,394	554,374	(146,077)	219,305	(184,359)	29,205	274,922
Total primary government	5,320,899	3,261,265	2,591,536	3,161,163	420,097	(127,572)	(737,882)	(3,626,168)	3,153,946	1,013,048
Component Unit:										
Expenses:										
Education	35,871,027	36,905,074	35,569,416	34,304,488	33,698,131	34,245,957	34,453,393	33,178,764	29,636,769	28,907,895
Program revenues										
Charges for services	376,249	478,386	573,499	409,019	407,204	432,265	546,183	557,939	563,298	551,513
Operating grants and contributions	15,234,548	14,765,427	14,599,996	14,838,115	15,001,600	14,186,550	15,817,225	14,434,911	14,065,197	12,258,200
Total program revenues	15,610,797	15,243,813	15,173,495	15,247,134	15,408,804	14,618,815	16,363,408	14,992,850	14,628,495	12,809,713
Net expense	(20,260,230)	(21,661,261)	(20,395,921)	(19,057,354)	(18,289,327)	(19,627,142)	(18,089,985)	(18,185,914)	(15,008,274)	(16,098,182)
General Revenues and Other Changes in Net Position										
Contribution from primary government	19,383,253	19,461,176	19,296,419	18,996,933	19,405,770	18,598,070	20,202,607	23,330,795	16,738,367	15,886,549
Use of money and property	-	-	-	434	2,477	2,885	12,036	97,462	283,982	70,338
Miscellaneous	103,926	115,801	102,450	341,305	278,643	248,429	255,358	267,880	123,132	205,773
Total general revenue	19,487,179	19,576,977	19,398,869	19,338,672	19,686,890	18,849,384	20,470,001	23,696,137	17,145,481	16,162,660
Total component unit change in net position	\$ (773,051)	\$ (2,084,284)	\$ (997,052)	\$ 281,318	\$ 1,397,563	\$ (777,758)	\$ 2,380,016	\$ 5,510,223	\$ 2,137,207	\$ 64,478

Notes:

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

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

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

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

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

TABLE 3

CITY OF COLONIAL HEIGHTS, VIRGINIA

Fund Balances - Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(unaudited)

	2015	2014	2013	2012	2011
Post-GASB 54 implementation:					
General Fund					
Nonspendable	\$ 60,599	\$ 68,832	\$ 69,859	\$ 67,373	\$ 109,011
Restricted	332,329	313,998	329,699	369,152	350,067
Committed	618,698	431,512	327,569	484,422	592,493
Assigned	728,241	1,407,705	1,574,257	873,226	680,712
Unassigned	8,015,011	7,415,836	8,083,102	8,477,484	7,652,961
Total general fund	<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	3,388,835	372,795	7,207,335	\$ 16,792,519	\$ -
Committed	-	-	-	246,683	957,111
Assigned	-	-	-	197,390	308,416
Unassigned	(3,587,598)	(10,080)	(1,245,870)	-	-
Total capital projects fund	<u>\$ (198,763)</u>	<u>\$ 362,715</u>	<u>\$ 5,961,465</u>	<u>\$ 17,236,592</u>	<u>\$ 1,265,527</u>
Pre-GASB 54 implementation:					
	2010	2009	2008	2007	2006
General Fund					
Reserved	\$ 56,571	\$ 45,085	\$ 54,779	\$ 50,977	\$ 42,867
Unreserved:					
Designated	344,001	305,505	720,761	1,251,658	1,386,363
Undesignated	7,987,538	8,333,760	9,050,997	8,506,115	7,098,136
Total general fund	<u>\$ 8,388,110</u>	<u>\$ 8,684,350</u>	<u>\$ 9,826,537</u>	<u>\$ 9,808,750</u>	<u>\$ 8,527,366</u>
All Other Governmental Funds					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ 2,229,837
Unreserved:					
Designated:					
Capital projects fund	1,213,975	2,864,837	612,818	610,283	844,134
Undesignated:					
Capital projects fund	1,305,091	758,371	5,208,410	(331,293)	477,883
Total all other governmental funds	<u>\$ 2,519,066</u>	<u>\$ 3,623,208</u>	<u>\$ 5,821,228</u>	<u>\$ 278,990</u>	<u>\$ 3,551,854</u>

