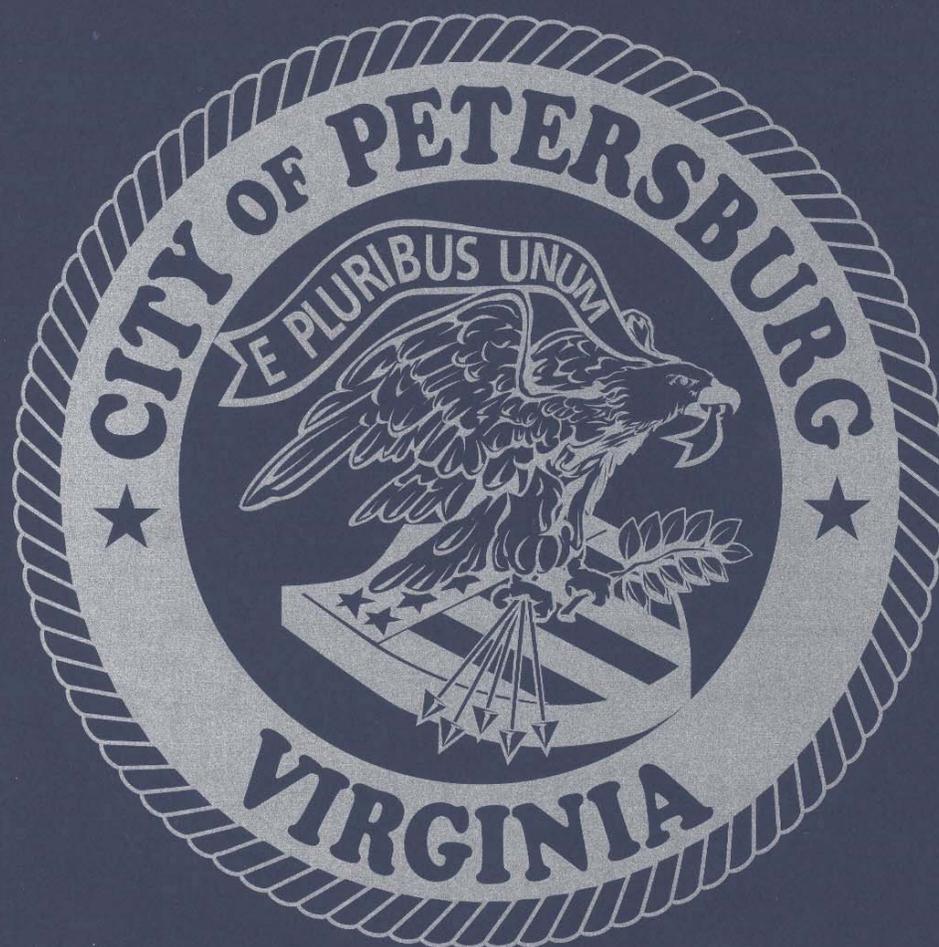


**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

City of Petersburg, Virginia



For the Year Ended June 30, 2016

City of Petersburg, Virginia

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2016

Prepared By: _____

Department of Finance

CITY OF PETERSBURG, VIRGINIA

Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2016

TABLE OF CONTENTS

	<u>Page</u>
<u>INTRODUCTORY SECTION</u>	
Title Page	i
Table of Contents	iii-v
Directory of Principal Officials	vii
Organizational Chart	ix
Certificate of Achievement	xi
Letter of Transmittal	xiii-xvi
<u>FINANCIAL SECTION</u>	
Independent Auditors' Report	1-4
Management's Discussion and Analysis	5-12
<u>BASIC FINANCIAL STATEMENTS</u>	
Government-wide Financial Statements:	
Exhibit 1 Statement of Net Position	17
Exhibit 2 Statement of Activities	18-19
Fund Financial Statements:	
Exhibit 3 Balance Sheet-Governmental Funds	22
Exhibit 4 Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds	23
Exhibit 5 Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities-Governmental Funds	24
Exhibit 6 Statement of Net Position-Proprietary Funds	25
Exhibit 7 Statement of Revenues, Expenses and Changes in Net Position-Proprietary Funds	26
Exhibit 8 Statement of Cash Flows-Proprietary Funds	27
Exhibit 9 Statement of Fiduciary Net Position-Fiduciary Funds	28

CITY OF PETERSBURG, VIRGINIA

Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2016

TABLE OF CONTENTS

(Continued)

	<u>Page</u>
<u>FINANCIAL SECTION: (CONTINUED)</u>	
<u>BASIC FINANCIAL STATEMENTS: (CONTINUED)</u>	
Fund Financial Statements: (continued)	
Exhibit 10 Statement of Changes in Fiduciary Net Position—Fiduciary Funds	29
Notes to Financial Statements	31-90
<u>REQUIRED SUPPLEMENTARY INFORMATION:</u>	
Exhibit 11 Schedule of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual—General Fund	92
Exhibit 12 Schedule of Components of and Changes in Net Pension Liability and Related Ratios	93
Exhibit 13 Schedule of Employer Contributions	94
Exhibit 14 Schedule of OPEB Funding Progress	95
Exhibit 15 Notes to Required Supplementary Information	96
<u>OTHER SUPPLEMENTARY INFORMATION:</u>	
Combining and Individual Fund Statements and Schedules	
Exhibit 16 Combining Balance Sheet—Nonmajor Governmental Funds	100
Exhibit 17 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—Nonmajor Governmental Funds	101
Exhibit 18 Schedule of Revenues, Expenditures, and Changes in Fund Balance—Budget and Actual— Nonmajor Governmental Funds— Special Revenue Funds	102-103
Exhibit 19 Combining Statement of Fiduciary Net Position—Agency Funds	104
Exhibit 20 Combining Statement of Changes in Assets and Liabilities—Agency Funds	105
Supporting Schedules:	
Schedule 1 Governmental Funds Schedule of Revenues-Budget and Actual	108-112
Schedule 2 Governmental Funds Schedule of Expenditures-Budget and Actual	113-118

CITY OF PETERSBURG, VIRGINIA

Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2016

TABLE OF CONTENTS

(Continued)

	<u>Page</u>
<u>STATISTICAL SECTION:</u>	
<u>Financial Trends</u>	
Table 1	Net Position by Component - Last Ten Fiscal Years 120-121
Table 2	Changes in Net Position - Last Ten Fiscal Years 123-124
Table 3	Governmental Activities Tax Revenues by Source - Last Ten Fiscal Years 125
Table 4	Fund Balances of Governmental Funds - Last Ten Fiscal Years 126-127
Table 5	Changes in Fund Balance of Governmental Funds - Last Ten Fiscal Years 128-129
Table 6	Governmental Activities Tax Revenues by Source - Last Ten Fiscal Years 131
<u>Revenue Capacity</u>	
Table 7	Assessed and Estimated Valuation of All Taxable Property - Last Ten Fiscal Years 132
Table 8	Property Tax Rates - Last Ten Fiscal Years 133
Table 9	Principal Business Taxpayers - Current Year and Nine Years Ago 134-135
Table 10	Property Tax Levies and Collections - Last Ten Fiscal Years 137
<u>Debt Capacity</u>	
Table 11	Ratios of Outstanding Obligations by Type - Last Ten Fiscal Years 138-139
Table 12	Ratio of Net General Obligation Bonded Debt to Assessed Value and Net Obligation Bonded Debt Per Capita - Last Ten Fiscal Years 140
Table 13	Computation of Direct and Overlapping Bonded Debt and Legal Debt Margin 141
Table 14	Revenue Coverage - Last Ten Fiscal Years 142
<u>Demographic and Economic Information</u>	
Table 15	Demographic Economic and Census Statistics - Last Ten Fiscal Years & Last Six Censuses 143
<u>Operating Information</u>	
Table 16	Major Private Employers - Current Year and Nine Years Ago 144
Table 17	Full-time Equivalent Government Employees by Function - Last Ten Fiscal Years 145
Table 18	Operating Indicators by Function - Last Ten Fiscal Years 146-147
Table 19	Capital Asset Statistics by Function - Last Ten Fiscal Years 148
<u>COMPLIANCE SECTION:</u>	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	149-150
Independent Auditors' Report on Compliance on Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	151-153
Schedule of Expenditures of Federal Awards	155-157
Notes to Schedule of Expenditures of Federal Awards	158
Schedule of Findings and Questioned Costs	159-178

CITY OF PETERSBURG, VIRGINIA
CITY COUNCIL AND EXECUTIVE OFFICERS
JUNE 30, 2016

CITY COUNCIL

W. Howard Myers Mayor
Samuel Parham..... Vice-Mayor
John A. Hart, Sr Councilman
David R. Coleman Councilman
Treska Wilson-Smith..... Councilwoman
Brian A. Moore Councilman
Darrin Hill Councilman

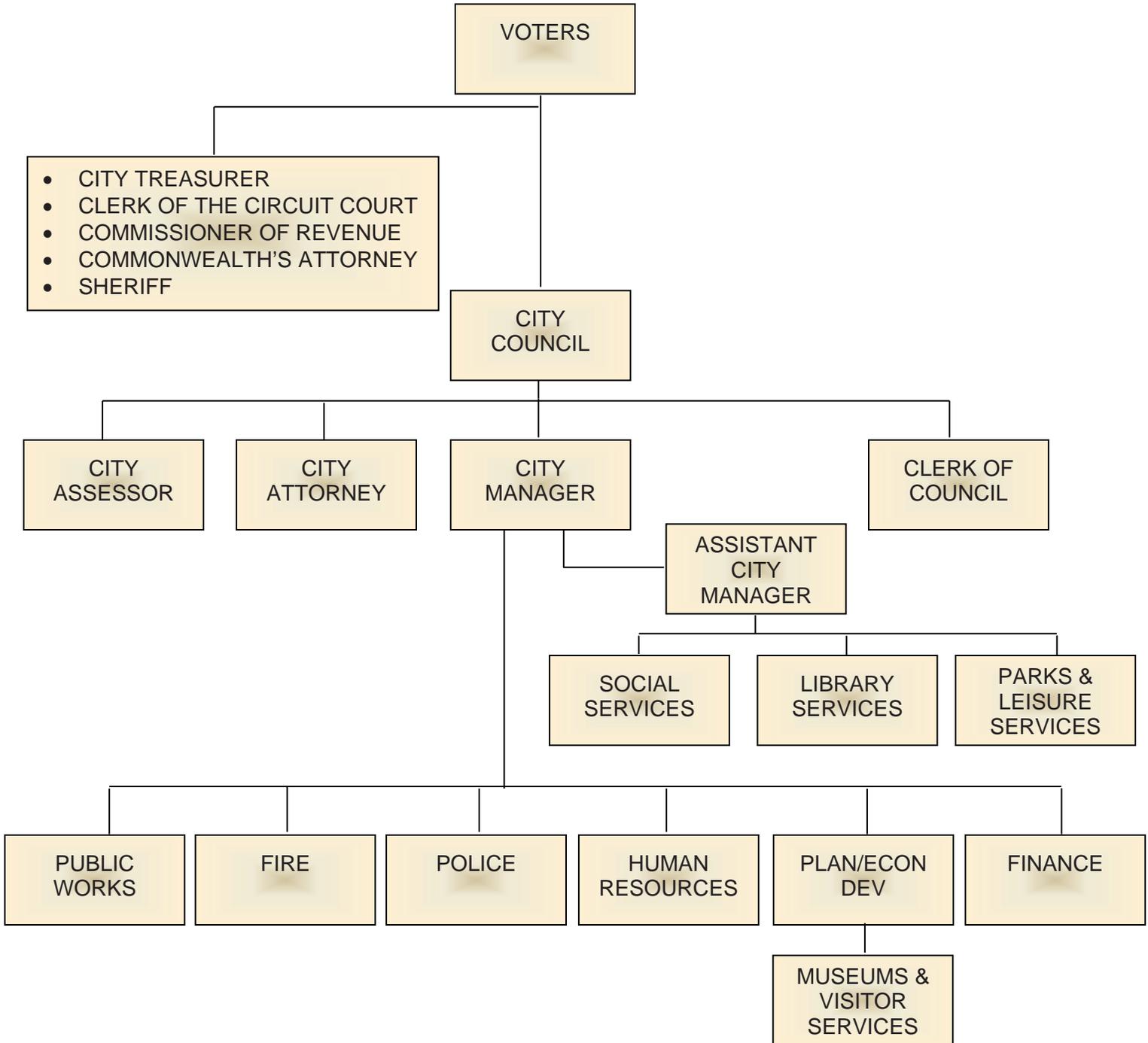
CONSTITUTIONAL OFFICERS

Pam Hairston Commissioner of Revenue
Cassandra S. Conover Commonwealth’s Attorney
Kevin A. Brown City Treasurer
Shalva J. Braxton Clerk of the Circuit Court
Vanessa R. Crawford City Sheriff

CITY ADMINISTRATION

Dironna M. Belton..... Acting City Manager
Nykesha D. Jackson..... Council Clerk
Mark Flynn Acting City Attorney
Richie McKeithen City Assessor
Tami M. Champ-Yerby Director of Parks and Leisure Services
Michelle B. Peters Director of Planning
Wayne Crocker Library Director
Landis Faulcon Manager of Economic Development
Kimberly Willis Miles Director of Social Services
Marie Coone Museums Manager
Daniel Harrison..... Interim Director of Public Works
Thomas C. Hairston..... Fire Chief
Lorriane Adeeb..... Director of Human Resources
William Rohde..... Interim Chief of Police

CITY OF PETERSBURG, VIRGINIA ORGANIZATIONAL CHART





Government Finance Officers Association

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

Presented to

**City of Petersburg
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO



**I AM
PETERSBURG
VIRGINIA**

CITY OF PETERSBURG

FINANCE DEPARTMENT

CITY HALL ANNEX, 103 W. TABB STREET

PETERSBURG, VIRGINIA 23803

(804) 733-2337 FAX (804) 733-2434

May 31, 2017

The Honorable Members of City Council
City of Petersburg, Virginia

To the Honorable Members of City Council:

The Comprehensive Annual Financial Report (CAFR) of the City of Petersburg, Virginia (the City) for the year ended June 30, 2016, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

Internal Control: City Management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Single Audit: As a recipient of federal and state financial assistance, the City also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by City Management.

The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. As part of the City's single audit, tests are made to determine the adequacy of the internal control structure, including that portion related to Federal financial assistance programs, as well as to determine that the City has complied with applicable laws and regulations. Information related to this single audit, including the schedule of expenditures of federal awards, findings and questioned costs and independent auditors' reports on the internal control structure and compliance with applicable laws and regulations, is included in this report.

Budgetary Controls: The objective of budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City's governing body. Activities of the General Fund and Special Revenue Funds are included in the annual appropriated budget. Project-length financial plans are adopted for the Capital Projects Fund. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is established by function for the General Fund and the fund level for other individual funds. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control.

The financial reporting entity includes all funds of the Primary Government (i.e., the City), as well as the component units for which the City is financially accountable. GAAP has established standards for defining and reporting on the financial reporting entity. Specifically, under GAAP the School Board of the City of Petersburg, Virginia (the School Board) is reported as a separate component unit in the City's reporting entity. This presentation is designed to emphasize that the School Board is legally separate from the City and to differentiate its financial position and results of operations from that of the City. This component unit is administered by a separate board, which is elected. The City provides a full range of services including police and fire protection; sanitation services; health and social services; the construction and maintenance of roads, streets and infrastructure; recreation activities; and cultural events. In addition to general government activities, the operations of Petersburg's public utilities and the City's transit system are also part of the primary government and included in the reporting entity.

ECONOMIC CONDITION AND OUTLOOK AND FUTURE PROSPECTS

The City's basic industries are manufacturing, government, trade and services. The manufacturing sector includes firms in the chemical, medical, metal and optical industries. The City's economic prospects are enhanced by its proximity to Richmond, the state capital, and its inclusion in the Richmond-Petersburg Metropolitan Statistical Area. Fort Lee Army Base is located adjacent to the City. Fort Lee houses the Army's Quartermaster and Logistics Management Centers. Fort Lee has an average daily population of 26,000 and employs approximately 5,333 civilians. Fort Lee has an economic impact on the region in excess of \$2.4 billion.

The region's primary medical services facility, Southside Regional Medical Center (SRMC), is located in the City. The facility, which includes a nursing school and a specialty healthcare center, is the largest private employer in the City with over 1,400 employees. SRMC along with Poplar Springs Hospital and HealthSouth Surgical Rehabilitation Hospital make Petersburg the medical services hub of the Tri-cities area.

OTHER INFORMATION

Relevant Financial Policies:

Investments are made to an investment policy that seeks to safeguard principal, meet liquidity objectives, and seek fair value rates of return within the parameters of the *Code of Virginia*. Funds held for capital projects are invested in accordance with these objectives in addition to ensuring compliance with U.S. Treasury arbitrage regulations.

Management's Discussion and Analysis: GAAP require management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement

OTHER INFORMATION: (CONTINUED)

MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Independent Audit: State statutes require an annual audit by independent certified public accountants. The accounting firm of Robinson, Farmer, and Cox Associates was selected by the City's audit committee. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the federal Single Audit Act of 1984 and the related requirements of OMB Circular A-133. The independent auditors' report on the basic financial statements, combining, and individual fund statements and schedules is included in the financial section of this report. The independent auditors' reports related specifically to the single audit are included in the compliance section of this report.

Awards: The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting Program to the City of Petersburg, Virginia for its comprehensive annual financial report for the fiscal year ended June 30, 2015. The Certificate of Achievement is a prestigious national award-recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only.

Acknowledgements: This report could not have been accomplished without a great deal of cooperation and assistance by the staff in a number of City departments. Also, we would like to thank the Mayor and members of the City Council for their continued interest and support.

Respectfully Submitted,



Interim Deputy City Manager and
Interim Finance Director

This page intentionally left blank

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

To the Honorable Members of City Council
City of Petersburg, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Petersburg, Virginia, as of and for the year ended June 30, 2016, 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.

Auditors' 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 auditors' 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.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-Type Activities	Qualified
Discretely Presented Component Unit	Unmodified
General Fund	Unmodified
Capital Projects Fund	Unmodified
Public Utility Fund	Qualified
Mass Transit Fund	Unmodified
Golf Course Fund	Unmodified
Aggregate Remaining Fund Information	Qualified

Basis for Qualified Opinion on Business-Type Activities, Public Utility Fund, and Aggregate Remaining Fund Information

The City encountered significant issues with its utility billing system due to system measurement changes. These issues resulted in material billing errors, material billing adjustments and material differences between the utility billing system and the City's general ledger. Due to these material issues and the lack of internal controls in place over this process, the City was unable to provide sufficient audit evidence to support the Receivables and Revenues reported in the Public Utility Fund and Stormwater Fund.

Qualified Opinions

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Business-Type Activities, Public Utility Fund, and the Aggregate Remaining Fund Information" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities, Public Utility Fund, and the aggregate remaining fund information of the City of Petersburg, Virginia, as of June 30, 2016, and the changes in financial position thereof for the year then ended in accordance with accounting principles general accepted in the United States of America.

Unmodified 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 discretely presented component unit, and each major fund other than the Public Utility Fund of the City of Petersburg, Virginia, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 18 to the financial statements, in 2016, the City adopted new accounting guidance, GASB Statement Nos. 72 Fair Value Measurement and Application, 79 Certain External Investment Pools and Pool Participants, 82 Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 5-12, 92, and 93-96 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. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

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

The combining and individual fund financial statements and 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 combining and individual fund financial statements and 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 May 31, 2017, on our consideration of the City of Petersburg, Virginia'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 of Petersburg, Virginia's internal control over financial reporting and compliance.

Robinson, Farnell, Cox Associates

Charlottesville, Virginia

May 31, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

As management of the City of Petersburg, Virginia (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City as of and for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$35,008,201 (net position).
- The City's net position decreased in governmental funds and business-type activities. Governmental funds net position decreased \$1,810,434 while business-type activities decreased \$3,987,395.
- As of the close of the current fiscal year, the City's Governmental Funds reported combined ending fund balances of \$14,844,813, a decrease of \$2,620,027 in comparison with the prior year. Unassigned fund balance for the General Fund decreased from \$(5,011,152) to \$(7,728,395).

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components:

1. Government-wide financial statements,
2. Fund financial statements, and
3. Notes to the basic financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements - The Government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the City's assets, deferred inflows of resources, and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the Government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, judicial administration, public safety, public works, health and welfare services, education, parks recreation, & cultural events, and community development. The business-type activities of the City include Public Utility and Mass Transit operations.

Overview of the Financial Statements: (Continued)

The Government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate school district for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds - Governmental funds are used to account for essentially the same functions reported as Governmental activities in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains eight individual governmental funds. The General Fund and the Capital Projects Fund are both considered to be major funds and accordingly financial information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for these funds. The six other governmental funds (Federal and State Projects Fund, Community Development Act Fund, Stormwater Fund, Blandford Cemetery Perpetual Care Fund, Clara J. McKenney Memorial Fund, and Library Endowment Fund) are considered to be non-major funds and are reported in the fund financial statements in one column and in the combining and individual fund statements and schedules as individual columns.

The City adopts an annual appropriated budget for certain Governmental funds. A budgetary comparison schedule has been provided as required supplementary information for the General Fund to demonstrate compliance with this budget.

Proprietary funds - The City maintains three enterprise funds, which are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water system, mass transportation and golf course operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, mass transportation and golf course activities all of which are considered to be major funds of the City.

Fiduciary funds - The City is the trustee, or fiduciary, for the City's agency and private-purpose trust funds. It is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. The City excludes these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations. Fiduciary funds consist of private purpose trust funds and agency funds. Agency funds are City custodial funds used to provide accountability of client monies for which the City is custodian.

Overview of the Financial Statements: (Continued)

Notes to the basic financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including the General Fund budgetary comparison schedule and pension funding activities and other supplementary information, including combining and individual fund financial statements and schedules.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a City's financial position. In the case of the City, assets and deferred inflows of resources exceeded liabilities and deferred inflows of resources by \$35,008,201 at the close of the fiscal year.

City of Petersburg's, Net Position
Schedule of Assets, Liabilities and Net Position
Governmental and Business-type Activities
For the Years Ended June 30, 2016 and 2015

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 31,444,744	\$ 36,576,998	\$ 9,370,563	\$ 10,884,124	\$ 40,815,307	\$ 47,461,122
Capital assets	57,901,150	57,521,734	49,803,544	50,408,126	107,704,694	107,929,860
Total assets	\$ 89,345,894	\$ 94,098,732	\$ 59,174,107	\$ 61,292,250	\$ 148,520,001	\$ 155,390,982
Deferred outflows of resources	\$ 3,350,413	\$ 3,695,513	\$ 611,878	\$ 369,855	\$ 3,962,291	\$ 4,065,368
Total assets and deferred outflows of resources	\$ 92,696,307	\$ 97,794,245	\$ 59,785,985	\$ 61,662,105	\$ 152,482,292	\$ 159,456,350
Long-term liabilities outstanding	\$ 68,407,506	\$ 67,877,937	\$ 19,777,649	\$ 19,875,824	\$ 88,185,155	\$ 87,753,761
Current liabilities	16,792,319	16,461,025	8,197,749	5,571,231	24,990,068	22,032,256
Total liabilities	\$ 85,199,825	\$ 84,338,962	\$ 27,975,398	\$ 25,447,055	\$ 113,175,223	\$ 109,786,017
Deferred inflows of resources	\$ 3,991,848	\$ 8,140,215	\$ 307,020	\$ 724,088	\$ 4,298,868	\$ 8,864,303
Net position:						
Net investment in capital assets	\$ 20,071,779	\$ 20,896,406	\$ 38,557,116	\$ 39,271,737	\$ 58,628,895	\$ 60,168,143
Restricted	4,275,250	3,011,799	489,434	489,434	4,764,684	3,501,233
Unrestricted	(20,842,395)	(18,593,137)	(7,542,983)	(4,270,209)	(28,385,378)	(22,863,346)
Total net position	\$ 3,504,634	\$ 5,315,068	\$ 31,503,567	\$ 35,490,962	\$ 35,008,201	\$ 40,806,030
Total liabilities, deferred inflows and net position	\$ 92,696,307	\$ 97,794,245	\$ 59,785,985	\$ 61,662,105	\$ 152,482,292	\$ 159,456,350

The majority of the City's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), net of any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Government-wide Financial Analysis: (Continued)

At the end of the current fiscal year, the City is able to report positive balances in most categories of net position. The requirement to record the VRS pension plan liabilities, which totaled \$24,088,769 for governmental activities caused it to report negative unrestricted net position as it will many other localities in Virginia. The Business-type activities also reported negative unrestricted position at year end, however, the City plans to remediate its negative unrestricted net position over time through increases in user fees and transfers from the general government.

Governmental Activities - Governmental activities decreased the City's net position by \$1,810,434, while business-type activities decreased net position by \$3,987,395. Key elements of these decreases are as follows:

**City of Petersburg, Virginia's Changes in Net Position
Governmental and Business-type Activities
For the Years Ended June 30, 2016 and 2015**

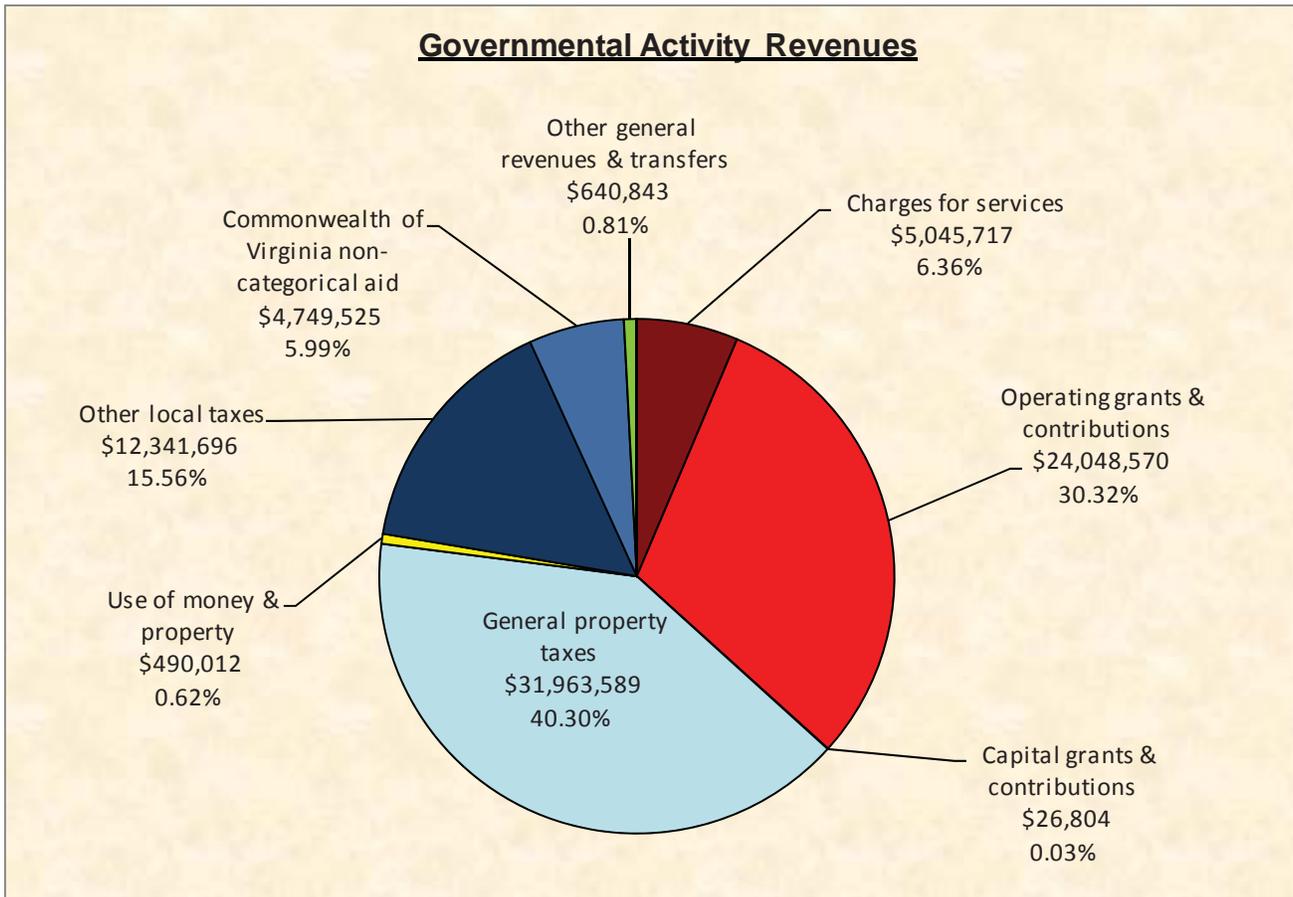
	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 5,045,717	\$ 5,237,511	\$ 8,492,194	\$ 10,031,375	\$ 13,537,911	\$ 15,268,886
Operating grants and contributions	24,048,570	24,458,455	2,091,584	3,144,068	26,140,154	27,602,523
Capital grants and contributions	26,804	3,154	784,525	158,355	811,329	161,509
General revenues:						
General property taxes	31,963,589	33,418,636	-	-	31,963,589	33,418,636
Other local taxes	12,341,696	12,079,523	-	-	12,341,696	12,079,523
Use of money and property	490,012	231,452	4,971	1,181	494,983	232,633
Commonwealth of Virginia non-categorical aid	4,749,525	4,828,315	-	-	4,749,525	4,828,315
Other general revenues	640,843	1,104,557	-	-	640,843	1,104,557
Total revenues	\$ 79,306,756	\$ 81,361,603	\$ 11,373,274	\$ 13,334,979	\$ 90,680,030	\$ 94,696,582
Expenses:						
General government administration	\$ 7,000,032	\$ 7,085,421	\$ -	\$ -	\$ 7,000,032	\$ 7,085,421
Judicial administration	2,324,844	2,392,925	-	-	2,324,844	2,392,925
Public safety	23,666,410	26,840,786	-	-	23,666,410	26,840,786
Public works	11,605,106	12,992,788	-	-	11,605,106	12,992,788
Health and welfare	13,488,320	13,703,670	-	-	13,488,320	13,703,670
Education	11,673,961	12,048,813	-	-	11,673,961	12,048,813
Parks, recreation, and cultural	2,216,162	2,445,593	-	-	2,216,162	2,445,593
Community development	6,286,581	6,152,338	-	-	6,286,581	6,152,338
Interest	1,648,599	1,541,463	-	-	1,648,599	1,541,463
Public Utility	-	-	10,248,093	10,141,929	10,248,093	10,141,929
Mass Transit	-	-	5,133,570	4,429,192	5,133,570	4,429,192
Golf Course	-	-	1,186,181	1,256,939	1,186,181	1,256,939
Total expenses	\$ 79,910,015	\$ 85,203,797	\$ 16,567,844	\$ 15,828,060	\$ 96,477,859	\$ 101,031,857
Increase (decrease) in net position before transfers	\$ (603,259)	\$ (3,842,194)	\$ (5,194,570)	\$ (2,493,081)	\$ (5,797,829)	\$ (6,335,275)
Transfers	(1,207,175)	-	1,207,175	-	-	-
Increase (decrease) in net position	\$ (1,810,434)	\$ (3,842,194)	\$ (3,987,395)	\$ (2,493,081)	\$ (5,797,829)	\$ (6,335,275)
Net position, beginning of year, as restated	5,315,068	9,157,262	35,490,962	37,984,043	40,806,030	47,141,305
Net position, end of year	\$ 3,504,634	\$ 5,315,068	\$ 31,503,567	\$ 35,490,962	\$ 35,008,201	\$ 40,806,030

Government-wide Financial Analysis: (Continued)

The City's net position decreased \$5,797,829 during the current fiscal year. This decrease was reflective of a decrease in net position of governmental activities of \$1,810,434 and a decrease of \$3,987,395 in business-type activities. Governmental activity revenues decreased from \$81,361,603 to \$79,306,756, an decrease of \$2,054,847 or 2.53%. There were two major factors which contributed to the decrease in revenue to include decrease in operating grants and contributions of \$409,885 and general property taxes of \$1,455,047. Governmental expenses decrease from \$85,203,797 to \$79,910,015 or \$5,293,782. There were several factors to support this decrease which were primarily in public safety and public works. Public safety expenses totaled \$23,666,410 in FY 16 compared to \$26,840,786 in FY 15. Public works expenses totaled \$11,605,106 in FY 16 compared to \$12,992,788 in FY 15.

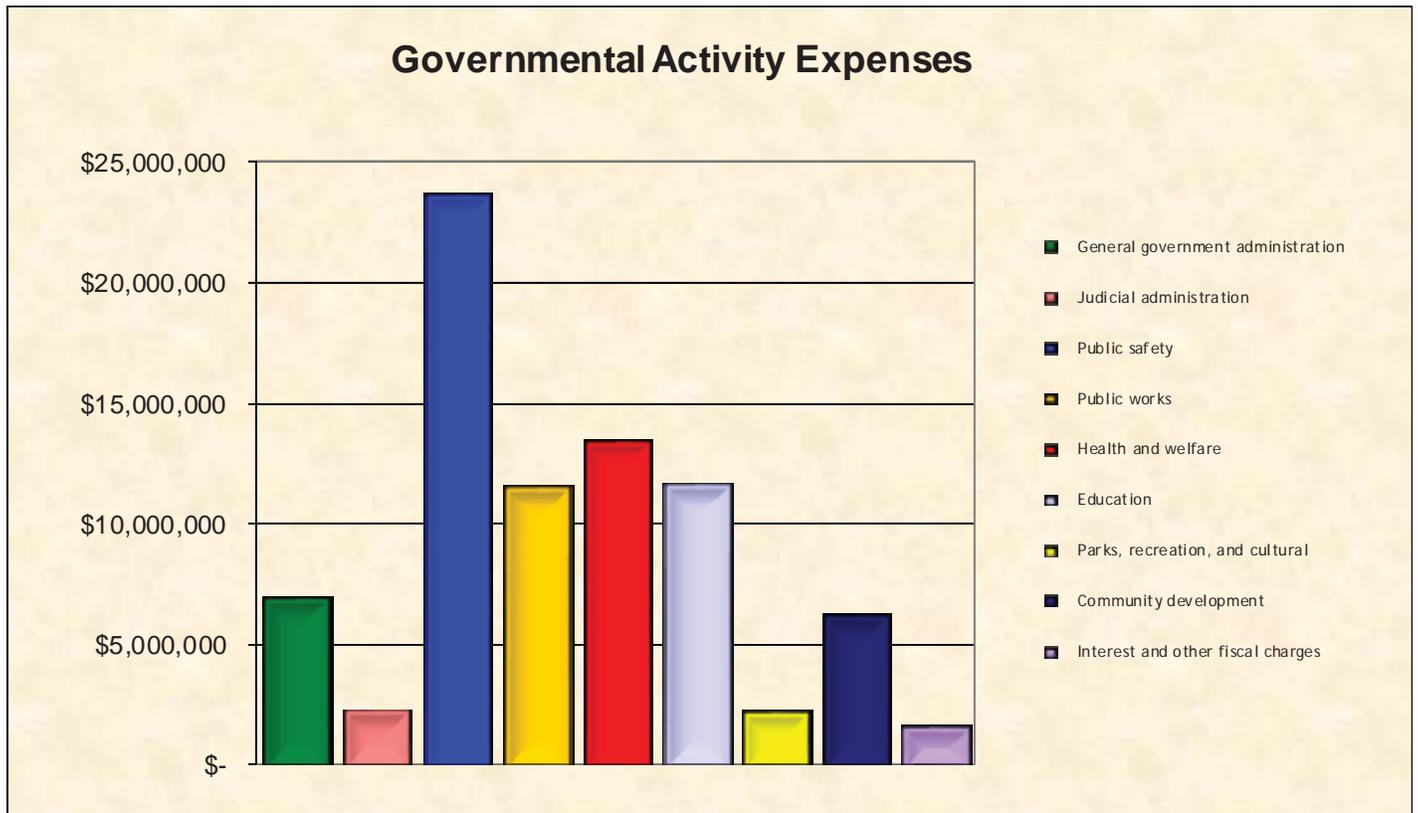
Net position decreased in the business-type activities by \$3,987,395. The Public Utility Fund's net position decreased by \$2,459,586, the Mass Transit Fund net position decreased by \$1,473,768 and the Golf Course decreased by \$54,041. Overall business-type activity revenues decreased from \$13,334,979 to \$11,373,274 or \$1,961,705. The most significant decrease was noted in Public Utility charges for services which decreased from \$8,758,140 in FY 15 to \$7,180,519, or \$1,577,621. Mass Transit expenses increased from \$4,429,192 in FY 15 to \$5,133,570 in FY 16 or \$704,378.

The chart below provides an overview of FY 15-16 revenues by program source:



Government-wide Financial Analysis: (Continued)

The chart below denotes expenses by major category.



Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$14,844,813 a decrease of \$2,620,027 in comparison with the prior year. The City has non-spendable balances comprised of inventory and land held for resale in the amount of \$5,153,436 and inter-fund loans in the amount of \$250,071. The City's General Fund has restricted fund balance for debt service in the amount of \$3,855,383. The fund balance of the City's General Fund decreased \$3,375,798 during the current fiscal year. Key factors in the decrease are as follows:

- The City's revenue from the commonwealth decreased by \$7,114,124 in FY 16. The largest contribution to this decrease was the Street Maintenance Revenue of \$5,501,186 was moved to the Federal and State Projects Fund in FY 16.
- The City's general property tax revenue increased from \$32,558,767 to \$34,495,560 or \$1,936,793.

Financial Analysis of the City's Funds: (Continued)

- Public Safety expenses decreased from \$26,047,620 in FY 15 to \$20,899,960 in FY 16, or \$5,147,660. City Jail expenditures decreased from \$5,718,288 to \$1,529,465 as the City joined the Riverside Regional Jail in FY 16.
- In FY 16 the General Fund expended \$73,653,455 while revenues totaled \$71,390,235, a deficiency of \$2,263,220, reference Exhibit 11.

The City's other governmental funds reflected an overall increase in fund balances of \$755,771. The Capital Projects fund balance decreased \$507,680 and the other non-major funds increased \$1,263,451.

The Federal and State Projects Fund had revenues of \$9,094,295 and expenditures of \$8,345,180. The Federal and States Projects Fund has an increase in fund balance of \$940,503 in FY 16. More information on the other governmental funds can be found on Exhibit 17.

Proprietary funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities, but in more detail.

Unrestricted net position (deficit) of the Public Utility Fund, Mass Transit Fund and the Golf Course at the end of the year were \$(1,424,676), (\$3,751,507), and (\$2,366,800), respectively. Net position decreased for the Public Utility Fund by \$2,459,586 and by \$1,473,768 for Mass Transit while the Golf Course Fund had a decrease in net position of \$54,041. Information for these funds was discussed previously in this letter. The Multi-modal Transportation Facility was fully operational for the first year in FY 11 and state and federal funding sources in addition to charges for services were insufficient to cover operating expenses thus contributing to the decline in net position.

General Fund Budgetary Highlights

The differences between the General Fund original budget and final amended budget were caused by one main increase in appropriations. These increases caused the expenditure budget to increase from \$74,762,516 to \$75,099,544 as disclosed on Exhibit 11. Some of the major differences can be summarized as follows:

- An increase of \$337,028 in health and welfare primarily for social services expenditures.

The total General Fund revenue budget decreased from \$80,429,629 to \$75,614,800 or \$4,814,829. This was primarily due to moving Street Maintenance revenue to the Federal and State Grants Fund in FY 16. More detailed information on the General Fund budget revenues and expenditures can be found on Schedules 1 and 2 of this report.

Capital Assets and Debt Administration

Capital assets - The City's investment in capital assets for its governmental and business-type activities as of June 30, 2016 totaled \$107,704,694 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, infrastructure, water capacity rights intangibles, vehicles, and machinery and equipment. Current year depreciation on the assets amounted to \$3,618,945 in the governmental activities and \$2,564,361 in the business-type activities. The City's governmental capital assets, net of accumulated depreciation, increased by \$379,416. The City's business-type capital assets, net of accumulated depreciation, decreased \$604,582. More detailed information on the City's capital assets can be found in Note 6 of this report.

Long-term obligations - At the end of the current fiscal year, the City governmental activities had total long-term obligations outstanding of \$72,411,256 and the business-type activities had \$20,496,060. Of these amounts \$52,498,932 comprises debt backed by the full faith and credit of the City as general obligation and Qualified Zone Academy bonds. During the fiscal year, the City issued \$3,000,000 in Stormwater Revenue Bonds. The City also issued and redeemed \$4,471,876 of tax revenue anticipation notes during the year. As noted earlier the City recorded net pension liabilities in accordance with GASB 68 and the liabilities total \$24,088,769 at June 30, 2016. More detailed information on the City's long-term obligations can be found in the Note 7 of this report.

Economic Factors and Next Year's Budgets and Rates

Based on available economic data, certain trends for the local economy have continued to show improvements while others have not. The local unemployment rate is currently at 6.9%, which is lower than the 8.4% in September, 2015. The state unemployment rate is currently 5.0%.

This factor was considered in preparing the City's budget for the 2017 fiscal year. The General Fund for FY 17 totals \$68,411,675, which is \$6,815,653 lower than the fiscal 2016 approved budget. The real estate tax rate of \$1.35 per \$100 assessment remains unchanged.

Requests for Information

This financial report is designed to provide a general overview of the City of Petersburg, Virginia's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, City Hall Annex, Petersburg, Virginia 23803.

BASIC FINANCIAL STATEMENTS

This page intentionally left blank

Government-wide Financial Statements

This page intentionally left blank

Statement of Net Position
June 30, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	School Board
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 240,711	\$ -	\$ 240,711	\$ -
Restricted cash	11,585,445	7,394,075	18,979,520	-
Receivables (net of allowance for uncollectibles):				
Property taxes	6,989,277	-	6,989,277	-
Accounts receivable	1,981,508	1,446,007	3,427,515	-
Prepaid items	-	-	-	75,000
Inventory	5,153,436	675,901	5,829,337	86,591
Due from Primary Government	-	-	-	5,278,031
Internal balances	279,781	(279,781)	-	-
Due from other governmental units	5,214,586	134,361	5,348,947	3,130,333
Total Current Assets	\$ 31,444,744	\$ 9,370,563	\$ 40,815,307	\$ 8,569,955
Capital Assets (net of depreciation):				
Land	\$ 6,046,998	\$ 5,123,939	\$ 11,170,937	\$ 5,000
Construction in progress	3,866,610	540,938	4,407,548	523,278
Land improvements	-	494,490	494,490	100,987
Utility plant in service	-	18,567,672	18,567,672	-
Water capacity rights	-	2,210,000	2,210,000	-
Buildings and improvements	31,589,655	20,712,084	52,301,739	6,354,231
Vehicles	1,785,756	1,822,866	3,608,622	998,492
Equipment and machinery	2,252,434	331,555	2,583,989	320,933
Infrastructure	12,359,697	-	12,359,697	-
Total Capital Assets	\$ 57,901,150	\$ 49,803,544	\$ 107,704,694	\$ 8,302,921
Total Assets	\$ 89,345,894	\$ 59,174,107	\$ 148,520,001	\$ 16,872,876
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferrals	\$ 3,350,413	\$ 611,878	\$ 3,962,291	\$ 5,686,645
Total Assets and Deferred Outflows of Resources	\$ 92,696,307	\$ 59,785,985	\$ 152,482,292	\$ 22,559,521
LIABILITIES				
Current Liabilities				
Accounts payable and accrued expenses	\$ 5,834,551	\$ 530,288	\$ 6,364,839	\$ 5,668,340
Reconciled overdraft	-	6,120,463	6,120,463	550,150
Accrued interest payable	313,773	135,248	449,021	-
Advance payable	-	80,000	80,000	-
Unearned revenue	397,047	-	397,047	32,786
Customer deposits	40,207	613,339	653,546	-
Due to Component Unit School Board	5,278,031	-	5,278,031	-
Current portion of litigation payable	424,960	-	424,960	-
Current portion of long-term obligations	4,503,750	718,411	5,222,161	58,793
Total Current Liabilities	\$ 16,792,319	\$ 8,197,749	\$ 24,990,068	\$ 6,310,069
Noncurrent Liabilities:				
Noncurrent portion of litigation payable	\$ 500,000	\$ -	\$ 500,000	\$ -
Noncurrent portion of long-term obligations	67,907,506	19,777,649	87,685,155	41,833,014
Total Noncurrent Liabilities	\$ 68,407,506	\$ 19,777,649	\$ 88,185,155	\$ 41,833,014
Total Liabilities	\$ 85,199,825	\$ 27,975,398	\$ 113,175,223	\$ 48,143,083
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	\$ 8,819	\$ -	\$ 8,819	\$ -
Pension deferrals	3,983,029	307,020	4,290,049	4,112,731
Total Deferred Inflows of Resources	\$ 3,991,848	\$ 307,020	\$ 4,298,868	\$ 4,112,731
NET POSITION				
Net investment in capital assets	\$ 20,071,779	\$ 38,557,116	\$ 58,628,895	\$ 8,302,921
Restricted for grants	2,400,721	-	2,400,721	-
Restricted for debt service	-	489,434	489,434	-
Restricted for McKenney scholarships	8,536	-	8,536	-
Restricted for perpetual care and library	1,865,993	-	1,865,993	-
Unrestricted (deficit)	(20,842,395)	(7,542,983)	(28,385,378)	(37,999,214)
Total Net Position	\$ 3,504,634	\$ 31,503,567	\$ 35,008,201	\$ (29,696,293)
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 92,696,307	\$ 59,785,985	\$ 152,482,292	\$ 22,559,521

The accompanying notes to financial statements are an integral part of this statement.

CITY OF PETERSBURG, VIRGINIA

Statement of Activities
 Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 7,000,032	\$ 108,845	\$ 335,426	\$ -
Judicial administration	2,324,844	458,825	1,271,503	-
Public safety	23,666,410	973,578	4,722,327	-
Public works	11,605,106	3,394,087	6,887,122	26,804
Health and welfare	13,488,320	-	10,212,459	-
Education	11,673,961	-	-	-
Parks, recreation, and cultural	2,216,162	91,383	181,506	-
Community development	6,286,581	18,999	438,227	-
Interest	1,648,599	-	-	-
Total governmental activities	\$ 79,910,015	\$ 5,045,717	\$ 24,048,570	\$ 26,804
Business-type activities:				
Public utility	\$ 10,248,093	\$ 7,180,519	\$ -	\$ -
Mass transit	5,133,570	617,774	2,091,584	784,525
Golf course	1,186,181	693,901	-	-
Total business-type activities	\$ 16,567,844	\$ 8,492,194	\$ 2,091,584	\$ 784,525
Total primary government	\$ 96,477,859	\$ 13,537,911	\$ 26,140,154	\$ 811,329
COMPONENT UNIT:				
School Board	\$ 50,128,432	\$ 202,707	\$ 24,714,503	\$ -

General revenues:
 General property taxes
 Local sales and use taxes
 Consumer utility taxes
 Business license taxes
 Motor vehicle license taxes
 Lodging taxes
 Meals taxes
 Other local taxes
 Unrestricted revenues from use of money and property
 Miscellaneous
 Grants and contributions not restricted to specific programs
 City contribution to the school board
 Transfers
 Total general revenues and transfers
 Change in net position
 Net position - beginning, as restated
 Net position - ending

The accompanying notes to financial statements are an integral part of this statement.

Exhibit 2

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	School Board
\$ (6,555,761)	\$ -	\$ (6,555,761)	\$ -
(594,516)	-	(594,516)	-
(17,970,505)	-	(17,970,505)	-
(1,297,093)	-	(1,297,093)	-
(3,275,861)	-	(3,275,861)	-
(11,673,961)	-	(11,673,961)	-
(1,943,273)	-	(1,943,273)	-
(5,829,355)	-	(5,829,355)	-
(1,648,599)	-	(1,648,599)	-
<u>\$ (50,788,924)</u>	<u>\$ -</u>	<u>\$ (50,788,924)</u>	<u>\$ -</u>
\$ -	\$ (3,067,574)	\$ (3,067,574)	\$ -
-	(1,639,687)	(1,639,687)	-
-	(492,280)	(492,280)	-
<u>\$ -</u>	<u>\$ (5,199,541)</u>	<u>\$ (5,199,541)</u>	<u>\$ -</u>
<u>\$ (50,788,924)</u>	<u>\$ (5,199,541)</u>	<u>\$ (55,988,465)</u>	<u>\$ -</u>
			<u>\$ (25,211,222)</u>
\$ 31,963,589	\$ -	\$ 31,963,589	\$ -
3,528,238	-	3,528,238	-
1,918,122	-	1,918,122	-
2,659,030	-	2,659,030	-
389,349	-	389,349	-
320,486	-	320,486	-
2,948,184	-	2,948,184	-
578,287	-	578,287	-
489,754	4,971	494,725	21,905
641,101	-	641,101	128,284
4,749,525	-	4,749,525	16,535,184
-	-	-	11,112,251
(1,207,175)	1,207,175	-	-
<u>\$ 48,978,490</u>	<u>\$ 1,212,146</u>	<u>\$ 50,190,636</u>	<u>\$ 27,797,624</u>
<u>\$ (1,810,434)</u>	<u>\$ (3,987,395)</u>	<u>\$ (5,797,829)</u>	<u>\$ 2,586,402</u>
<u>5,315,068</u>	<u>35,490,962</u>	<u>40,806,030</u>	<u>(32,282,695)</u>
<u>\$ 3,504,634</u>	<u>\$ 31,503,567</u>	<u>\$ 35,008,201</u>	<u>\$ (29,696,293)</u>

This page intentionally left blank

Fund Financial Statements

Balance Sheet - Governmental Funds
At June 30, 2016

	Governmental Funds			Total Governmental Funds
	General	Capital Projects	Non Major Funds	
ASSETS				
Cash and cash equivalents	\$ -	\$ 4,299,812	\$ 3,187,050	\$ 7,486,862
Restricted cash	3,855,383	5,855,533	1,874,529	11,585,445
Receivables (Net of allowances for uncollectibles):				
Taxes	6,989,277	-	-	6,989,277
Accounts	1,634,786	-	346,722	1,981,508
Inventory and land held for resale	5,153,436	-	-	5,153,436
Due from other funds	250,071	2,091,952	-	2,342,023
Due from other governmental units	4,885,093	-	329,493	5,214,586
Total assets	\$ 22,768,046	\$ 12,247,297	\$ 5,737,794	\$ 40,753,137
LIABILITIES				
Accounts payable	\$ 1,434,495	\$ 137,743	\$ 662,631	\$ 2,234,869
Reconciled overdraft	7,217,403	-	28,748	7,246,151
Accrued salaries payable	3,475,635	-	124,047	3,599,682
Deposits held	40,207	-	-	40,207
Unearned revenue	-	-	397,047	397,047
Due to other funds	1,812,171	-	250,071	2,062,242
Due to Component Unit School Board	2,207,545	3,070,486	-	5,278,031
Total liabilities	\$ 16,187,456	\$ 3,208,229	\$ 1,462,544	\$ 20,858,229
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	\$ 5,050,095	\$ -	\$ -	\$ 5,050,095
FUND BALANCE				
Nonspendable:				
Inventory and land held for resale	\$ 5,153,436	\$ -	\$ -	\$ 5,153,436
Cemetery Perpetual care and library	-	-	1,865,993	1,865,993
McKenney scholarships	-	-	8,536	8,536
Interfund loans	250,071	-	-	250,071
Restricted:				
Grants	-	-	2,400,721	2,400,721
Debt service	3,855,383	-	-	3,855,383
Capital projects	-	9,039,068	-	9,039,068
Unassigned (deficit)	(7,728,395)	-	-	(7,728,395)
Total fund balances	\$ 1,530,495	\$ 9,039,068	\$ 4,275,250	\$ 14,844,813
Total liabilities, deferred inflows of resources and fund balance	\$ 22,768,046	\$ 12,247,297	\$ 5,737,794	\$ 40,753,137
Fund balances above				\$ 14,844,813

Detailed explanation of adjustments from fund statements to government-wide statement of net position:

When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the locality as a whole.	57,901,150
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(313,773)
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.	
Items related to measurement of net pension liability	(3,983,029)
Pension contributions subsequent to the measurement date will be a reduction to/increase in the net pension liability/asset in the next fiscal year and, therefore, are not reported in the funds.	3,350,413
Some of the City's property taxes will be collected after year-end, but are not available soon enough to pay for the current year's expenditures, and therefore are reported as unavailable in the funds.	5,041,276
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities--both current and long-term--are reported in the statement of net position.	(73,336,216)
Net position of General Government Activities	<u>\$ 3,504,634</u>

The accompanying notes to financial statements are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances --
 Governmental Funds
 Year Ended June 30, 2016

	Governmental Fund Types			Total Governmental Funds
	General	Capital Projects	Non- Major Funds	
Revenues:				
General property taxes	\$ 34,495,560	\$ -	\$ -	\$ 34,495,560
Other local taxes	12,341,696	-	-	12,341,696
Permits, privilege fees and regulatory licenses	436,992	-	59,907	496,899
Fines and forfeitures	407,471	-	-	407,471
Revenue from use of money and property	372,387	49,217	68,150	489,754
Charges for services	2,903,461	-	1,237,886	4,141,347
Miscellaneous	458,913	-	182,188	641,101
Recovered costs	388,622	-	27,758	416,380
Intergovernmental:				
Commonwealth	15,004,874	-	7,487,317	22,492,191
Federal	4,580,259	26,804	1,725,645	6,332,708
Total revenues	<u>\$ 71,390,235</u>	<u>\$ 76,021</u>	<u>\$ 10,788,851</u>	<u>\$ 82,255,107</u>
Expenditures:				
Current:				
General government administration	\$ 7,397,973	\$ 44,136	\$ -	\$ 7,442,109
Judicial administration	2,196,250	143,736	42,425	2,382,411
Public safety	20,899,960	284,024	1,876,176	23,060,160
Public works	4,867,105	1,086,213	6,332,667	12,285,985
Health and welfare	13,227,205	-	92,001	13,319,206
Education	10,593,975	1,477,528	-	12,071,503
Parks, recreation, and cultural	1,955,940	190,574	9,032	2,155,546
Community development	5,310,156	-	867,710	6,177,866
Nondepartmental	1,316,723	-	-	1,316,723
Debt service:				
Principal retirement	4,316,906	-	424,137	4,741,043
Interest and other fiscal charges	1,571,262	87,139	57,006	1,715,407
Total expenditures	<u>\$ 73,653,455</u>	<u>\$ 3,313,350</u>	<u>\$ 9,701,154</u>	<u>\$ 86,667,959</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,263,220)</u>	<u>\$ (3,237,329)</u>	<u>\$ 1,087,697</u>	<u>\$ (4,412,852)</u>
Other financing sources (uses):				
Transfers in	\$ -	\$ 527,652	\$ 191,388	\$ 719,040
Transfers (out)	(1,112,578)	(798,003)	(15,634)	(1,926,215)
Issuance of debt	-	3,000,000	-	3,000,000
Total other financing sources (uses)	<u>\$ (1,112,578)</u>	<u>\$ 2,729,649</u>	<u>\$ 175,754</u>	<u>\$ 1,792,825</u>
Changes in fund balance	\$ (3,375,798)	\$ (507,680)	\$ 1,263,451	\$ (2,620,027)
Fund balances at beginning of year, as restated	4,906,293	9,546,748	3,011,799	17,464,840
Fund balances at end of year	<u>\$ 1,530,495</u>	<u>\$ 9,039,068</u>	<u>\$ 4,275,250</u>	<u>\$ 14,844,813</u>

The accompanying notes to financial statements are an integral part of this statement.