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

TABLE 4

CITY OF COLONIAL HEIGHTS, VIRGINIA

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues										
General property taxes	\$ 21,560,377	\$ 21,309,428	\$ 21,434,252	\$ 21,405,217	\$ 21,374,974	\$ 21,159,849	\$ 20,897,171	\$ 19,766,717	\$ 32,274,076	\$ 30,234,997
Other local taxes	16,929,126	16,267,037	16,309,626	15,587,684	14,460,149	13,943,241	13,909,768	14,080,755	-	-
Permits, fees, and licenses	3,541,207	3,509,526	3,633,852	3,384,894	3,371,767	707,554	731,615	566,042	490,709	371,758
Fines and forfeitures	505,391	540,368	729,979	718,053	747,448	1,433,972	1,283,848	1,274,510	1,511,128	1,365,311
Charges for services	2,539,277	2,533,422	2,570,168	1,360,622	1,363,724	3,320,903	3,473,403	3,446,688	3,301,470	3,027,272
Use of money and property	167,783	175,282	233,822	194,826	158,013	47,549	175,942	713,779	692,864	461,199
Miscellaneous	245,348	142,232	97,933	123,392	669,645	7,690,484	6,627,145	6,572,855	6,601,152	6,244,696
Reimbursement from component unit	377,274	781,768	323,897	315,449	314,345	588,934	883,248	677,514	-	-
Intergovernmental	10,892,146	9,970,506	8,819,568	9,670,653	7,221,279	195,415	465,376	364,836	334,807	355,460
Total revenues	56,757,929	55,229,569	54,153,097	52,760,790	49,681,344	49,087,901	48,447,516	47,463,696	45,206,206	42,060,693
Expenditures										
General government	3,774,029	3,929,794	7,722,431	7,560,760	7,330,864	7,423,627	7,229,137	6,742,155	6,239,843	5,843,080
Judicial administration	5,452,078	5,411,741	4,595,172	4,152,036	4,745,029	4,541,636	4,346,342	4,250,944	3,721,203	3,436,278
Public safety	11,146,037	10,969,018	8,201,249	8,261,480	7,439,357	7,433,568	7,261,713	7,162,033	6,332,340	6,043,497
Public works	4,079,575	4,555,044	3,906,864	2,894,228	2,591,213	3,111,361	3,031,589	2,596,771	3,011,234	2,790,479
Health and welfare	697,163	619,986	754,603	646,245	560,453	507,299	590,148	712,298	729,275	687,192
Parks, recreation, and cultural	2,726,632	2,707,146	2,056,291	2,012,473	2,073,329	2,135,270	2,188,202	2,130,976	2,066,166	1,957,122
Community development	515,386	568,937	487,155	465,879	476,452	522,187	553,966	538,041	436,395	326,325
Education	19,383,253	19,461,176	19,296,419	18,996,933	19,405,770	18,598,070	20,202,607	23,330,795	16,738,367	15,886,549
Human services	447,668	490,762	444,346	433,956	509,570	397,630	435,331	406,310	482,590	353,295
Nondepartmental	334,301	249,008	269,748	361,190	366,238	258,062	279,042	467,976	283,190	286,130
Debt service:										
Principal retirement	2,607,026	2,839,657	2,546,199	2,028,330	1,968,712	2,185,490	6,082,877	1,672,927	1,678,558	2,325,414
Interest and fiscal charges	1,190,669	1,220,379	1,511,054	788,734	865,566	1,029,750	1,312,510	1,162,817	904,782	786,285
Bond issuance costs	-	-	-	311,693	-	-	-	-	-	-
Capital expenditures	5,132,587	8,486,471	13,780,361	6,230,285	1,496,630	2,430,048	1,847,651	527,628	1,975,789	6,232,656
Total expenditures	57,486,404	61,509,119	65,571,892	55,144,222	49,829,183	50,573,998	55,361,115	51,701,671	44,599,732	46,954,302
Excess of revenues over (under) expenditures	(728,475)	(6,279,550)	(11,418,795)	(2,383,432)	(147,839)	(1,486,097)	(6,913,599)	(4,237,975)	606,474	(4,893,609)
Other Financing Sources (Uses)										
Premium on issuance of debt	625,569	-	-	1,460,910	-	412,680	-	-	-	-
Payment to refunded bond escrow agent	(8,887,096)	-	-	(3,970,000)	-	(7,267,779)	-	-	-	-
Issuance of debt	8,424,044	-	-	21,830,000	-	6,943,864	3,970,000	10,000,000	-	3,970,300
Proceeds from capital lease	121,475	-	-	-	-	-	-	-	-	-
Transfers in	378,901	657,198	311,497	366,197	115,000	368,018	933,007	1,200,000	908,500	766,150
Transfers out	(378,901)	(657,198)	(55,000)	(446,197)	(223,566)	(371,068)	(1,329,615)	(1,402,000)	(1,276,618)	(1,268,650)
Total other financing sources (uses)	283,992	-	256,497	19,240,910	(108,566)	85,715	3,573,392	9,798,000	(368,118)	3,467,800
Net change in fund balances	\$ (444,483)	\$ (6,279,550)	\$ (11,162,298)	\$ 16,857,478	\$ (256,405)	\$ (1,400,382)	\$ (3,340,207)	\$ 5,560,025	\$ 238,356	\$ (1,425,809)