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities - Governmental Funds
Year Ended June 30, 2016

		<u>Primary Governmental Funds</u>
Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	\$	(2,620,027)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. The following details support this adjustment.		
Capital asset additions	\$ 3,998,361	
Depreciation expense	<u>(3,618,945)</u>	379,416
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Details of this item consist of the following:		
Change in deferred taxes	\$ (2,531,971)	
Increase (decrease) in deferred inflows related to the measurement of net pension liability	<u>4,134,001</u>	1,602,030
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items the treatment of long-term debt and related items. A summary of items supporting this adjustment is as follows:		
Principal retired on debt	\$ 4,890,836	
Issuance of debt, premium on debt and capital leases	<u>(2,962,404)</u>	1,928,432
Pension contributions subsequent to the measurement date will be a reduction to/increase in the net pension liability in the next fiscal year and, therefore, are not reported in the funds.		(345,100)
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 governmental funds. The following is a summary of items supporting this adjustment:		
Change in compensated absences	\$ 54,915	
Change in net pension liability	(1,921,352)	
Change in litigation payable	(924,960)	
Change in net OPEB obligation	7,000	
Change in accrued interest payable	<u>29,212</u>	<u>(2,755,185)</u>
Change in net position of governmental activities	\$	<u>(1,810,434)</u>

The accompanying notes to financial statements are an integral part of this statement.

Statement of Net Position
 Proprietary Funds
 June 30, 2016

	Public Utility Fund	Mass Transit Fund	Golf Course Fund	Totals
ASSETS				
Current Assets				
Restricted cash	\$ 7,394,075	\$ -	\$ -	\$ 7,394,075
Receivables (net of allowance for uncollectibles):				
Accounts receivable	1,446,007	-	-	1,446,007
Due from other governmental units	-	134,361	-	134,361
Inventory	433,886	199,320	42,695	675,901
Total Current Assets	\$ 9,273,968	\$ 333,681	\$ 42,695	\$ 9,650,344
Capital assets (net of depreciation):				
Land	\$ 173,898	\$ 1,566,994	\$ 3,383,047	\$ 5,123,939
Construction in progress	540,938	-	-	540,938
Land improvements	-	-	494,490	494,490
Utility plant in service	18,567,672	-	-	18,567,672
Buildings and improvements	-	19,770,156	941,928	20,712,084
Water capacity rights	2,210,000	-	-	2,210,000
Vehicles	73,589	1,749,277	-	1,822,866
Equipment and machinery	139,889	157,579	34,087	331,555
Total capital assets (net of accumulated depreciation)	\$ 21,705,986	\$ 23,244,006	\$ 4,853,552	\$ 49,803,544
Total Assets	\$ 30,979,954	\$ 23,577,687	\$ 4,896,247	\$ 59,453,888
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferrals	\$ 186,518	\$ 358,965	\$ 66,395	\$ 611,878
Total Assets and Deferred Outflows of Resources	\$ 31,166,472	\$ 23,936,652	\$ 4,962,642	\$ 60,065,766
LIABILITIES				
Current Liabilities				
Accounts payable and accrued expenses	\$ 156,867	\$ 131,485	\$ 28,897	\$ 317,249
Reconciled overdraft	1,310,101	2,852,922	1,957,440	6,120,463
Accrued salaries payable	79,478	119,607	13,954	213,039
Accrued interest payable	90,261	-	44,987	135,248
Advance payable	-	80,000	-	80,000
Due to other funds	-	-	279,781	279,781
Customers' deposits payable	613,339	-	-	613,339
Current portion of compensated absenses	6,264	7,844	2,797	16,905
Current portion of capital leases	280,287	-	5,871	286,158
Current portion of premium on bonds issued	24,612	-	-	24,612
Current portion of general obligation bonds	289,849	-	100,887	390,736
Total Current Liabilities	\$ 2,851,058	\$ 3,191,858	\$ 2,434,614	\$ 8,477,530
Noncurrent Liabilities:				
Noncurrent portion of compensated absenses	\$ 56,371	82,593	25,176	164,140
Noncurrent portion of capital leases	4,772,740	-	-	4,772,740
Noncurrent portion of premium on bonds issued	613,237	-	-	613,237
Noncurrent portion of net pension liability	1,039,445	1,044,859	107,219	2,191,523
Noncurrent portion of general obligation bonds	7,939,881	-	4,096,128	12,036,009
Total Noncurrent Liabilities	\$ 14,421,674	\$ 1,127,452	\$ 4,228,523	\$ 19,777,649
Total Liabilities	\$ 17,272,732	\$ 4,319,310	\$ 6,663,137	\$ 28,255,179
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals	\$ 166,538	\$ 124,843	\$ 15,639	\$ 307,020
NET POSITION				
Net investment in capital assets	\$ 14,662,444	\$ 23,244,006	\$ 650,666	\$ 38,557,116
Restricted for debt service	489,434	-	-	489,434
Unrestricted	(1,424,676)	(3,751,507)	(2,366,800)	(7,542,983)
Total Net Position	\$ 13,727,202	\$ 19,492,499	\$ (1,716,134)	\$ 31,503,567
Total Liabilities, Deferred Inflows of resources, and Net Position	\$ 31,166,472	\$ 23,936,652	\$ 4,962,642	\$ 60,065,766

The accompanying notes to financial statements are an integral part of this statement.

Statement of Revenues, Expenses and Changes in Net Position --
 Proprietary Funds
 Year Ended June 30, 2016

	Public Utility Fund	Mass Transit Fund	Golf Course Fund	Totals
Operating revenues:				
Charges for services	\$ 6,267,868	\$ 605,322	\$ 693,901	\$ 7,567,091
Connection fees	908,655	-	-	908,655
Miscellaneous income	3,996	12,452	-	16,448
Total operating revenues	<u>\$ 7,180,519</u>	<u>\$ 617,774</u>	<u>\$ 693,901</u>	<u>\$ 8,492,194</u>
Operating expenses:				
Personal services	\$ 1,327,362	\$ 1,922,836	\$ 194,862	\$ 3,445,060
Fringe benefits	429,087	537,352	56,590	1,023,029
Contractual services	617,870	749,491	377,573	1,744,934
Wastewater treatment services	4,393,284	-	-	4,393,284
Water purchased for resale	1,185,655	-	-	1,185,655
Other charges	798,534	536,305	271,335	1,606,174
Depreciation	1,102,426	1,363,239	98,696	2,564,361
Total operating expenses	<u>\$ 9,854,218</u>	<u>\$ 5,109,223</u>	<u>\$ 999,056</u>	<u>\$ 15,962,497</u>
Operating income (loss)	<u>\$ (2,673,699)</u>	<u>\$ (4,491,449)</u>	<u>\$ (305,155)</u>	<u>\$ (7,470,303)</u>
Nonoperating revenues (expenses):				
State grants	\$ -	\$ 707,262	\$ -	\$ 707,262
Federal grants	-	1,384,322	-	1,384,322
Interest income	5	4,966	-	4,971
Loss on disposal of assets	(23,256)	(24,347)	-	(47,603)
Interest expense	(370,619)	-	(187,125)	(557,744)
Total nonoperating revenues (expenses)	<u>\$ (393,870)</u>	<u>\$ 2,072,203</u>	<u>\$ (187,125)</u>	<u>\$ 1,491,208</u>
Income (loss) before contributions and transfers	\$ (3,067,569)	\$ (2,419,246)	\$ (492,280)	\$ (5,979,095)
Capital contributions and construction grants	-	784,525	-	784,525
Transfers in	607,983	160,953	438,239	1,207,175
Changes in net position	<u>\$ (2,459,586)</u>	<u>\$ (1,473,768)</u>	<u>\$ (54,041)</u>	<u>\$ (3,987,395)</u>
Net position (deficit) at beginning of year, as restated	<u>16,186,788</u>	<u>20,966,267</u>	<u>(1,662,093)</u>	<u>35,490,962</u>
Net position (deficit) at end of year	<u>\$ 13,727,202</u>	<u>\$ 19,492,499</u>	<u>\$ (1,716,134)</u>	<u>\$ 31,503,567</u>

The accompanying notes to financial statements are an integral part of this statement.

Statement of Cash Flows --
 Proprietary Funds
 Year Ended June 30, 2016

	Public Utility Fund	Mass Transit Fund	Golf Course Fund	Totals
Cash flows from operating activities:				
Receipts from customers and users	\$ 7,823,830	\$ 623,755	\$ 693,901	\$ 9,141,486
Payments to employees (including fringe benefits)	(1,875,711)	(2,552,506)	(249,738)	(4,677,955)
Payments to suppliers	(7,398,317)	(1,316,243)	(785,625)	(9,500,185)
Net cash provided by (used for) operating activities	<u>\$ (1,450,198)</u>	<u>\$ (3,244,994)</u>	<u>\$ (341,462)</u>	<u>\$ (5,036,654)</u>
Cash flows from capital and related financing activities:				
Purchase and construction of capital assets	\$ (712,069)	\$ (1,106,081)	\$ (189,232)	\$ (2,007,382)
Capital grants and contributions	-	784,525	-	784,525
Interest expense	(364,435)	-	(194,076)	(558,511)
Transfers (to) and from other funds	607,983	160,953	438,239	1,207,175
Retirement of indebtedness	(333,186)	-	(108,303)	(441,489)
Net cash provided by (used for) capital and related financing activities	<u>\$ (801,707)</u>	<u>\$ (160,603)</u>	<u>\$ (53,372)</u>	<u>\$ (1,015,682)</u>
Cash flows from noncapital financing activities:				
State and federal grants	\$ -	\$ 2,269,312	\$ -	\$ 2,269,312
Negative cash balances implicitly financed	-	1,136,285	394,834	1,531,119
Net cash provided by (used for) noncapital financing activities	<u>\$ -</u>	<u>\$ 3,405,597</u>	<u>\$ 394,834</u>	<u>\$ 3,800,431</u>
Cash flows from investing activities:				
Interest income	\$ 5	\$ -	\$ -	\$ 5
Increase in cash and cash equivalents	\$ (2,251,900)	\$ -	\$ -	\$ (2,251,900)
Cash and cash equivalents at beginning of year	8,335,874	-	-	8,335,874
Cash and cash equivalents at end of year	<u>\$ 6,083,974</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,083,974</u>
Reconciliation of operating income to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (2,673,699)	\$ (4,491,449)	\$ (305,155)	\$ (7,470,303)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation	\$ 1,102,426	\$ 1,363,239	\$ 98,696	\$ 2,564,361
Changes in operating assets and liabilities:				
(Increase) decrease in:				
Accounts receivable and due from other governments	601,749	1,014	-	602,763
Inventory	(156,066)	19,420	7,917	(128,729)
Increase (decrease) in:				
Accounts payable and accrued expenses	(311,660)	(101,265)	(147,762)	(560,687)
Customer deposits	41,562	-	-	41,562
Pension deferred outflows of resources	(11,095)	(182,628)	(48,300)	(242,023)
Pension deferred inflows of resources	(204,789)	(191,669)	(20,610)	(417,068)
Net pension liability	164,462	326,451	73,624	564,537
Compensated absences	(3,088)	11,893	128	8,933
Total adjustments	<u>\$ 1,223,501</u>	<u>\$ 1,246,455</u>	<u>\$ (36,307)</u>	<u>\$ 2,433,649</u>
Net cash provided by (used for) operating activities	<u>\$ (1,450,198)</u>	<u>\$ (3,244,994)</u>	<u>\$ (341,462)</u>	<u>\$ (5,036,654)</u>
Reconciliation of Cash to Statement of Net Position:				
Restricted cash - SCWA - debt service	\$ 7,394,075	\$ -	\$ -	\$ 7,394,075
Negative cash balances implicitly financed	(1,310,101)	(2,852,922)	(1,957,440)	(6,120,463)
Total cash and cash equivalents at end of year	<u>\$ 6,083,974</u>	<u>\$ (2,852,922)</u>	<u>\$ (1,957,440)</u>	<u>\$ 1,273,612</u>

The accompanying notes to financial statements are an integral part of this statement.

Statement of Fiduciary Net Position - Fiduciary Funds
At June 30, 2016

	<u>Hospital Trust Fund</u>		<u>Private- Purpose Trust</u>		<u>Agency Funds</u>
ASSETS					
Cash and cash equivalents	\$	554,717	\$	258,138	
Land held for resale		-		2,500,000	
		<u>554,717</u>		<u>2,758,138</u>	
Total assets	\$	<u>554,717</u>	\$	<u>2,758,138</u>	
LIABILITIES					
Accounts payable	\$	135,000	\$	-	
Amounts held for others		-		258,138	
Note payable		-		2,500,000	
		<u>135,000</u>		<u>2,758,138</u>	
Total liabilities	\$	135,000	\$	2,758,138	
NET POSITION					
Held for hospitalization care for welfare recipients		<u>419,717</u>		<u>-</u>	
Total liabilities and net position	\$	<u>554,717</u>	\$	<u>2,758,138</u>	

The accompanying notes to financial statements are an integral part of this statement.

Statement of Changes in Fiduciary Net Position - Fiduciary Funds
 Year Ended June 30, 2016

	Hospital Trust Fund <u>Private- Purpose Trust</u>
Additions	
Investment income	\$ <u>45</u>
Change in net position	\$ 45
Net position - beginning of the year	<u>419,672</u>
Net position - end of the year	<u><u>\$ 419,717</u></u>

The accompanying notes to financial statements are an integral part of this statement.

This page intentionally left blank

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016

Note 1—Summary of Significant Accounting Policies:

The City of Petersburg, Virginia (the City) was incorporated in 1850 and its current Charter was granted in 1962. The City is governed by an elected seven member City Council. The City operates under a Council/Manager form of government and provides the following services: public safety (police and fire), public works, health and welfare services, parks, recreation and cultural, education, community and economic development and judicial and general administrative services.

A. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity is financial accountability. Financial accountability includes the appointment of a voting majority of the organizations governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the City of Petersburg, Virginia (the primary government) and its component unit. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government.

B. Individual Component Unit Disclosures

Blended Component Unit. The City has no blended component units to be included for the fiscal year ended June 30, 2016.

Discretely Presented Component Unit. The School Board is a discretely presented component unit of the City of Petersburg, Virginia for the fiscal year ended June 30, 2016.

The School Board members are elected by the citizens and are responsible for the operations of the City's School System. The School Board is fiscally dependent on the City in that the City has the ability to approve its budget and any amendments and serves as the primary funding source for the School Board.

Complete financial statements of the School Board can be obtained from the administrative offices at Petersburg Public Schools, 255 South Boulevard East, Petersburg, Virginia 23805.

C. Other Related Organizations

Included in the City's Comprehensive Annual Financial Report

None

Note 1—Summary of Significant Accounting Policies: (Continued)

C. Other Related Organizations: (Continued)

Excluded from the City's Comprehensive Annual Financial Report

Joint Ventures

South Central Wastewater Authority

The South Central Wastewater Authority is considered a joint venture and therefore its operations are not included in the City's financial statements. The Counties of Chesterfield, Dinwiddie and Prince George and the Cities of Petersburg and Colonial Heights each appoint one member to the five member board. Each participating entity is required to purchase wastewater treatment services from the Authority at prescribed rates and capacity levels. Based on the City's capacity level of 10.5 million gallons out of total capacity of 20 million gallons, the City retains an on-going financial responsibility for the joint venture due to this requirement. The City's expenditures for wastewater treatment services for the year ended June 30, 2016 were \$4,393,284. The City does not retain a financial interest in the SCWA.

Complete financial statements for the Authority can be obtained from the Authority's office at 900 Magazine Road, Petersburg, Virginia 23803.

Riverside Regional Jail Authority

The Riverside Regional Jail Authority is considered a joint venture and therefore its operations are not included in the City's financial statements. The Counties of Charles City, Chesterfield, Prince George and Surry and the Cities of Petersburg, Colonial Heights and Hopewell each appoint one member to the seven member board. Each participating entity is required to commit prisoners and pay the established per diem charge in accordance with its service agreement with the RRJA. The City's expenditures for confinement services for the year ended June 30, 2016 were \$1,529,465. The City does not retain a financial interest in the RRJA.

Complete financial statements for the Authority can be obtained from the Authority's office at 1000 River Road, Hopewell, Virginia 23860.

Appomattox River Water Authority

The Appomattox River Water Authority is considered a joint venture and therefore its operations are not included in the City's financial statements. The Counties of Chesterfield, Dinwiddie and Prince George and the Cities of Petersburg and Colonial Heights each appoint one member to the five member board. Each participating entity is required to purchase water in accordance with its service agreement with the ARWA. The City's expenses for water purchased for the year ended June 30, 2016 were \$1,185,655. The City does not retain a financial interest in the ARWA.

Complete financial statements for the ARWA can be obtained from the ARWA's office at 21300 Chesdin Road, Petersburg, Virginia 23860.

Note 1—Summary of Significant Accounting Policies: (Continued)

C. Other Related Organizations: (Continued)

Jointly Governed Organizations

Central Virginia Waste Management Authority

The Central Virginia Waste Management Authority (CVWMA) is considered a jointly governed organization and therefore its operations are not included in the City's financial statements. The Counties of Charles City, Chesterfield, Goochland, Hanover, Henrico, New Kent, Powhatan and Prince George and the Cities of Petersburg, Colonial Heights, Hopewell, and Richmond and the Town of Ashland each appoint at least one member and no more than three members to the twenty member board based on population. The City appoints two of the twenty members to the CVWMA Board. The CVWMA Board has the ability to execute contracts and to budget and expend funds. No locality contributes more than 50 % of the CVWMA's funding.

Appomattox Basin Industrial Development Corporation

The Appomattox Basin Industrial Development Corporation (ABIDCO) is considered a jointly governed organization and therefore its operations are not included in the City's financial statements. The Counties of Chesterfield, Dinwiddie and Prince George and the Cities of Petersburg, Colonial Heights, and Hopewell each appoint one member to the six member ABIDCO Board. The ABIDCO Board has the ability to execute contracts and to budget and expend funds. No locality contributes more than 50 % of the ABIDCO's funding.

District 19 Community Services Board

The District 19 Community Services Board (Board) is considered a jointly governed organization and therefore its operations are not included in the City's financial statements. The Counties of Greensville, Surry, Sussex and Dinwiddie and the Cities of Petersburg, Colonial Heights, Hopewell and Emporia each appoint a member to the Board. The City cannot impose its will on the Board since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the Board. The Board is fiscally independent and there is no financial benefit or burden relationship with the City.

Related Organizations

The City Council is responsible for appointing the members of the Petersburg Redevelopment and Housing Authority (the Housing Authority) and the Petersburg Industrial Development Authority (the Development Authority), but the City Council's financial accountability for these organizations does not extend beyond making these appointments. The Housing Authority provides housing to eligible families for redevelopment and conservation of housing in the City. The Housing Authority performs certain services under contract with the City for community development block grants and downtown redevelopment and conservation projects. 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 develop trade by inducing manufacturing, industrial and commercial enterprises to locate or to remain in the City.

Note 1—Summary of Significant Accounting Policies: (Continued)

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

The financial statements of the City of Petersburg, Virginia have been prepared in conformity with accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board and specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia. The more significant of the government's accounting policies are described below.

Financial Statement Presentation

Management's Discussion and Analysis - GAAP require the financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A).

Government-wide and Fund Financial Statements

Government-wide financial statements - The GAAP reporting model includes financial statements prepared using full accrual accounting for all of the City's non-fiduciary activities. This approach includes not just current assets and liabilities but also capital assets and long-term liabilities (such as buildings and general obligation debt).

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its components unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the Primary Government is reported separately from certain legally separate component units for which the Primary Government is financially accountable.

Statement of Net Position - The Statement of Net Position is designed to display financial position of the Primary Government (governmental and business-type activities) and its discretely presented component unit. Governments report all capital assets, in the government-wide Statement of Net Position and report their depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets, 2) restricted; and 3) unrestricted.

Statement of Activities - The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

Note 1—Summary of Significant Accounting Policies: (Continued)

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

Reconciliation of Government-wide and Fund Financial Statements - A summary reconciliation of the difference between total fund balances as reflected on the Governmental Funds Balance Sheet and total net position for governmental activities as shown on the government-wide Statement of Net Position is presented in a schedule accompanying the Governmental Funds' Balance Sheet. The asset and liability and the deferred outflows/inflows of resources elements which comprise the reconciliation differences stem from Governmental Funds using the current financial resources measurement focus and the modified accrual basis of accounting while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. A summary reconciliation of the differences between net change in total fund balances as reflected on the Governmental Funds' Statement of Revenues, Expenditures, and Changes in Fund Balances, and the change in net position for governmental activities as shown on the government-wide Statement of Activities, is presented in a schedule accompanying the Governmental Funds' Statement of Revenues, Expenditures, and Changes in Fund Balances. The revenue and expense elements which comprise the reconciliation differences stem from the governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Administrative overhead charges are included in direct expenses. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. As a general rule, the effects of interfund activity have been eliminated from the government-wide financial statements.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. For the governmental funds, the financial statements consist of a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. For the proprietary funds, the financial statements consist of a Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows. For the fiduciary funds, the financial statements consist of a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

Note 1—Summary of Significant Accounting Policies: (Continued)

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

Budgetary comparison schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the reporting model, governments provide budgetary comparison information in their annual reports, including the government's original budget and a comparison of final budget and actual results.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported and accounted for using the economic resources measurement focus and the accrual basis of accounting, which include all assets and liabilities associated with governmental and business-type activities. Assets and liabilities associated with fiduciary activities are included in the Statement of Fiduciary Net Position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City either gives or receives value without directly, receiving or giving equal value in exchange, include sales and income taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from sales and income taxes are recognized when the underlying exchange transaction takes place. Property taxes are recognized as revenues in the year for which they are levied. Grants, entitlements and donations are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.), which are otherwise being supported by general government revenues, (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity. The City does not allocate indirect expenses. Operating grants presented include operating specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers non-grant related revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period to the extent they are measurable and available. Reimbursement grants, or expenditure-driven grants, are recognized as revenue when measurable, all eligibility criteria have been

Note 1—Summary of Significant Accounting Policies: (Continued)

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

Measurement Focus and Basis of Accounting: (Continued)

met, the related amounts become available, and if received within one year. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences, claims and judgments, and landfill closure liability and post-closure monitoring, are recorded only when payment is due.

In the fund financial statements, financial transactions and accounts of the City are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. GAAP sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a single column in the fund financial statements. Since the governmental fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements' governmental activities column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental activities column of the government-wide financial statements. The City's fund types utilized are as follows:

1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. The government reports the following funds.

- a. General Fund - The General Fund is the primary operating fund of the City. This fund is used to account for and report all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income. A significant part of the General Fund's revenues is used principally to finance the operations of the Component Unit School Board. The General Fund is considered a major fund for reporting purposes.
- b. Special Revenue Funds - Special Revenue Funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Special Revenue Funds consist of the Federal and State Projects Fund, Community Development Act and Stormwater Fund. All of these funds are considered nonmajor funds for reporting purposes.
- c. Capital Projects Funds - Capital Projects Funds account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments. The Capital Projects fund is considered a major fund for reporting purposes.

Note 1—Summary of Significant Accounting Policies: (Continued)

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

1. Governmental Funds: (Continued)

- d. Permanent Funds - Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for the purposes that support the City's programs for the benefit of the government or its citizenry. Permanent funds consist of the Blandford Cemetery Perpetual Care, Clara J. McKenney Memorial, and Library Endowment funds. These funds are considered nonmajor funds for financial reporting purposes.

2. Proprietary Funds

Proprietary Funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liability is incurred. City proprietary funds consist of Enterprise Funds.

Enterprise Funds

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services and state and federal grants. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City reports the following major enterprise funds.

Public Utility Fund - to account for the operations of the City's water system.

Mass Transit Fund - to account for the operations of the City's bus system.

Golf Course Fund - to account for the operations of the Dogwood Trace Golf Course.

3. Fiduciary Funds (Trust and Agency Funds) - account for assets held by the City in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Private-Purpose Trust Funds and Agency Funds. The Private-Purpose Trust Fund accounts for monies derived from investment earnings to provide hospitalization care for welfare recipients in the City and is named the Hospital Trust Fund. The Agency Funds are custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. Fiduciary funds are not included in the government-wide financial statements. Agency funds include the Special Welfare, Jail Inmate, Drug Seizure and Industrial Development Authority Funds. The City's fiduciary funds are presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Note 1—Summary of Significant Accounting Policies: (Continued)

E. Budgets and Budgetary Accounting

The following procedures are used by the City in establishing the budgetary data reflected in the financial statements:

1. Prior to April 30, the City Manager submits to the City Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Ordinance.
4. The Appropriations Ordinance places legal restrictions of budgetary control at the function level for the General Fund and the fund level for the Special Revenue Funds. City Council must approve any budget revisions at the function level once the appropriation ordinance has been adopted.
5. Capital Projects Funds are budgeted on a project-length basis. Adopted budgets may be amended or superseded by action of City Council.
6. Budgets are also adopted by City Council for the Enterprise Funds. Budget to actual comparisons for these funds are not presented since there is no legal requirement for such presentation.
7. Appropriations, except for encumbrances and committed or assigned fund balances, lapse at year-end.
8. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
9. All budgetary data presented in the accompanying financial statements is the original to the current comparison of the final budget and actual results.

F. Cash and Cash Equivalents

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. All funds, unless otherwise classified as restricted, are deposited into pooled bank accounts; the major account defined as the General Fund concentration account. As disbursements are made from the payroll, budget, and social services bank accounts, funds from the General Fund concentration account are automatically transferred to those bank accounts to cover those disbursements on a daily basis.

G. Investments

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs)) and external investment pools are measured at amortized cost. All other investments are reported at fair value.

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 1—Summary of Significant Accounting Policies: (Continued)

G. Investments: (Continued)

State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

H. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e. the current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles. The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$3,206,798 at June 30, 2016 and is comprised of the following:

Property taxes - General Fund	\$	1,084,516
Refuse and consumer's utility taxes - General Fund		292,658
Stormwater fees		217,759
Public Utility Accounts		1,611,865
Total	\$	<u>3,206,798</u>

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Taxes are payable December 5th. The City bills and collects its own property taxes.

I. South Central Wastewater Authority Water Capacity Rights

The City participates in the South Central Wastewater Authority joint venture. The SCWA was established when the City transferred its investment in its wastewater treatment assets, net of the related debt of approximately \$19 million, in exchange for 10.5 million gallons of capacity valued at \$1 million per 1 million gallons of capacity and a payment of \$9.5 million. The City maintained 10.5 million gallons of capacity or 52.5% of the plant's total capacity. The joint venture agreement does not state that the City is to share in the profits and losses of SCWA, and there is no explicit, measurable equity interest in SCWA. The City reports the water capacity rights as an intangible capital asset.

Note 1—Summary of Significant Accounting Policies: (Continued)

J. Capital Assets

Capital assets, which include property, plant and equipment, infrastructure, and intangible assets are reported in the applicable governmental or business-type activities columns in the government-wide and proprietary fund financial statements. Capital assets are defined by the City as land, buildings, infrastructure, road registered vehicles, intangible assets and equipment with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset’s life is not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. 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. There was no interest capitalized for the year ended June 30, 2016.

Property, plant and equipment, infrastructure, and intangibles of the primary government, as well as the component unit, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Intangibles	40
Land Improvements	15-20
Buildings	40
Building Improvements	20-40
Buses	12
Machinery and Equipment	5-20
Vehicles	3-10
Infrastructure	30-50

K. Compensated Absences

City employees are granted vacation and sick leave in varying amounts. In the event of termination, other than retirement, City employees are reimbursed for accumulated vacation days based on years of service and are not reimbursed for accumulated sick leave. Upon retirement, City employees are reimbursed for accumulated vacation days and accumulated sick leave. A liability for these amounts is reported in governmental funds if they have matured, for example, as a result of employee resignations and retirements.

For City governmental funds, the cost of accumulated vacation and sick leave expected to be paid based on known terminations at year-end is recorded as a fund liability and all other amounts are recorded in the government-wide statements as a liability. For City proprietary funds, the cost of vacation and sick leave is recorded as a liability when earned.

Note 1—Summary of Significant Accounting Policies: (Continued)

L. Property Taxes

The City levies real estate and personal property taxes on property within its boundaries, except those specifically exempted by statute. These levies are assessed each year as of July 1 on the estimated market value of the property, at which time a lien in favor of the City is automatically attached to the property. The City follows the practices of reassessing real estate and personal property annually.

Real estate taxes are payable in equal quarterly installments on September 30, December 31, March 31, and June 30. Personal property taxes are payable in full on June 5. Property taxes are levied to finance activities of the fiscal year in which they are due from the taxpayer. The City bills and collects taxes and recognizes such as revenues when measurable and available in the General Fund and when earned in the governmental activities. Property taxes, net of allowance for uncollectible amounts, not collected within 60 days after year end are reflected as unavailable revenue in the governmental fund financial statements. For government-wide reporting, uncollected property taxes, net of allowance for uncollectible amounts, are reported as revenues.

M. Inventory and Land Held for Resale

Inventory consists of expendable supplies held for consumption and commercial and residential property held for resale. Inventories are valued at cost or using the first-in, first-out method for the supplies held for consumption. The land parcels held for resale are valued at the lower of cost or market value.

N. Long-term Obligations

In the basic financial statements long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond discounts in the government-wide financial statements are deferred and amortized over the term of the bonds using the bonds outstanding method, which approximates the effective interest method. Bond discounts are presented as a reduction of the face amount of bonds payable.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses.

O. Fund Equity

The City reports fund balance in accordance with GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;

Note 1—Summary of Significant Accounting Policies: (Continued)

O. Fund Equity: (Continued)

- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund.

When fund balance resources are available for a specific purpose in more than one classification, it is the Council policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

The City Council establishes and modifies or rescinds fund balance commitments at year-end by passage of a resolution. The City Council has not delegated this authority to assign amounts to any individual for the fiscal year ending June 30, 2016.

As of June 30, 2016, there was a deficit net position in the Golf Course Fund (\$1,716,134).

P. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Q. Internal and Intra-entity Activity

In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds have been eliminated or reclassified. Eliminations are made in the Statement of Net Position to minimize the "grossing-up" effect on assets and liabilities within the governmental and business-type activities columns of the Primary Government. Amounts reported in the funds as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the government wide financial statements, except for net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Payments from a fund receiving revenue to a fund through which the revenue is to be expended are reported as transfers. Such payments include transfers for debt service and capital construction.

In the government-wide financial statements, resource flows between the Primary Government and the discretely presented Component Unit are reported as if they were external transactions.

Note 1—Summary of Significant Accounting Policies: (Continued)

R. Restricted Cash

The City has governmental fund restricted cash amounts in the General Fund and in its Capital Projects Fund, which consists of debt service reserve funds and unexpended bond proceeds, and in Permanent Funds which are restricted of amounts held for cemetery and other purposes.

S. Net Position

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

T. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

U. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category. It is comprised of contributions to the pension plan made during the current year and subsequent to the net pension liability measurement date, which will be recognized as a reduction of the net pension asset or liability next fiscal year and the impact of the change in proportionate share of net pension liability. For more detailed information on this item, reference the pension note.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items that qualify for reporting in this category. One is the deferred amount of property tax revenue. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30 and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. The other includes differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on this item, reference the pension note.

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 1—Summary of Significant Accounting Policies: (Continued)

V. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's Retirement Plan and the additions to/deductions from the City'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.

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 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 amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments

Statutes authorize the City to invest in obligations of the United States or 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, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

Custodial Credit Risk (Investments)

The City's investment policy provides that securities purchased for the City shall be held by the City Treasury or by the Treasurer's custodian. If held by a custodian, the securities must be in the City's name or in the custodian's nominee name and identifiable on the custodian's books as belonging to the City. Further, if held by a custodian, the custodian must be a third party, not a counterparty (buyer or seller) to the transaction. At June 30, 2016 all of the City's investments were held in accordance with this policy.

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 2—Deposits and Investments: (Continued)

Credit Risk of Debt Securities

The City's investment policy is to follow the legal limits set forth in the Code of Virginia, 2.2-45, Investment of Public Funds Act, which describes the types of investments permitted. The City has not established credit risk limits for each category of investment; however, the City has an emphasis on high credit quality and known marketability. The City has contracted with investment advisors to ensure compliance. The City's rated debt investments as of June 30, 2016 were rated by Standard and Poor's and the ratings are presented below using the Standard and Poor's rating scale.

City's Rated Debt Investment Values

Rated Debt Investments	Fair Quality Ratings				
	AAAm	AAA	AA+	AA-	BBB+
Primary Government:					
Local Government Investment Pool	\$ 462,068	\$ -	\$ -	\$ -	\$ -
Virginia State Non-Arbitrage Program (SNAP)	12,339,306	-	-	-	-
U.S. Treasury Money Market Funds	910,537	-	-	-	-
U.S. Savings Bonds	-	2,000	-	-	-
Fixed income	-	-	-	-	200,948
U.S. Agency Securities	-	-	800,057	-	-
Total Primary Government investments	<u>\$ 13,711,911</u>	<u>\$ 2,000</u>	<u>\$ 800,057</u>	<u>\$ -</u>	<u>\$ 200,948</u>

Interest Rate Risk

The City does not have a policy regarding interest rate risk.

Investment Type	Investment Maturities (in years)				
	Fair Value	<1 Year	1-5 Years	6-10 Years	Greater than 10 Years
Primary Government:					
Local Government Investment Pool	\$ 462,068	\$ 462,068	\$ -	\$ -	\$ -
Virginia State Non-Arbitrage Program (SNAP)	12,339,306	12,339,306	-	-	-
U.S. Savings Bonds	2,000	-	-	-	2,000
Fixed income	200,948	-	200,948	-	-
U.S. Agency Securities	800,057	-	800,057	-	-
Total Primary Government investments	<u>\$ 13,804,379</u>	<u>\$ 12,801,374</u>	<u>\$ 1,001,005</u>	<u>\$ -</u>	<u>\$ 2,000</u>

External Investment Pools

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission. In May 2016, the Board voted to convert the SNAP fund to an LGIP structure, which would be managed in conformance with GASB 79. On October 3, 2016, the Prime Series became a government money market fund and the name was changed to Government Select Series. The Government Select Series has a policy of investing at least 99.5% of its assets in cash, U.S. government securities (including securities issued or guaranteed by the U.S. government or its agencies or instrumentalities) and/or repurchase agreements that are collateralized fully.

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 2—Deposits and Investments: (Continued)

External Investment Pools: (Continued)

The fair values of the positions in the Local Government Investment Pool (LGIP) are the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP and SNAP are amortized cost basis portfolios under the provisions of GASB 79. There are no withdrawal limitations or restrictions imposed on participants.

Foreign Currency Risk

The City does not have a policy regarding foreign currency risk and the City does not have any investments in foreign currencies.

Concentration of Credit Risk

The City does not have a policy regarding concentration of credit risk.

Note 3—Due From Other Governmental Units:

At June 30, 2016 the City has receivables from other governments as follows:

	<u>Primary Government</u>	
	<u>Governmental Funds</u>	<u>Business-type Funds</u>
Commonwealth of Virginia:		
Local sales taxes	\$ 597,835	\$ -
Miscellaneous grants	286,406	-
Shared expenses	177,461	-
Public assistance and welfare administration	285,684	-
Comprehensive services	614,187	-
Mass Transit	-	10,014
PPTRA	2,294,331	-
Communications tax	351,709	-
Federal Government:		
Public assistance and welfare administration	384,299	-
Miscellaneous grants	206,765	-
Mass Transit	15,909	124,347
Total due from other governments	<u>\$ 5,214,586</u>	<u>\$ 134,361</u>

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 4—Interfund Transfers Due From/To Other Funds/Primary Government/Component Unit:

Individual fund and interfund receivable and payable balances related to working capital loans at June 30, 2016 are presented below:

<u>Fund</u>	<u>Due from Other Funds/ Component Unit</u>	<u>Due to Other Funds/ Component Unit</u>
Interfund Balances:		
General	\$ 250,071	\$ 1,812,171
Capital projects	2,091,952	-
Enterprise:		
Golf Course	-	279,781
Nonmajor funds:		
Blandford Cemetery Perpetual Care	-	250,071
Total	<u>\$ 2,342,023</u>	<u>\$ 2,342,023</u>
Reporting Entity:		
Primary Government - General Fund	\$ -	\$ 2,207,545
Primary Government - Capital Projects Fund	-	3,070,486
School Board	5,278,031	-
Total	<u>\$ 5,278,031</u>	<u>\$ 5,278,031</u>

Interfund balances have been recorded to cover fund cash deficits; however, it is expected that future revenue streams will enable repayment from the General Fund. As investments mature in the Blandford Cemetery Perpetual Care Fund, funds will be available to reimburse the General Fund.

Interfund Transfers

Interfund transfers for the year ended June 30, 2016, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
Major Funds:		
General	\$ -	\$ 1,112,578
Capital Projects Fund	527,652	798,003
Public Utility Fund	607,983	-
Mass Transit Fund	160,953	-
Golf Course Fund	438,239	-
Nonmajor Funds:		
Stormwater Fund	-	15,634
Federal and State Grants Fund	191,388	-
Total	<u>\$ 1,926,215</u>	<u>\$ 1,926,215</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization and (3) move expenditures paid out of capital projects fund for Enterprise fund projects.