(Continued)

TABLE 4

CITY OF COLONIAL HEIGHTS, VIRGINIA

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Debt service as a percentage of noncapital expenditures:										
Primary Government										
Total debt service	\$ 3,797,695	\$ 4,060,036	\$ 4,057,253	\$ 2,817,064	\$ 2,834,278	\$ 3,215,240	\$ 7,395,387	\$ 2,835,744	\$ 2,583,340	\$ 3,111,699
Total expenditures	57,486,404	61,509,119	65,571,892	55,144,222	49,829,183	50,573,998	55,361,115	51,701,671	44,599,732	46,954,302
Capital expenditures	(5,729,345)	(9,164,371)	(14,250,650)	(6,843,873)	(1,772,395)	(2,289,455)	(3,265,514)	(1,518,495)	(4,353,934)	(6,703,133)
Non-capital expenditures	\$ 51,757,059	\$ 52,344,748	\$ 51,321,242	\$ 48,300,349	\$ 48,056,788	\$ 48,284,543	\$ 52,095,601	\$ 50,183,176	\$ 40,245,798	\$ 40,251,169
Debt service as a percentage of non-capital expenditures - primary government only	7.34%	7.76%	7.91%	5.83%	5.90%	6.66%	14.20%	5.65%	6.42%	7.73%
School Board										
School expenditures, excluding City contribution	\$ 15,744,708	\$ 16,273,697	\$ 15,164,652	\$ 15,708,729	\$ 15,565,764	\$ 15,267,683	\$ 17,417,113	\$ 13,672,606	\$ 14,468,036	\$ 13,021,346
Capital expenditures - Public Schools	(170,982)	(543,416)	(280,731)	(1,550,915)	(2,496,489)	(626,065)	(3,539,692)	(4,295,018)	(1,017,186)	(509,001)
Non-capital expenditures	\$ 15,573,726	\$ 15,730,281	\$ 14,883,921	\$ 14,157,814	\$ 13,069,275	\$ 14,641,618	\$ 13,877,421	\$ 9,377,588	\$ 13,450,850	\$ 12,512,345
Debt service as a percentage of non-capital expenditures - total reporting entity	5.68%	6.00%	6.13%	4.51%	4.64%	5.11%	11.21%	4.76%	4.81%	5.90%