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 5—Inventory:

At June 30, 2016 the City has inventory recorded in the various funds as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Expendable supplies	\$ 54,774	\$ 675,901
Land and building inventory held for resale:		
324 Commercial/residential lots owned in the City	5,066,481	-
8 Commercial buildings owned in Dinwiddie County	32,181	-
Totals	<u>\$ 5,153,436</u>	<u>\$ 675,901</u>

The following is a summary of changes in inventory held for resale for the fiscal year ended June 30, 2016:

	<u>Balance July 1, 2015</u>	<u>Purchases</u>	<u>Sales</u>	<u>Balance June 30, 2016</u>
Land and building inventory held for resale:				
312 Commercial/residential lots owned in the City	\$ 5,260,614	\$ 40,000	\$ 234,133	\$ 5,066,481
8 Commercial buildings owned in Dinwiddie County	32,181	-	-	32,181
Totals	<u>\$ 5,292,795</u>	<u>\$ 40,000</u>	<u>\$ 234,133</u>	<u>\$ 5,098,662</u>

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 6—Capital Assets:

Primary Government:

The following is a summary of changes in governmental capital assets for the fiscal year ended June 30, 2016:

	<u>July 1, 2015, as restated</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 6,046,998	\$ -	\$ -	\$ 6,046,998
Construction in progress - city projects	938,416	1,710,522	-	2,648,938
Construction in progress - school projects	298,966	918,706	-	1,217,672
Total capital assets not being depreciated	<u>\$ 7,284,380</u>	<u>\$ 2,629,228</u>	<u>\$ -</u>	<u>\$ 9,913,608</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 75,287,083	\$ 128,541	\$ -	\$ 75,415,624
Infrastructure	107,423,187	692,784	-	108,115,971
Vehicles	12,527,724	239,137	139,121	12,627,740
Equipment (other than vehicles)	12,867,791	311,831	5,267	13,174,355
Total capital assets being depreciated	<u>\$ 208,105,785</u>	<u>\$ 1,372,293</u>	<u>\$ 144,388</u>	<u>\$ 209,333,690</u>
Accumulated depreciation:				
Buildings and improvements	\$ 42,382,759	\$ 1,443,210	\$ -	\$ 43,825,969
Infrastructure	95,181,253	575,021	-	95,756,274
Vehicles	10,468,887	512,218	139,121	10,841,984
Equipment (other than vehicles)	9,835,532	1,088,496	2,107	10,921,921
Total accumulated depreciation	<u>\$ 157,868,431</u>	<u>\$ 3,618,945</u>	<u>\$ 141,228</u>	<u>\$ 161,346,148</u>
Total capital assets being depreciated, net	<u>\$ 50,237,354</u>	<u>\$ (2,246,652)</u>	<u>\$ 3,160</u>	<u>\$ 47,987,542</u>
Governmental Activities capital assets, net	<u>\$ 57,521,734</u>	<u>\$ 382,576</u>	<u>\$ 3,160</u>	<u>\$ 57,901,150</u>
Reconciliation of primary government net position net investment in capital assets:				
Net capital assets				<u>\$ 57,901,150</u>
Long-term debt applicable to capital assets:				
General obligation bonds			\$ 32,676,492	
School Literary Fund loan			2,175,000	
School Qualified Zone Academy Bonds (SQZAB's)			7,395,695	
Cash deposited in School Qualified Zone Academy Bonds Funds			(3,855,383)	
Premium on bonds payable			751,919	
Stormwater revenue bond			2,575,863	
Capital lease			<u>1,958,003</u>	\$ 43,677,589
Less-debt proceeds received but not expended on capital assets at year end				<u>(5,848,218)</u>
Net long-term debt, as adjusted				<u>\$ 37,829,371</u>
Net investment in capital assets				<u>\$ 20,071,779</u>

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 6—Capital Assets: (Continued)

Primary Government: (Continued)

The following is a summary of changes in Public Utility Fund capital assets for the fiscal year ended June 30, 2016:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Business-type Activities:				
Public Utility Fund:				
Capital assets, not being depreciated:				
Land	\$ 173,898	\$ -	\$ -	\$ 173,898
Construction in progress	-	540,938	-	540,938
Total capital assets not being depreciated	<u>\$ 173,898</u>	<u>\$ 540,938</u>	<u>\$ -</u>	<u>\$ 714,836</u>
Capital assets being depreciated:				
Utility plant in service	\$ 35,332,352	\$ 97,436	\$ 90,902	\$ 35,338,886
Water capacity rights	4,420,000	-	-	4,420,000
Vehicles	1,143,953	67,045	-	1,210,998
Equipment and machinery	1,361,789	6,650	3,606	1,364,833
Total capital assets being depreciated	<u>\$ 42,258,094</u>	<u>\$ 171,131</u>	<u>\$ 94,508</u>	<u>\$ 42,334,717</u>
Accumulated depreciation:				
Utility plant in service	\$ 15,941,626	\$ 897,234	\$ 67,646	\$ 16,771,214
Water capacity rights	2,099,500	110,500	-	2,210,000
Vehicles	1,086,099	51,310	-	1,137,409
Equipment and machinery	1,185,168	43,382	3,606	1,224,944
Total accumulated depreciation	<u>\$ 20,312,393</u>	<u>\$ 1,102,426</u>	<u>\$ 71,252</u>	<u>\$ 21,343,567</u>
Total capital assets being depreciated, net	<u>\$ 21,945,701</u>	<u>\$ (931,295)</u>	<u>\$ 23,256</u>	<u>\$ 20,991,150</u>
Public Utility Fund capital assets, net	<u>\$ 22,119,599</u>	<u>\$ (390,357)</u>	<u>\$ 23,256</u>	<u>\$ 21,705,986</u>
Reconciliation of Public Utility Fund net position net investment in capital				
Net capital assets				<u>\$ 21,705,986</u>
Long-term debt applicable to capital assets:				
General obligation bonds		\$ 8,229,730		
Premium on bonds issued		637,849		
Capital lease		<u>5,053,027</u>		\$ 13,920,606
Less-debt proceeds received but not expended on capital assets at year end				<u>(6,877,064)</u>
Net long-term debt, as adjusted				<u>\$ 7,043,542</u>
Net investment in capital assets				<u>\$ 14,662,444</u>

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 6—Capital Assets: (Continued)

Primary Government: (Continued)

The following is a summary of changes in Mass Transit Fund capital assets for the fiscal year ended June 30, 2016:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Business-type Activities:				
Mass Transit Fund:				
Capital assets, not being depreciated:				
Land	\$ 1,143,415	\$ 423,579	\$ -	\$ 1,566,994
Construction in progress	455,200	-	455,200	-
Total capital assets not being depreciated	<u>\$ 1,598,615</u>	<u>\$ 423,579</u>	<u>\$ 455,200</u>	<u>\$ 1,566,994</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 24,680,648	\$ 777,000	\$ -	\$ 25,457,648
Vehicles	5,769,284	360,702	642,993	5,486,993
Equipment and machinery	848,953	-	-	848,953
Total capital assets being depreciated	<u>\$ 31,298,885</u>	<u>\$ 1,137,702</u>	<u>\$ 642,993</u>	<u>\$ 31,793,594</u>
Accumulated depreciation:				
Buildings and improvements	\$ 4,976,989	\$ 710,503	\$ -	\$ 5,687,492
Vehicles	3,811,565	544,797	618,646	3,737,716
Equipment and machinery	583,435	107,939	-	691,374
Total accumulated depreciation	<u>\$ 9,371,989</u>	<u>\$ 1,363,239</u>	<u>\$ 618,646</u>	<u>\$ 10,116,582</u>
Total capital assets being depreciated, net	<u>\$ 21,926,896</u>	<u>\$ (225,537)</u>	<u>\$ 24,347</u>	<u>\$ 21,677,012</u>
Mass Transit Fund capital assets, net	<u>\$ 23,525,511</u>	<u>\$ 198,042</u>	<u>\$ 479,547</u>	<u>\$ 23,244,006</u>

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 6—Capital Assets: (Continued)

Primary Government: (Continued)

The following is a summary of changes in Golf Course Fund capital assets for the fiscal year ended June 30, 2016:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Business-type Activities:				
Golf Course				
Capital assets, not being depreciated:				
Land	\$ 3,383,047	\$ -	\$ -	\$ 3,383,047
Construction in progress	768,773	190,020	958,793	-
Total capital assets not being depreciated	<u>\$ 4,151,820</u>	<u>\$ 190,020</u>	<u>\$ 958,793</u>	<u>\$ 3,383,047</u>
Capital assets being depreciated:				
Land improvements	\$ 1,040,599	\$ -	\$ -	\$ 1,040,599
Buildings and improvements	56,000	920,131	-	976,131
Equipment and machinery	-	37,874	-	37,874
Total capital assets being depreciated	<u>\$ 1,096,599</u>	<u>\$ 958,005</u>	<u>\$ -</u>	<u>\$ 2,054,604</u>
Accumulated depreciation:				
Land improvements	\$ 477,003	\$ 69,106	\$ -	\$ 546,109
Buildings and improvements	8,400	25,803	-	34,203
Equipment and machinery	-	3,787	-	3,787
Total accumulated depreciation	<u>\$ 485,403</u>	<u>\$ 98,696</u>	<u>\$ -</u>	<u>\$ 584,099</u>
Total capital assets being depreciated, net	<u>\$ 611,196</u>	<u>\$ 859,309</u>	<u>\$ -</u>	<u>\$ 1,470,505</u>
Golf Course Fund capital assets, net	<u>\$ 4,763,016</u>	<u>\$ 1,049,329</u>	<u>\$ 958,793</u>	<u>\$ 4,853,552</u>
Reconciliation of Golf Course Fund net position net investment in capital assets:				
Net capital assets				<u>\$ 4,853,552</u>
Long-term debt applicable to capital assets:				
General obligation bonds		\$ 4,197,015		
Capital lease		5,871		<u>\$ 4,202,886</u>
Net long-term debt, as adjusted				<u>\$ 4,202,886</u>
Net investment in capital assets				<u>\$ 650,666</u>
Total Business-type Activities capital assets, net	<u>\$ 50,408,126</u>	<u>\$ 857,014</u>	<u>\$ 1,461,596</u>	<u>\$ 49,803,544</u>

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 6—Capital Assets: (Continued)

Primary Government: (Continued)

Depreciation expense was charged to the functions/programs of the Primary Government as follows:

Governmental activities:	
General government administration	\$ 71,604
Judicial administration	167,171
Public safety	1,351,976
Public works	1,055,696
Health and welfare	177,309
Education	521,164
Parks, recreation and cultural	218,766
Community development	<u>55,259</u>
Total Governmental activities	\$ <u><u>3,618,945</u></u>
Business-type activities:	
Public Utility Fund	\$ 1,102,426
Mass Transit Fund	1,363,239
Golf Course Fund	<u>98,696</u>
Total Business-type activities	\$ <u><u>2,564,361</u></u>

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 7—Long-Term Obligations:

Primary Government

Governmental Activities

The following is a summary of governmental long-term obligation transactions of the City for the year ended June 30, 2016:

Description	July 1, 2015, as restated	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2016	Amounts Due Within One Year
Long-term obligation transactions:					
General obligation bonds	\$ 33,873,564	-	\$ 1,197,072	\$ 32,676,492	\$ 1,964,288
Stormwater revenue bonds	-	3,000,000	424,137	2,575,863	580,278
School Literary Fund loans	2,600,000	-	425,000	2,175,000	425,000
School Qualified Zone Academy Bonds	8,795,695	-	1,400,000	7,395,695	600,000
Note payable	694,935	-	694,935	-	-
Capital leases	2,707,695	-	749,692	1,958,003	677,784
Premium on bonds payable	789,515	-	37,596	751,919	37,596
Net pension liability	19,975,892	13,320,116	11,398,764	21,897,244	-
Net OPEB obligation	700,000	208,000	215,000	693,000	-
Compensated absences	2,342,955	179,381	234,296	2,288,040	218,804
Total Governmental Activities long-term obligations	\$ 72,480,251	\$ 16,707,497	\$ 16,776,492	\$ 72,411,256	\$ 4,503,750
Short-term obligation transactions:					
Anticipation notes	-	4,471,876	4,471,876	-	-
Total Governmental Activities obligations	\$ 72,480,251	\$ 21,179,373	\$ 21,248,368	\$ 72,411,256	\$ 4,503,750
Reconciliation to Exhibit 1:					
Long-term liabilities due within one year:				\$ 4,503,750	
Long-term liabilities due in more than one year:				67,907,506	
Total long-term obligations				\$ 72,411,256	

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Governmental Activities: (Continued)

Annual requirements to amortize governmental activities obligations outstanding as of June 30, 2016 are as follows:

Year Ending June 30,	General Obligation Bonds		Literary Loans		Stormwater Revenue Bonds		Qualified Zone Academy Bonds	Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2017	\$ 1,964,288	\$ 1,135,353	\$ 425,000	\$ 43,500	\$ 580,278	\$ 61,246	\$ 600,000	\$ 677,784	\$ 42,831
2018	2,037,552	1,088,499	425,000	35,000	595,844	45,681	-	656,575	27,583
2019	2,042,791	1,040,052	425,000	26,500	611,827	29,698	2,142,167	380,922	14,543
2020	2,115,444	988,270	425,000	18,000	628,239	13,286	-	242,722	9,470
2021	2,503,997	925,814	425,000	9,500	159,675	2,465	1,536,671	-	-
2022	2,574,051	852,819	50,000	1,000	-	-	-	-	-
2023	2,609,092	776,434	-	-	-	-	1,116,857	-	-
2024	1,646,424	714,583	-	-	-	-	-	-	-
2025	1,691,804	666,504	-	-	-	-	2,000,000	-	-
2026	1,738,386	616,288	-	-	-	-	-	-	-
2027	1,793,060	563,665	-	-	-	-	-	-	-
2028	1,329,321	508,943	-	-	-	-	-	-	-
2029	866,396	457,218	-	-	-	-	-	-	-
2030	903,106	420,936	-	-	-	-	-	-	-
2031	939,701	350,422	-	-	-	-	-	-	-
2032	873,690	276,075	-	-	-	-	-	-	-
2033	910,046	232,979	-	-	-	-	-	-	-
2034	949,150	187,519	-	-	-	-	-	-	-
2035	811,346	145,573	-	-	-	-	-	-	-
2036	437,000	115,763	-	-	-	-	-	-	-
2037	453,250	92,549	-	-	-	-	-	-	-
2038	481,000	68,373	-	-	-	-	-	-	-
2039	500,500	42,801	-	-	-	-	-	-	-
2040	505,097	16,182	-	-	-	-	-	-	-
Total	\$ 32,676,492	\$ 12,283,614	\$ 2,175,000	\$ 133,500	\$ 2,575,863	\$ 152,376	\$ 7,395,695	\$ 1,958,003	\$ 94,427

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Governmental Activities: (Continued)

Details of long-term obligations as of June 30, 2016 are as follows:

Original Amount	Description	Outstanding Amount at June 30, 2016
General Obligation Bonds:		
\$ 396,000	Series 2010 general obligation bonds due in semi-annual installments of \$13,401 through October 2031, interest at 2.93%	\$ 331,393
2,686,689	Series 2010 general obligation refunding bonds due various semi-annual installments of principal and interest through December 2017, interest at 2.45% (\$2,689,689 of original issue allocated to governmental; \$878,311 allocated to proprietary)	738,168
6,155,000	Series 2004 refunding general obligation bonds due in annual installments of \$75,000 to \$620,000 through July 2019, interest at 2.5% to 4.125%	280,000
4,368,000	Series 2012A taxable general obligation refunding bond due in various annual installments of \$15,000 to \$1,179,000 through July 15, 2022, interest at 3.24% (\$2,501,000 of original issue allocated to governmental; \$1,867,000 to business-type)	3,704,586
7,360,000	Series 2009A general obligation bonds due in various annual installments through 2040, interest at various rates (\$7,360,000 of original issue allocated to governmental; \$4,000,000 to business-type)	6,613,345
7,285,000	Qualified School Construction Bonds issued November 13, 2009, due in various annual installments ranging from \$135,000 to \$515,000 through February 15, 2040 interest free as a federal tax credit is provided to bondholders	6,315,000
5,000,000	Series 2013B taxable general obligation and refunding bond due in various annual installments through April 2028, interest at 3.87%	4,843,360
1,530,000	Qualified School Construction Bonds issued December 1, 2011, due in various annual installments ranging from \$52,000 to \$122,700 through December 1, 2030 interest free as a federal tax credit is provided to bondholders	1,426,000
5,440,000	Series 2014 VRA general obligation bonds due in various annual installments through 2035, interest at 3.398144% (\$5,292,000 of original issue allocated to governmental; \$148,000 to business-type)	5,126,626
2,330,000	Series 2013 general obligation bonds due in various annual installments through 2034, interest at various rates (\$2,330,000 of original issue allocated to governmental; \$490,000 to business-type)	2,173,014
1,275,000	VML / VACO Recovery Act Bonds issued November 13, 2009, due in various annual installments ranging from \$30,000 to \$70,000 through March 15, 2040	1,125,000
	Total general obligation bonds	<u>\$ 32,676,492</u>

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Governmental Activities: (Continued)

Original Amount	Description	Outstanding Amount at June 30, 2016
State Literary Fund Loans:		
\$ 7,500,000	State Literary Fund Loan issued December 13, 1999, due in annual installments of \$375,000 through December 15, 2021, interest at 2%	\$ 1,875,000
1,000,000	State Literary Fund Loan issued March 15, 2002, due in annual installments of \$50,000 through March 15, 2022 interest at 2%	<u>300,000</u>
	Total State Literary Fund Loans	<u>\$ 2,175,000</u>
Qualified Zone Academy Bonds:		
600,000	(2) Series 2002 issued December 27, 2002, due in annual installments of \$34,124 through December 15, 2016	\$ 600,000
2,142,167	(3) Series 2003 issued December 29, 2003, due in annual installments of \$107,700 through December 29, 2017, final payment of \$182,500 due December 29, 2018	2,142,167
1,536,671	(4) Series 2004 issued December 30, 2004, due in annual installments of \$78,329 through December 30, 2019, final payment of \$153,667 due December 30, 2020	1,536,671
1,116,857	(5) Series 2006 issued October 31, 2006, due in annual installments of \$54,300 through October 31, 2022, final payment of \$111,686 due October 31, 2022	1,116,857
2,000,000	(6) Series 2014 issued October 14, 2014, due in various annual installments through December 1, 2024, final payment of \$215,000 due December 1, 2024	<u>2,000,000</u>
	Total Qualified Zone Academy Bonds	<u>\$ 7,395,695</u>

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Governmental Activities: (Continued)

Original Amount	Description	Outstanding Amount at June 30, 2016
	Stormwater Revenue Bond:	
\$ 3,000,000	Series 2015 issued August 26, 2015, due in monthly installments of principal and interest of \$53,460 through September 1, 2020, interest at 2.65%	\$ 2,575,863
	Total Stormwater Revenue Bond	\$ 2,575,863
	Other Long-term Obligations:	
	Capital leases	1,958,003
	Premium on bonds payable	751,919
	Net pension liability	21,897,244
	Net OPEB obligation	693,000
	Compensated absences	2,288,040
	Total governmental activities long-term obligations	\$ 72,411,256

- (2) Annual payments are made to a sinking fund. Interest is earned yearly on sinking fund deposits. Upon payment of each sinking fund deposit, an amount equal to the deposit plus interest earned to date at 3.40% shall be deemed to be defeased. Upon maturity, the balance of the sinking fund will fully redeem the principal balance of \$600,000.
- (3) Annual payments are made to a sinking fund. Interest is earned yearly on sinking fund deposits. Upon payment of each sinking fund deposit, an amount equal to the deposit plus interest earned to date at 3.40% shall be deemed to be defeased. Upon maturity, the balance of the sinking fund will fully redeem the principal balance of \$2,142,167.
- (4) Annual payments are made to a sinking fund. Interest is earned yearly on sinking fund deposits. Upon payment of each sinking fund deposit, an amount equal to the deposit plus interest earned to date at 2.0% shall be deemed to be defeased. Upon maturity, the balance of the sinking fund will fully redeem the principal balance of \$1,536,671.
- (5) Annual payments are made to a sinking fund. Interest is earned yearly on sinking fund deposits. Upon payment of each sinking fund deposit, an amount equal to the deposit plus interest earned to date at 2.57% shall be deemed to be defeased. Upon maturity, the balance of the sinking fund will fully redeem the principal balance of \$1,116,857.
- (6) Annual payments are made to a sinking fund. Interest is earned yearly on sinking fund deposits. Upon payment of each sinking fund deposit, an amount equal to the deposit plus interest earned to date at 2.93% shall be deemed to be defeased. Upon maturity, the balance of the sinking fund will fully redeem the principal balance of \$2,000,000.

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Qualified Zone Academy Bonds (QZABs) are zero interest loans. Annually, payments are made into a sinking fund that is irrevocably pledged to the bank that issued the bonds. The sinking funds are held by the bank in custody and in escrow for the benefit of the bank and any future owners of the QZAB and are irrevocably pledged to secure the payment of the principal of the QZAB. The annual payments are deposited and invested in qualified governmental investments and accrue interest during the life of the bond. The interest inures to the benefit of the bank, just as the annual deposit. Due to the irrevocable nature of the sinking fund, the annual deposits made thereto and the interest earned to date are considered defeasance of debt. Instead of interest, the bondholder receives a tax credit.

Business-type Activities

The following is a summary of proprietary long-term obligation transactions of the City for the year ended June 30, 2016:

	Balance July 1, 2015	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2016	Amounts Due Within One Year
Public Utility Fund:					
General obligation bonds	\$ 8,356,540	\$ -	\$ 126,810	\$ 8,229,730	\$ 289,849
Capital leases	5,259,403	-	206,376	5,053,027	280,287
Premium on bonds issued	662,461	-	24,612	637,849	24,612
Net pension liability	874,983	689,489	525,027	1,039,445	-
Compensated absences	65,723	3,484	6,572	62,635	6,264
Total Public Utility fund	\$ 15,219,110	\$ 692,973	\$ 889,397	\$ 15,022,686	\$ 601,012
Mass Transit Fund:					
Net pension liability	\$ 718,408	\$ 854,214	\$ 527,763	\$ 1,044,859	-
Compensated absences	78,544	19,737	7,844	90,437	7,844
Total Mass Transit fund	\$ 796,952	\$ 873,951	\$ 535,607	\$ 1,135,296	\$ 7,844
Golf Course Fund:					
General obligation bonds	\$ 4,293,831	-	\$ 96,816	\$ 4,197,015	\$ 100,887
Capital leases	17,358	-	11,487	5,871	5,871
Net pension liability	33,595	127,781	54,157	107,219	-
Compensated absences	27,845	2,912	2,784	27,973	2,797
Total Golf Course fund	\$ 4,372,629	\$ 130,693	\$ 165,244	\$ 4,338,078	\$ 109,555
Total Business-type Activities	\$ 20,388,691	\$ 1,697,617	\$ 1,590,248	\$ 20,496,060	\$ 718,411

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Business-type Activities: (Continued)

Details of long-term obligations transactions as of June 30, 2016:

Original Amount	Description	Outstanding Amount at June 30, 2016
	Public Utility Fund:	
	General Obligation Bonds:	
\$ 7,380,000	Series 2015A general obligation bonds due in various semi-annual installments of principal and interest through April 2041, interest at 3.79%	\$ 7,380,000
878,311	Series 2010 general obligation refunding bonds due in various semi-annual installments of principal and interest through December 2017, interest at 2.45% (\$3,686,689 allocated to governmental; \$878,311 allocated to business-type)	241,316
4,368,000	Series 2012A taxable general obligation refunding bond due in various annual installments of \$15,000 to \$1,179,000 through July 15, 2022, interest at 3.24% (\$2,501,000 of original issue allocated to governmental; \$1,867,000 to business-type)	608,414
	Total general obligation bonds	\$ 8,229,730
	Capital Leases	5,053,027
	Bond premium	637,849
	Net pension liability	1,039,445
	Compensated absences	62,635
	Total Public Utility Fund	\$ 15,022,686
	Mass Transit Fund:	
	Net pension liability	\$ 1,044,859
	Compensated absences	90,437
	Total Mass Transit Fund	\$ 1,135,296
	Golf Course Fund:	
	General Obligation Bonds:	
4,000,000	Series 2009A general obligation bonds due in various annual installments through 2040, interest at various rates (\$7,360,000 of original issue allocated to governmental; \$4,000,000 to business-type)	\$ 3,596,655
5,440,000	Series 2014 VRA general obligation bonds due in various annual installments through 2035, interest at 3.3981% (\$5,292,000 of original issue allocated to governmental; \$148,000 to business-type)	143,374
490,000	Series 2013 general obligation bonds due in various annual installments through 2034, interest at various rates (\$2,330,000 of original issue allocated to governmental; \$490,000 to business-type)	456,986
	Total general obligation bonds	\$ 4,197,015
	Capital Leases	5,871
	Net pension liability	107,219
	Compensated absences	27,973
	Total Golf Course Fund	\$ 4,338,078
	Total business-type activities	\$ 20,496,060

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Annual requirements to amortize business-type activities obligations outstanding as of June 30, 2016 are as follows:

Year Ending June 30,	General Obligation Bonds				Capital Leases			
	Public Utility Fund		Golf Course Fund		Public Utility Fund		Golf Course Fund	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 289,849	\$ 350,542	\$ 100,887	\$ 199,995	\$ 280,287	\$ 167,460	\$ 5,871	\$ 51
2018	289,226	339,351	106,273	195,168	295,809	157,743	-	-
2019	231,426	328,694	110,914	189,989	230,230	147,959	-	-
2020	246,363	318,811	117,305	184,449	253,594	141,292	-	-
2021	350,736	306,806	123,696	178,459	362,780	130,147	-	-
2022	365,814	291,428	130,086	172,193	375,309	117,618	-	-
2023	381,316	275,366	136,477	165,678	388,270	104,657	-	-
2024	225,000	261,397	143,004	158,859	401,679	91,248	-	-
2025	235,000	249,609	150,264	151,735	415,550	77,376	-	-
2026	250,000	237,181	156,791	144,277	429,902	63,025	-	-
2027	265,000	223,984	165,936	136,359	444,748	48,179	-	-
2028	275,000	212,897	174,213	128,038	460,107	32,820	-	-
2029	285,000	201,297	182,490	119,363	473,338	16,949	-	-
2030	300,000	189,063	191,500	110,467	241,424	2,400	-	-
2031	310,000	178,844	200,645	101,265	-	-	-	-
2032	320,000	168,038	208,922	91,557	-	-	-	-
2033	335,000	154,434	219,954	81,385	-	-	-	-
2034	345,000	140,031	230,850	70,641	-	-	-	-
2035	360,000	125,144	203,654	60,278	-	-	-	-
2036	380,000	107,525	203,000	50,415	-	-	-	-
2037	400,000	88,975	211,750	40,150	-	-	-	-
2038	415,000	69,622	224,000	29,367	-	-	-	-
2039	440,000	49,169	234,500	18,018	-	-	-	-
2040	460,000	29,081	269,904	6,106	-	-	-	-
2041	475,000	9,797	-	-	-	-	-	-
Total	\$ 8,229,730	\$ 4,907,086	\$ 4,197,015	\$ 2,784,211	\$ 5,053,027	\$ 1,298,873	\$ 5,871	\$ 51

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Capital Leases:			
\$103,578 issued September 11, 2013 for the purchase of three Ford vehicles and four snow plows and other equipment; payable in semi-annual installments of \$10,901 through September, 2018; interest at 1.88%	\$ 53,000	\$ -	\$ 53,000
\$115,452 issued April 9, 2014 for the purchase of four Ford F350 trucks; payable in semi-annual installments of \$12,115 through October, 2018; interest at 1.77%	58,998	-	58,998
\$797,000 issued December 31, 2014 for the purchase of a Radio system upgrade; payable in annual installments of \$174,491 through January 1, 2020; interest at 3.09%	647,207	-	647,207
\$485,948 issued July 21, 2014 for the purchase of 2014 Firetruck; payable in semi-annual installments of \$51,252 through July 21, 2019; interest at 1.96%	345,107	-	345,107
\$220,000 issued December 15, 2011 for the purchase of voting machine equipment; vehicle, and club house payable in monthly installments of \$3,948 through December, 2016; interest at 2.95%	17,615	-	17,615
\$265,738 issued May 7, 2013, for the purchase of eleven Dodge chargers; payable in semi-annual installments of \$27,750 beginning November 7, 2013 through May 7, 2018; interest at 1.59%	108,827	-	108,827
\$765,009 issued June 28, 2013, for the purchase of six school buses, two GMC Savanas, and six Ford trucks; payable in semi-annual installments of \$80,295 beginning June 28, 2013 through June 28, 2018; interest at 1.78%	314,161	-	314,161

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Capital Leases: (Continued)			
\$5,289,403 issued January 8, 2014 proceeds to be used for installation of water meters for the Public Utility Fund; payable in various monthly installments of through December 2029; interest at 3.10%. At June 30, 2015 \$5,259,403 has been received of this obligation.	\$ -	\$ 5,053,027	\$ 5,053,027
\$339,218 issued August 7, 2013 for the purchase of fourteen police vehicles, and two vans for public works ; payable in semi-annual installments of \$35,585 through August 2018; interest at 1.76%	173,324	-	173,324
\$177,016 issued December 16, 2014 for the purchase of six vehicles; payable in semi-annual installments of \$18,670 through December 16, 2019; interest at 2.00%	143,008	-	143,008
\$41,303 issued December 30, 2014 for the purchase of a 2015 Ford truck; payable in semi-annual installments of \$4,243 through December 30, 2019; interest at 2.08%	28,504	-	28,504
\$133,662 issued November 15, 2013 for the purchase of two Ford F550 trucks and one Ford Sedan; payable in semi-annual installments of \$14,003 through November 2018; interest at 1.71%	68,252	-	68,252
Total capital leases	<u>\$ 1,958,003</u>	<u>\$ 5,053,027</u>	<u>\$ 7,011,030</u>
Total equipment cost of assets acquired through capital lease	\$ 6,703,792	\$ 6,310,244	\$ 13,014,036
Total accumulated depreciation on assets acquired through capital lease	(4,600,604)	(1,074,974)	(5,675,578)
Net remaining book value	<u>\$ 2,103,188</u>	<u>\$ 5,235,270</u>	<u>\$ 7,338,458</u>

	<u>Date Issued</u>	<u>Balance July 1, 2015</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance June 30, 2016</u>
Tax revenue anticipation note	8/28/2014	\$ -	\$ 4,471,876	\$ 4,471,876	\$ -
		<u>\$ -</u>	<u>\$ 4,471,876</u>	<u>\$ 4,471,876</u>	<u>\$ -</u>

General fund will be used to pay its governmental compensated absences as well as any net pension obligation and other postemployment benefits.

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Business-type Activities

The general obligation bonds payable totaling \$8,229,730 in the Public Utility Fund are secured by the full faith and credit of the City are expected to be paid from water utility fund service revenues and general obligation bonds payable totaling \$4,197,015 are expected to be paid from the operating revenues of the Golf Course.

Economic Development Authority

The following is a summary of Economic Development Authority-term obligation transactions for the year ending June 30, 2016:

	<u>Balance</u> <u>July 1,</u> <u>2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30,</u> <u>2016</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
General obligation bonds	\$ 2,500,000	\$ -	\$ -	\$ 2,500,000	\$ -

Annual requirements to amortize Economic Development Authority obligations outstanding as of June 30, 2016 are as follows:

<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>General</u> <u>Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 222,860	\$ 106,890
2018	469,544	92,353
2019	489,664	72,063
2020	510,645	50,524
2021	532,526	28,837
2022	274,761	5,824
Total	<u>\$ 2,500,000</u>	<u>\$ 356,491</u>

<u>Description</u>	<u>Outstanding</u> <u>Amount at</u> <u>June 30, 2016</u>
Economic Development Authority \$2,500,000 Revenue Note Series 2011 issued as of August 1, 2011 due in various semi-annual installments of principal beginning February 29, 2017 through August 31, 2021 interest payable beginning February 28, 2012 through August 31, 2021, interest at 4.24%	<u>\$ 2,500,000</u>

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 8—Unearned/Deferred/Unavailable Revenue:

The following is a summary of unearned/deferred/unavailable revenue for the year ended June 30, 2016:

Description	Governmental Funds			
	Unavailable General Fund	Unearned	Total Governmental Funds	Governmental Activities
		Federal and State Projects Fund		
VA Center of Policing Innovation Grant	\$ -	\$ 79,500	\$ 79,500	\$ 79,500
CIT Assessment	-	121,416	121,416	121,416
Other grants	-	103,510	103,510	103,510
Courthouse construction	-	92,621	92,621	92,621
Prepaid property taxes	8,819	-	8,819	8,819
Local delinquent real and personal property taxes	5,041,276	-	5,041,276	-
	<u>\$ 5,050,095</u>	<u>\$ 397,047</u>	<u>\$ 5,447,142</u>	<u>\$ 405,866</u>

Note 9—Commitments and Contingencies:

There were matters of noncompliance that were disclosed by audit. In addition, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

The City had the following commitments at year-end:

Project	Authorized Commitment	Expended/ Expensed as of June 30, 2016	Remaining Commitment
Rehabilitation of Poor Creek Pump Station	\$ 176,530	\$ 102,205	\$ 74,325
North Park Drive Drainage Improvements	406,867	334,859	72,008
Renovation of Transit Building	183,049	174,102	8,947
Southside Depot Phase 1	791,906	740,177	51,729
Purchase of Fire Trucks	2,145,000	-	2,145,000
Total	<u>\$ 3,703,352</u>	<u>\$ 1,351,343</u>	<u>\$ 2,352,009</u>

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 10—Risk Management:

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City joined together with other local governments in Virginia to form the Virginia Municipal Group Self Insurance Association, a public entity risk pool currently operating as a common risk management and insurance program for participating local governments. The City pays an annual premium to the association for its workers compensation insurance.

In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The City continues to carry commercial insurance for all other risks of loss, including general liability and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 11—Litigation:

At June 30, 2016, the City had the following matters of Litigation that have been settled or still pending:

Lawsuit against the City for unpaid overtime to City police officers. This case has been settled and the plaintiffs were awarded \$1,350,000 in unpaid overtime. The City's insurance carrier will cover \$550,000 of this amount. The remaining \$800,000 will be paid by the City over a three year period as follows; \$300,000 in FY 2017, \$300,000 in FY 2018, and \$200,000 in FY 2019. In addition, the plaintiffs were awarded \$100,000 in additional compensatory time. These amounts have been recorded as liabilities in the government-wide financial statements.

Threatened litigation against the City for wrongful termination of the former Police Chief. This was settled in the amount of \$124,960. This amount has been recorded as a liability in the government-wide financial statements.

Threatened litigation against the City for the payment of three fire trucks in the amount of \$2,145,000. These fire trucks were not ready to be delivered until FY 2017. The City is planning on issuing a \$3,000,000 bond to be able to pay this claim. The City believes this matter will be settled without a lawsuit being filed.

The City has had several other lawsuits brought against it. Most of this litigation is covered by insurance or settled through subsequent agreements.

Note 12—Pension Plan:

Plan Description

All full-time, salaried permanent employees of the City are automatically covered by VRS Retirement Plan upon employment. This is an agent multiple-employer plan 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.

Note 12—Pension Plan:

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 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 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 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 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.

Note 12—Pension Plan: (Continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
		<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 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 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>Eligible Members 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 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 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-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. <p>*Non-Eligible Members 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.

Note 12—Pension Plan: (Continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Hybrid Opt-In Election (Cont.) 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>Hybrid Opt-In Election (Cont.) 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>*Non-Eligible Members (Cont.) 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>
<p>Retirement Contributions Employees contribute 5% 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% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Employees contribute 5% 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% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

Note 12—Pension Plan: (Continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member’s total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> 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> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

Note 12—Pension Plan: (Continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> 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> 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>

Note 12—Pension Plan: (Continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	<p>Vesting (Cont.)</p> <p><u>Defined Contributions Component: (Cont.)</u></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> <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>

Note 12—Pension Plan: (Continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Average Final Compensation 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 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 Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier 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 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 Defined Benefit Component: 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>Defined Contribution Component: Not applicable.</p>
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age Defined Benefit Component: VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Earliest Unreduced Retirement Eligibility 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 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 <u>Defined Benefit Component:</u> 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> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility 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 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 Reduced Retirement Eligibility <u>Defined Benefit Component:</u> 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> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p>Eligibility: For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</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>Exceptions to COLA Effective Dates: The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</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. 	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p>Eligibility: Same as Plan 1.</p> <p>Exceptions to COLA Effective Dates: Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p>Eligibility: Same as Plan 1 and Plan 2.</p> <p>Exceptions to COLA Effective Dates: Same as Plan 1 and Plan 2.</p>

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <ul style="list-style-type: none"> • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member’s survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p>
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</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 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 Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</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>

Note 12—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> 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% 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> Not applicable.</p>

The system issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report-pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 12—Pension Plan: (Continued)

Employees Covered by Benefit Terms

As of the June 30, 2014 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	666
Inactive members:	
Vested inactive members	136
Non-vested inactive members	181
Inactive members active elsewhere in VRS	478
Total inactive members	<u>795</u>
Active members	672
Total covered employees	<u><u>2,133</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% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The City's contractually required contribution rate for the year ended June 30, 2016 was 15.25% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$3,708,507 and \$4,065,368 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Liability

The City's net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the City's Retirement Plan was based on an actuarial valuation as of June 30, 2014, 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, 2015.