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, 2015
(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:									
Development Projects	\$ 300,928	\$ -	\$ -	\$ -	\$ 300,928	\$ 187,126	\$ 113,802	\$ -	\$ -
Ambulance Replacement	205,926	-	(16,101)	-	189,825	189,825	-	-	-
Total	506,854	-	(16,101)	-	490,753	376,951	113,802	-	-
Allocable to Incomplete Projects:									
Beautification Committee/Tourism	147,213	-	-	-	147,213	133,743	-	-	13,470
Courts Building	18,603,127	-	(90,000)	-	18,513,127	18,393,982	28,667	49,581	40,897
Development Projects	141,359	-	-	-	141,359	-	-	-	141,359
Total	18,891,699	-	(90,000)	-	18,801,699	18,527,725	28,667	49,581	195,726
Total General Government	19,398,553	-	(106,101)	-	19,292,452	18,904,676	142,469	49,581	195,726
Recreational Facilities									
Allocable to Incomplete Projects:									
Facilities Master Plan	205,000	-	-	-	205,000	147,762	-	-	57,238
Appomattox River Greenway	442,383	130,837	-	574,547	1,147,767	419,983	454,651	90,063	183,070
Flora Hill Park	68,461	-	-	-	68,461	62,958.00	-	-	5,503
Total	715,844	130,837	-	574,547	1,421,228	630,703	454,651	90,063	245,811
Total Recreational Facilities	715,844	130,837	-	574,547	1,421,228	630,703	454,651	90,063	245,811
Streets and Bridges:									
Allocable to Incomplete Projects:									
Safe Routes to School	11,509	3,142	-	455,665	470,316	12,432	3,720	658	453,506
Redevelopment Project	53,292	-	-	-	53,292	33,123	-	-	20,169
Highway Construction - Local Share	104,666	-	21,101	-	125,767	-	-	-	125,767
Bruce Avenue Drainage	2,661,105	-	-	-	2,661,105	2,661,105	-	-	-
Boulevard Widening	-	-	-	-	-	-	1,100	-	(1,100)
Snead Avenue Draining	-	-	85,000	-	85,000	-	123,538	338	(38,876)
Blvd. Modernization Dupuy Intersection	7,620,537	2,970,264	-	804,433	11,395,234	8,080,552	3,203,932	100,448	10,302
Temple Avenue Turning Lane	10,986	181,751	-	262,344	455,081	32,511	356,892	213,026	(147,348)
Southpark & Demmock	166,233	128,901	-	10,984	306,118	158,314	119,268	-	28,536
Dupuy Avenue Modernization	399,564	398,899	-	3,284,537	4,083,000	459,946	219,530	163,203	3,240,321
Lakeview Ave. Modernization	369,187	49,240	-	2,895,574	3,314,001	312,296	49,027	2,873	2,949,805
Temple Avenue/Dummock Turning Lane	16,446	405,897	-	77,657	500,000	8,416	405,663	-	85,921
Bridge Rehabilitation Project	-	-	-	650,000	650,000	-	-	-	650,000
Traffic Signal Coordination	-	-	-	495,000	495,000	-	1,100	-	493,900
Urban Street Construction	-	250,000	-	231,141	481,141	-	7,000	-	474,141
Total	11,413,525	4,388,094	106,101	9,167,335	25,075,055	11,758,695	4,490,770	480,546	8,345,044
Total Streets and Bridges	11,413,525	4,388,094	106,101	9,167,335	25,075,055	11,758,695	4,490,770	480,546	8,345,044
Utility Improvements:									
Allocable to Incomplete Projects:									
Boulevard Modernization - Utility	770,660	210,000	-	-	980,660	614,209	434,874	54,100	(122,523)
Dupuy Avenue Modernization - Utility	37,223	540,000	-	-	577,223	53,650	7,795	28,876	486,902
Lakeview Ave. Modernization - Utility	-	375,000	-	-	375,000	-	-	880	374,120
Lafayette/Hamilton Pipe	-	340,000	-	-	340,000	-	384,131	-	(44,131)
Utility Infrastructure	-	502,000	-	-	502,000	-	114,631	-	387,369
White Sands Court Reconstruction	805	134,682	-	30,513.00	166,000	9,106	98,502	-	58,392
Bruce Avenue Drainage	217,481	2,250,000	-	-	2,467,481	-	106,772	15,361	2,345,348
Total Utility Improvements	1,026,169	4,351,682	-	30,513	5,408,364	676,965	1,146,705	99,217	3,485,477
Restricted Fund - Appratus	2,052	-	-	-	2,052	-	-	-	2,052
Non-Project Related	51,023	496	-	-	51,519	-	-	-	51,519
Total Projects	\$ 32,607,166	\$ 8,871,109	\$ -	\$ 9,772,395	\$ 51,250,670	\$ 31,971,039	\$ 6,234,595	\$ 719,407	\$ 12,325,629

TABLE 6

CITY OF COLONIAL HEIGHTS, VIRGINIA

ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

(unaudited)

Fiscal Year	Real Property			Public Service**	Public Safety	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						
2015	\$ 937,198,700	\$ 87,323,500	\$ 590,412,800	\$ 33,778,852	\$ -	\$ 1,648,713,852	\$ 2.52	\$ 1,648,713,852	100.00 %
2014	936,946,100	87,323,500	580,791,400	34,376,713	-	1,639,437,713	2.52	1,639,437,713	100.00
2013	978,270,500	95,275,100	554,297,500	36,333,519	-	1,664,176,619	2.52	1,664,176,619	100.00
2012	971,122,700	95,265,700	551,009,900	34,468,630	-	1,651,866,930	2.44	1,651,866,930	100.00
2011	1,033,929,400	96,926,200	552,194,300	32,922,680	-	1,715,972,580	2.44	1,715,972,580	100.00
2010	1,031,967,800	96,461,100	549,782,600	29,896,895	-	1,708,108,395	2.44	1,708,108,395	100.00
2009	1,029,811,100	97,597,000	546,792,700	28,481,719	-	1,702,682,519	2.44	1,702,682,519	100.00
2008	1,025,744,200	97,651,400	530,801,900	26,781,992	-	1,680,979,492	2.44	1,680,979,492	100.00
2007	829,706,600	85,303,900	462,662,600	28,857,670	-	1,406,530,770	2.60	1,406,530,770	100.00
2006	814,763,800	85,367,800	445,687,100	28,182,168	-	1,374,000,868	2.60	1,374,000,868	100.00

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

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

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

Year	Real Estate	Public Service	Public Safety	Total Direct Rate
2015	1.14	1.14	0.24	2.52
2014	1.14	1.14	0.24	2.52
2013	1.14	1.14	0.24	2.52
2012	1.10	1.10	0.24	2.44
2011	1.10	1.10	0.24	2.44
2010	1.10	1.10	0.24	2.44
2009	1.10	1.10	0.24	2.44
2008	1.10	1.10	0.24	2.44
2007	1.18	1.18	0.24	2.60
2006	1.18	1.18	0.24	2.60

Note: There is no overlapping government taxation.

TABLE 8

CITY OF COLONIAL HEIGHTS, VIRGINIA

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

Taxpayer	2015			2006		
	Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Southpark Mall	\$ 77,549,100	1	4.70%	\$ 67,455,300	1	4.91%
Roslyn Farms Corp	35,157,700	2	2.13%	33,392,100	2	2.43%
Roslyn Farms Associates LP	25,623,700	3	1.55%	22,252,300	3	1.62%
Wal-Mart/Sams	25,309,700	4	1.54%	21,648,200	4	1.58%
Virginia Electric & Power	15,733,663	5	0.95%	9,508,040	9	0.69%
Faison Colonial Heights	15,652,000	6	0.95%	13,999,300	5	1.02%
Dunlop House	14,129,600	7	0.86%	-	-	0.00%
Colonial Square Associated	13,948,500	8	0.85%	11,198,300	7	0.82%
Dimmock Square Marketplace	13,151,000	9	0.80%	-	-	0.00%
Colonial Heights Operations	13,008,000	10	0.79%	-	-	0.00%
Verizon Virginia Inc.	-	-	-	11,461,236	6	0.83%
Home Depot USA	-	-	-	10,421,600	8	0.76%
Southpark Hotel	-	-	-	9,350,600	10	0.68%
	<u>\$ 249,262,963</u>		<u>15.12%</u>	<u>\$ 210,686,976</u>		<u>15.34%</u>

TABLE 9

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

Calendar Year Ended June 30	Taxes Levied for the Year		Collected within the Year of the Levy		Collections in Subsequent Years*	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2014	\$	23,087,247	\$ 22,546,470	97.66 %	\$ 267,042	\$ 22,813,512	98.81 %
2013		23,197,067	22,707,550	97.89	378,471	23,086,021	99.52
2012		23,148,788	22,634,176	97.78	471,817	23,105,993	99.82
2011		23,066,409	22,500,624	97.55	540,990	23,041,614	99.89
2010		22,920,083	22,666,857	98.90	225,451	22,892,308	99.88
2009		22,923,361	22,705,560	99.05	204,157	22,909,717	99.94
2008		22,871,135	22,536,288	98.54	177,101	22,713,389	99.31
2007		21,303,700	21,063,380	98.87	240,320	21,303,700	100.00
2006		20,214,991	20,031,441	99.09	183,108	20,214,549	100.00
2005		17,928,594	17,764,522	99.08	163,469	17,927,991	100.00

Source: Detailed City property tax records.

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

*Does not include penalties and interest.

CITY OF COLONIAL HEIGHTS, VIRGINIA

TAXABLE SALES BY CATEGORY

Last Ten Calendar Years

(in thousands of dollars)

(unaudited)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Apparel	\$ 71,591	\$ 71,301	\$ 68,317	\$ 64,286	\$ 61,381	\$ 59,414	\$ 55,303	\$ 56,839	\$ 85,969	\$ 40,413
Automotive	3,623	3,665	4,331	5,977	12,392	14,554	14,817	13,563	24,227	23,187
Food	144,188	136,078	137,113	127,548	119,677	118,561	116,997	107,331	49,300	85,495
Furniture, Home Furnishings and Equipment	12,387	12,944	14,781	12,205	8,100	9,186	8,313	55,986	57,665	31,649
General Merchandise	286,433	282,948	280,835	302,806	275,618	279,137	293,417	295,155	234,775	227,277
Machinery, Equipment and Supplies	29,887	31,905	34,033	28,439	37,309	39,068	43,189	46,438	42,413	6,228
Miscellaneous	150,454	144,172	82,789	83,710	76,519	69,668	86,177	114,937	176,341	162,351
Total	<u>\$ 698,563</u>	<u>\$ 683,013</u>	<u>\$ 622,199</u>	<u>\$ 624,971</u>	<u>\$ 590,996</u>	<u>\$ 589,588</u>	<u>\$ 618,213</u>	<u>\$ 690,249</u>	<u>\$ 670,690</u>	<u>\$ 576,600</u>
City Direct Local Option Sales Tax	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

Source: Virginia Department of Taxation.

Notes:

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

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

There is no overlapping government taxation.

TABLE 11

CITY OF COLONIAL HEIGHTS, VIRGINIA

TAXABLE SALES BY CATEGORY

Calendar Years 2014 and 2005

(taxable sales in thousands of dollars)

(unaudited)

	Calendar Year 2014				Calendar Year 2005			
	Number of Filers	Percentage of Total	Taxable Sales	Percentage of Total	Number of Filers	Percentage of Total	Taxable Sales	Percentage of Total
Apparel	74	12.85 %	\$ 71,591	10.25 %	55	10.02 %	\$ 40,413	7.01 %
Automotive	6	1.04	3,623	0.52	31	5.65	23,187	4.02
Food	105	18.23	144,188	20.64	86	15.66	85,495	14.83
Furniture, Home Furnishings and Equipment	19	3.30	12,387	1.77	22	4.01	31,649	5.49
General Merchandise	75	13.02	286,433	41.00	41	7.47	227,277	39.41
Machinery, Equipment and Supplies	14	2.43	29,887	4.28	29	5.28	6,228	1.08
Miscellaneous	283	49.13	150,454	21.54	285	51.91	162,351	28.16
Total	576	100.00 %	\$ 698,563	100.00 %	549	100.00 %	\$ 576,600	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)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Debt limit	\$ 164,871,385	\$ 163,943,771	\$ 166,417,662	\$ 165,186,693	\$ 171,597,258	\$ 170,810,840	\$ 170,268,252	\$ 168,097,949	\$ 140,653,077	\$ 137,400,087
Total net debt applicable to limit	35,555,000	34,040,000	37,045,000	39,750,000	24,125,000	26,295,000	28,855,000	27,295,000	19,320,000	21,250,000
Legal debt margin	<u>\$ 129,316,385</u>	<u>\$ 129,903,771</u>	<u>\$ 129,372,662</u>	<u>\$ 125,436,693</u>	<u>\$ 147,472,258</u>	<u>\$ 144,515,840</u>	<u>\$ 141,413,252</u>	<u>\$ 140,802,949</u>	<u>\$ 121,333,077</u>	<u>\$ 116,150,087</u>
Total net debt applicable to the limit as a percentage of debt limit	21.57%	20.76%	22.26%	24.06%	14.06%	15.39%	16.95%	16.24%	13.74%	15.47%

Legal Debt Margin Calculation for Fiscal Year 2015

Assessed value	<u>\$ 1,648,713,852</u>
Debt limit (10% of assessed value)	\$ 164,871,385
Less debt applicable to limit:	
General obligation bonds	<u>35,555,000</u>
Legal debt margin	<u>\$ 129,316,385</u>

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

TABLE 13

CITY OF COLONIAL HEIGHTS, VIRGINIA

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

(unaudited)

Fiscal Year	Governmental Activities						
	General Obligation Bonds	Net Deferred Amounts ⁽¹⁾	Total General Bonded Debt	Percentage of Actual Value of Taxable Property	Debt Per Capita	Lease Revenue Note Payable	Capital Leases
2015	\$ 30,873,958	\$ 1,459,298	\$ 32,333,256	1.96 %	\$ 1,857	\$ -	\$ 114,936
2014	33,406,897	1,230,564	34,637,461	2.11	1,989	-	-
2013	36,246,554	1,576,521	37,823,075	2.27	2,172	-	-
2012	38,792,753	1,697,691	40,490,444	2.45	2,326	-	-
2011	22,961,083	357,951	23,319,034	1.36	1,339	-	-
2010	24,929,795	406,075	25,335,870	1.48	1,405	-	-
2009	26,855,108	155,712	27,010,820	1.59	1,527	-	-
2008	24,997,685	170,672	25,168,357	1.50	1,414	3,970,300	-
2007	16,740,612	113,881	16,854,493	1.20	954	3,970,300	-
2006	18,361,424	*	18,361,424	1.34	1,039	4,028,046	-

Fiscal Year	Business-type Activities					
	General Obligation Bonds	Net Deferred Amounts ⁽¹⁾	Capital Leases	Total Primary Government	Percentage of Personal Income	Debt Per Capita
2015	\$ 4,681,042	\$ 46,049	\$ 70,510	\$ 37,245,793	* %	\$ 2,139
2014	633,103	8,186	94,789	35,373,539	*	2,032
2013	798,446	11,846	32,558	38,665,925	*	2,221
2012	957,247	14,215	74,490	41,536,396	*	2,386
2011	1,163,917	16,585	114,795	24,614,331	*	1,414
2010	1,365,205	18,954	181,587	26,901,616	*	1,492
2009	1,999,892	-	245,697	29,256,409	1.08	1,654
2008	2,297,315	-	80,618	31,516,590	1.20	1,771
2007	2,579,388	-	105,159	23,509,340	0.93	1,330
2006	2,853,576	*	-	25,243,046	1.08	1,428

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

*Unavailable

CITY OF COLONIAL HEIGHTS, VIRGINIA

DEMOGRAPHIC STATISTICS

Last Ten Calendar Years

(unaudited)

Fiscal Year	Population	Personal Income (in thousands)	Per Capita Personal Income	School Enrollment	Unemployment Rate
2015	17,411	*	*	2,796	5.30%
2014	17,411	*	*	2,812	6.00
2013	17,411	*	*	2,829	7.30
2012	17,411	*	*	2,972	6.90
2011	17,411	*	*	2,891	7.60
2010	18,035	*	*	2,836	8.60
2009	17,693	2,704,120	35,052	2,881	8.70
2008	17,796	2,635,768	34,187	2,847	4.80
2007	17,676	2,515,436	32,919	2,856	3.30
2006	17,676	2,328,236	30,652	2,848	3.30

Sources:

Weldon Cooper Center for Public Service

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

City of Petersburg and Dinwiddie County

City of Colonial Heights Public Schools

Virginia Employment Commission

US Census

*Unavailable

CITY OF COLONIAL HEIGHTS, VIRGINIA

PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago
(unaudited)

Employer	2015			2006		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Wal-Mart	650	1	7.46 %	575	1	6.26 %
Colonial Heights School Board	615	2	7.06	555	2	6.04
City of Colonial Heights	351	3	4.03	300	3	3.27
VDOT	250	4	2.87	-	-	-
Colonial Heights Operations	229	5	2.63	-	-	-
Randstad US L P	225	6	2.58	-	-	-
Martin's Food Market	190	7	2.18	-	-	-
J.C. Penny Corporation, Inc.	189	8	2.17	201	4	2.19
Golden Corral	185	9	2.12	-	-	-
Cleveland Cement Contract, Inc.	169	10	1.94	-	-	-
Colonial Heights Convalescent Home	-	-	-	195	5	2.12
Ukrops	-	-	-	190	6	2.07
May Department Stores Company	-	-	-	189	7	2.06
Manpower International	-	-	-	187	8	2.04
Sears Roebuck & Company	-	-	-	186	9	2.03
The Home Depot	-	-	-	185	10	2.01

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)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<u>Function/Program</u>										
General government										
Management services	7	7	6	6	6	6	6	6	6	6
Tax collections	9	9	9	9	11	11	11	11	11	11
Finance	11	11	11	11	9	9	9	9	9	9
Information technology	2	2	2	2	1	2	2	2	2	2
Board of elections	2	2	2	2	2	2	2	2	2	2
Judicial administration	25	22	22	23	21	21	22	22	21	19
Public safety	115	115	114	113	113	114	117	115	115	115
Public works	48	45	45	30	28	29	30	30	31	29
Parks, recreation, and cultural	26	26	25	24	24	25	25	25	25	25
Community development	5	5	5	5	5	5	6	6	5	5
Human services	3	4	4	4	5	5	5	5	5	5
Education	453	436	439	437	430	430	428	391	401	384
Total	706	684	684	666	655	659	663	624	633	612

Source: City Adopted Budget.

CITY OF COLONIAL HEIGHTS, VIRGINIA										
OPERATING INDICATORS BY FUNCTION/PROGRAM										
Last Ten Fiscal Years (unaudited)										
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Function/Program										
General Government										
Registered voters	11,775	12,050	12,056	12,282	11,971	11,936	11,938	12,179	11,433	11,512
Structures										
Detached	6,161	6,221	6,195	6,168	6,172	6,182	6,179	6,153	6,140	6,057
Duplex	379	379	169	170	178	175	179	180	180	183
Multi-family	1,198	1,198	1,198	1,211	1,211	1,211	1,211	1,211	1,211	1,201
Parcel with elderly/disabled: Exemptions	234	272	296	316	314	330	353	316	325	293
Judicial Administration										
Average daily jail population	181	180	179	152	163	185	170	155	124	118
Public safety										
Volunteers	46	53	47	61	60	66	58	66	55	41
Public works										
Road mileage maintained:										
Arterial	31	31	31	31	31	31	31	31	30	30
Local/collector	162	162	162	162	162	162	162	161	162	160
Parks, Recreational and Cultural										
Parks:										
Number	10	10	10	10	10	10	9	9	9	9
Areas	75	75	75	71	71	71	71	71	71	71
Recreation:										
Baseball fields	11	11	11	11	11	11	9	9	9	9
Tennis courts	9	9	9	9	9	9	9	9	9	9
Basketball courts	10	10	11	10	6	6	5	5	5	5
Soccer fields	11	11	11	11	11	6	6	6	6	6
Library										
Volumes in collection	60,789	61,326	60,521	64,703	63,871	62,474	62,422	63,245	64,736	63,641
Community development										
Building permits issued - calendar	520	551	532	407	547	N/A	N/A	237	242	272
Value	6,827,056	6,957,542	6,544,861	4,582,561	3,560,086	N/A	N/A	12,636,904	21,972,520	18,932,440
Education										
Elementary	3	3	3	3	3	3	3	3	3	3
Secondary	2	2	2	2	2	2	2	2	2	2
Vocational buildings	1	1	1	1	1	1	1	1	1	1
Sources:										
Voters - Registrar										
Structures - City Assessor										
Elderly exemptions - Commissioner of the Revenue										
Average jail population - Riverside Regional Jail										
Volunteers - Department of Public Safety										
Education - Colonial Heights School Administration										
Library - Librarian										
Building permits - City Planner										

COMPLIANCE SECTION

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Colonial Heights, Virginia, (the "City") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 30, 2015.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. **The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and questioned costs as item 2015-001.**

City of Colonial Heights Response to Finding

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

Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 30, 2015

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Colonial Heights, Virginia (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2015. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Colonial Heights, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

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

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 30, 2015

CITY OF COLONIAL HEIGHTS, VIRGINIA

SUMMARY OF COMPLIANCE MATTERS

June 30, 2015

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

STATE COMPLIANCE MATTERS

Code of Virginia:

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

State Agency Requirements:

Education
Highway Maintenance Funds

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

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

CITY OF COLONIAL HEIGHTS, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2015

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. **One instance of noncompliance material** to the financial statements was disclosed during the audit, which is required to be reported in accordance with *Government Auditing Standards*.
4. **No significant deficiencies** relating to the audit of the major federal award programs were reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance required by *OMB Circular A-133*.
5. The auditor's report on compliance for the major federal award programs expresses an **unmodified opinion**.
6. The audit disclosed no **audit finding** relating to major programs.
7. The programs tested as major programs include:

<u>Name of Program:</u>	<u>CFDA #</u>
Highway Planning and Construction	20.205
Special Education Cluster (IDEA)	84.027, 84.173

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

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

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

None.

D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

2015-001: General Government Budget Appropriations

Condition:

General government, judicial administration, and health and welfare expenditures exceeded budgeted appropriations.

Recommendation:

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

Management Response (Unaudited):

The auditee concurs with the recommendation.

CITY OF COLONIAL HEIGHTS, VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDING
June 30, 2015

FINDING AND QUESTIONED COST – MAJOR FEDERAL AWARD PROGRAMS AUDIT

2014-001: Cash Management – Highway Planning and Construction (20.205)

Condition:

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

Recommendation:

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

Current Status:

We did not detect a similar finding in the current year.