Note 12—Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, 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 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates: 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 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 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, 2014 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 - 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

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 12—Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

- 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

Long-Term Expected Rate of Return

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

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

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

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 12—Pension Plan: (Continued)

Discount Rate

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

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 164,669,136	\$ 143,066,258	\$ 21,602,878
Changes for the year:			
Service cost	\$ 3,356,539	\$ -	\$ 3,356,539
Interest	11,204,390	-	11,204,390
Differences between expected and actual experience	(209,785)	-	(209,785)
Contributions - employer	-	4,137,457	(4,137,457)
Contributions - employee	-	1,351,478	(1,351,478)
Net investment income	-	6,468,611	(6,468,611)
Benefit payments, including refunds of employee contributions	(9,212,842)	(9,212,842)	-
Administrative expenses	-	(90,934)	90,934
Other changes	-	(1,359)	1,359
Net changes	\$ 5,138,302	\$ 2,652,411	\$ 2,485,891
Balances at June 30, 2015	\$ 169,807,438	\$ 145,718,669	\$ 24,088,769

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 12—Pension Plan: (Continued)

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

The following presents the net pension asset of the City using the discount rate of 7.00%, as well as what the City'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:

	Rate		
	(6.00%)	(7.00%)	(8.00%)
Authority			
Net Pension Liability	44,666,094	24,088,769	6,901,340

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

For the year ended June 30, 2016, the City recognized pension expense of \$1,746,404. At June 30, 2016, the City 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	\$ -	\$ 135,395
Change in proportionate share	253,784	253,784
Net difference between projected and actual earnings on pension plan investments	-	3,900,870
Employer contributions subsequent to the measurement date	3,708,507	-
Total	\$ 3,962,291	\$ 4,290,049

\$3,708,507 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a component of the Net Pension Asset in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	
2017	\$ (1,602,180)
2018	(1,588,789)
2019	(1,527,786)
2020	682,492
Thereafter	-

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 13—Landfill Closure and Postclosure Care Costs:

The City entered into a purchase and sale agreement dated August 31, 2009 in which the City's property including the sanitary landfill currently operating under Virginia Solid Waste Facility Permit No. 228 was sold to an independent contractor. In addition the City and independent contractor entered into a Financial Assurance and Indemnity Agreement dated April 2011. The contractor, upon taking possession of the Landfill, has obtained a Permit from DEQ to operate the facility and pursuant to the agreement assumed all liabilities and duties for compliance with applicable laws and regulations, with the Permit and with all subsequent amendments to include maintenance of financial assurance, monitoring, corrective action, closure, and post-closure care as of January 1, 2014. As a result of these courses of actions the City's liability for closure and post-closure care was removed from the City's long-term obligations.

Note 14—Expenditures and Appropriations:

Expenditures exceeded appropriations at June 30, 2016 as follows:

<u>Function</u>	<u>Appropriation</u>	<u>Expenditures</u>	<u>Amount</u>
General government administration	\$ 7,338,520	\$ 7,397,973	\$ 59,453
Public safety	20,596,907	20,899,960	303,053
Health and welfare	12,777,741	13,227,205	449,464
Nondepartmental	1,301,427	1,316,723	15,296
Debt Service	4,580,327	5,888,168	1,307,841

Note 15—Other Postemployment Benefits—Health Insurance:

A. Plan Description

The City Post-Retirement Medical Plan is a multiple-employer defined benefit healthcare plan which offers health insurance for retired employees. The plan is administered by the City. Retired employees, who were enrolled in the City group health insurance plan for the 24 month prior to retirement date, who were employed by City with at least 20 years of service and who retire under the VRS plan are eligible to elect post-retirement coverage in the plan. The plan has no separate financial report.

B. Funding Policy

The City establishes employer contribution rates for plan participants as part of the budgetary process each year. The City also determines how the plan will be funded each year whether it will partially fund the plan or fully fund the plan. Again this is determined annually as part of the budgetary process. For participating retirees the City contributed zero per month towards the monthly premium and the retiree contributes all remaining funds towards the monthly premium. Retirees pay 100 % of spousal premiums. Coverage ceases when retirees reach the age of 65. Surviving spouses are not allowed access to the plan.

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 15—Other Postemployment Benefits—Health Insurance: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation

In accordance with GASB Statement No. 45, an actuarial study was performed calculating the postemployment healthcare costs as of June 30, 2016. The actuarial valuation estimated the Unfunded Actuarial Accrued Liability (“UAAL”) at \$3,008,000 and an Annual Required Contribution (“ARC”) of \$209,000. The annual cost of other post employment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC. The City paid \$215,000 towards the estimated pay as you go cost for OPEB benefits in fiscal year 2016. The City elected to pre-fund OPEB liabilities. The City is required to contribute the annual required contribution of the employer (ARC) an amount actuarially determined in accordance with the parameters of GASB Statement 45. The 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 (or funding excess) over a period not to exceed thirty years.

Annual OPEB Cost

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years ending June 30, 2016, 2015 and 2014 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2016	\$ 208,000	103%	\$ 693,000
June 30, 2015	207,000	99%	700,000
June 30, 2014	189,000	99%	697,000

For 2016, the City’s cash payments of \$215,000 was greater than the annual OPEB costs. The City’s annual OPEB cost, the contributions made, and the decrease in net OPEB obligation as well as the net OPEB obligation for 2016 is as follows:

	<u>City</u>
Annual required contribution	\$ 209,000
Interest on net OPEB obligation	28,000
Adjustment to annual required contribution	(29,000)
Annual OPEB cost (expense)	\$ 208,000
Contributions made	215,000
Increase (decrease) in net OPEB obligation	\$ (7,000)
Net OPEB obligation - beginning of year	700,000
Net OPEB obligation - end of year	\$ 693,000

Note 15—Other Postemployment Benefits—Health Insurance: (Continued)

D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2016 is as follows:

Actuarial accrued liability (AAL)	\$	3,008,000
Actuarial value of plan assets		-
Unfunded actuarial accrued liability		3,008,000
Funded ratio (actuarial value of plan assets / AAL)		0%
Covered payroll (active plan members)		24,219,000
UAAL as a percentage of covered payroll		12.42%

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 and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. 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 to 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.

Cost Method

In the June 30, 2015 (most recent) actuarial valuation report, the entry age actuarial cost method was used. The actuarial assumptions included a 8.50 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer’s own investments calculated based on the funded level of the plan at the valuation date, and on the employer’s own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 10 percent initially, reduced by decrements to an ultimate rate of 5.5 percent after ten years. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2015 was thirty years.

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 15—Other Postemployment Benefits—Health Insurance: (Continued)

E. Actuarial Methods and Assumptions

Interest Assumptions

	<u>Funded</u>
Discount rate	4.0%
Payroll growth	N/A
Inflation rate	2.5%
Health cost trend rate	8.5%

Note 16—City of Petersburg and Petersburg Library Foundation Lease Financing Arrangement:

The City of Petersburg and the Petersburg Library Foundation have entered into a sublease financing arrangement dated April 11, 2013. The City will be making lease payments to the Petersburg Library Foundation in the amounts of \$147,000 beginning in FY 2013 through FY 2018, \$134,000 in FY 2019, and \$640,000 in FY 2020 through FY2032. These payments are subject to annual appropriation by the City.

Note 17—Restatement of Fund Balance/Net Position

Fund Balance/Net Position at June 30, 2015 was restated as follows:

	<u>General Fund</u>	<u>Governmental Activities</u>	<u>Public Utility Fund</u>	<u>Mass Transit Fund</u>	<u>Golf Course Fund</u>	<u>Business- type Activities</u>
Fund Balance/Net position, as previously reported	\$ 13,804,926	\$ 14,213,701	\$ 15,514,112	\$ 14,485,912	\$ (3,407,695)	\$ 26,592,329
Adjustment for:						
Removal of Due to/Due From Capital lease	\$ (8,898,633)	\$ (8,898,633)	\$ 672,676	\$ 6,480,355	\$ 1,745,602	\$ 8,898,633
Capital assets from capital lease	-	(797,000)	-	-	-	-
	-	797,000	-	-	-	-
Total adjustments	\$ (8,898,633)	\$ (8,898,633)	\$ 672,676	\$ 6,480,355	\$ 1,745,602	\$ 8,898,633
Fund Balance/Net position, as restated	<u>\$ 4,906,293</u>	<u>\$ 5,315,068</u>	<u>\$ 16,186,788</u>	<u>\$ 20,966,267</u>	<u>\$ (1,662,093)</u>	<u>\$ 35,490,962</u>

Note 18—Adoption of Accounting Principles:

Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*. The City implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. The Statement generally requires investments to be measured at fair value. The Statement requires the City to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach. The Statement establishes a hierarchy of inputs used to measure fair value. All required disclosures are located in Note 20.

Governmental Accounting Standards Board Statement No. 79, *Certain External Investment Pools and Pool Participants*

The City implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. There was no material impact on the City's financial statement as a result of the implementation of Statement No. 79. All required disclosures are located in Note 2.

Governmental Accounting Standards Board Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*

The City early implemented provisions of the above Statement during the fiscal year ended June 30, 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. No restatement was required as a result of this implementation.

Note 19—Upcoming Pronouncements:

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, 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 replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016.

Note 19—Upcoming Pronouncements: (Continued)

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017.

Statement No. 77, *Tax Abatement Disclosures*, will increase the disclosure of tax abatement agreements to disclose information about the agreements. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015.

Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, improves financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016.

Statement No. 81, *Irrevocable Split-Interest Agreements*, improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

CITY OF PETERSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2016 (Continued)

Note 20—Fair Value Measurements:

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. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The City maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1. Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date
- Level 2. Directly or indirectly observable inputs for the asset or liability other than quoted prices
- Level 3. Unobservable inputs that are supported by little or no market activity for the asset or liability

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk.

The City has the following recurring fair value measurements as of June 30, 2016:

Investment	Fair Value Measurements Using			
	6/30/2016	Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Government Securities	\$ 800,057	\$ 800,057	-	\$ -
Fixed Income	200,948	200,948	-	-
Total	\$ 1,001,005	\$ 1,001,005	-	\$ -

Note 21—Subsequent Events:

On December 8, 2016, the City issued a \$6,500,000 General Obligation Revenue Anticipation Notes Series 2016. The Note matures on October 1, 2017 with an interest rate of 4.50%.

REQUIRED SUPPLEMENTARY INFORMATION

Note to Required Supplementary Information:

Presented budgets were prepared in accordance with accounting principles generally accepted in the United States of America.

Schedule of Revenues, Expenditures and Changes in Fund Balances --
 Budget and Actual -- General Fund
 Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Revenues:				
General property taxes	\$ 36,963,995	\$ 36,963,995	\$ 34,495,560	\$ (2,468,435)
Other local taxes	14,276,706	14,276,706	12,341,696	(1,935,010)
Permits, privilege fees and regulatory licenses	837,627	837,627	436,992	(400,635)
Fines and forfeitures	929,769	929,769	407,471	(522,298)
Revenue from use of money and property	318,594	318,594	372,387	53,793
Charges for services	3,469,839	3,607,850	2,903,461	(704,389)
Miscellaneous	452,115	452,115	458,913	6,798
Recovered costs	892,000	892,000	388,622	(503,378)
Intergovernmental:				
Commonwealth	17,606,195	12,653,355	15,004,874	2,351,519
Federal	4,682,789	4,682,789	4,580,259	(102,530)
Total revenues	<u>\$ 80,429,629</u>	<u>\$ 75,614,800</u>	<u>\$ 71,390,235</u>	<u>\$ (4,224,565)</u>
Expenditures:				
Current:				
General government administration	\$ 7,338,790	\$ 7,338,520	\$ 7,397,973	\$ (59,453)
Judicial administration	2,245,715	2,245,715	2,196,250	49,465
Public safety	20,596,907	20,596,907	20,899,960	(303,053)
Public works	5,004,491	5,004,491	4,867,105	137,386
Health and welfare	12,440,713	12,777,741	13,227,205	(449,464)
Education	11,667,512	11,667,512	10,593,975	1,073,537
Parks, recreation, and cultural	2,101,595	2,101,595	1,955,940	145,655
Community development	7,485,309	7,485,309	5,310,156	2,175,153
Debt service:				
Principal retirement	2,768,390	2,768,390	4,316,906	(1,548,516)
Interest and other fiscal charges	1,811,937	1,811,937	1,571,262	240,675
Nondepartmental	1,301,157	1,301,427	1,316,723	(15,296)
Total expenditures	<u>\$ 74,762,516</u>	<u>\$ 75,099,544</u>	<u>\$ 73,653,455</u>	<u>\$ 1,446,089</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 5,667,113</u>	<u>\$ 515,256</u>	<u>\$ (2,263,220)</u>	<u>\$ (2,778,476)</u>
Other financing sources (uses):				
Transfers in	\$ 87,567	\$ 87,567	\$ -	\$ (87,567)
Transfers (out)	<u>(494,811)</u>	<u>(494,811)</u>	<u>(1,112,578)</u>	<u>(617,767)</u>
Total other financing sources (uses)	<u>\$ (407,244)</u>	<u>\$ (407,244)</u>	<u>\$ (1,112,578)</u>	<u>\$ (705,334)</u>
Changes in fund balance	\$ 5,259,869	\$ 108,012	\$ (3,375,798)	\$ (3,483,810)
Fund balances at beginning of year, as restated	<u>(5,259,869)</u>	<u>(108,012)</u>	<u>4,906,293</u>	<u>5,014,305</u>
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,530,495</u>	<u>\$ 1,530,495</u>

Schedule of Components of and Changes in Net Pension Liability and Related Ratios

Year Ended June 30, 2016

	2015	2014
Total pension liability		
Service cost	\$ 3,356,539	\$ 3,390,570
Interest	11,204,390	10,849,513
Difference between expected and actual experience	(209,785)	-
Benefit payments, including refunds of employee contributions	(9,212,842)	(9,127,979)
Net change in total pension liability	\$ 5,138,302	\$ 5,112,104
Total pension liability - beginning	164,669,136	159,557,032
Total pension liability - ending (a)	\$ 169,807,438	\$ 164,669,136
Plan fiduciary net position		
Contributions - employer	\$ 4,137,457	\$ 3,913,309
Contributions - employee	1,351,478	1,353,263
Net investment income	6,468,611	19,817,721
Benefit payments, including refunds of employee contributions	(9,212,842)	(9,127,979)
Administrative expense	(90,934)	(108,941)
Other	(1,359)	1,045
Net change in plan fiduciary net position	\$ 2,652,411	\$ 15,848,418
Plan fiduciary net position - beginning	143,066,258	127,217,840
Plan fiduciary net position - ending (b)	\$ 145,718,669	\$ 143,066,258
Political subdivision's net pension liability - ending (a) - (b)	\$ 24,088,769	\$ 21,602,878
Plan fiduciary net position as a percentage of the total pension liability	85.81%	86.88%
Covered payroll	\$ 26,986,626	\$ 26,328,270
Political subdivision's net pension liability as a percentage of covered payroll	89.26%	82.05%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions
 Year Ended June 30, 2016

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2016	\$ 3,708,507	\$ 3,708,507	-	\$ 24,318,079	15.25%
2015	4,065,367	4,065,367	-	26,986,626	15.25%
2014	3,915,014	3,915,014	-	26,328,270	14.87%
2013	3,853,122	3,853,122	-	25,912,053	14.87%
2012	2,349,174	2,349,174	-	24,938,155	9.42%
2011	2,339,884	2,339,884	-	24,839,537	9.42%
2010	1,833,951	1,833,951	-	25,088,254	7.31%
2009	1,814,828	1,814,828	-	24,826,655	7.31%
2008	1,894,650	1,894,650	-	23,624,068	8.02%
2007	1,772,748	1,772,748	-	22,104,088	8.02%

Current year contributions are from City of Petersburg's records and prior year contributions are from the VRS actuarial valuation performed each year.

Schedule of OPEB Funding Progress

Last Three Fiscal Years

Other Postemployment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (c) (b) - (a)	Funded Ratio (d) (a) / (b)	Covered Payroll (e)	UAAL as % of Payroll (f) (c) / (e)
6/30/2015	\$ -	\$ 3,008,000	\$ 3,008,000	0.00%	\$ 24,219,000	12.42%
6/30/2014	-	2,400,000	2,400,000	0.00%	25,667,000	9.35%
6/30/2013	-	2,400,000	2,400,000	0.00%	25,667,000	9.35%

Notes to Required Supplementary Information
Year Ended June 30, 2016

In 2015, Covered Employee Payroll (as defined by GASB 68) included the total payroll for employees covered under the pension plan whether that payroll is subject to pension coverage or not. This definition was modified in GASB Statement No. 82 and now is the payroll on which contributions to a pension plan are based. The ratios presented use the same measure.

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 is not material.

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

OTHER SUPPLEMENTARY INFORMATION

This page intentionally left blank

Combining and Individual Fund Statements and Schedules

Nonmajor Governmental Funds
Combining Balance Sheet
At June 30, 2016

	Special Revenue Funds			Permanent Funds			Total
	Federal and State Projects Fund	Community Development Act Fund	Stormwater Fund	Blandford Cemetery Perpetual Care	Clara J. McKenney Memorial	Library Endowment Fund	
ASSETS							
Cash and cash equivalents	\$ 2,376,447	\$ 560,532	\$ -	\$ 250,071	\$ -	\$ -	\$ 3,187,050
Restricted cash	-	-	-	1,863,993	8,536	2,000	1,874,529
Receivables (Net of allowance for uncollectibles) Accounts	852	-	345,870	-	-	-	346,722
Due from other governments	313,584	15,909	-	-	-	-	329,493
Total assets	\$ 2,690,883	\$ 576,441	\$ 345,870	\$ 2,114,064	\$ 8,536	\$ 2,000	\$ 5,737,794
LIABILITIES							
Accounts payable	\$ 660,895	\$ 1,374	\$ 362	\$ -	\$ -	\$ -	\$ 662,631
Reconciled overdraft	-	-	28,748	-	-	-	28,748
Accrued salaries payable	108,161	-	15,886	-	-	-	124,047
Unearned revenue	397,047	-	-	-	-	-	397,047
Due to other funds	-	-	-	250,071	-	-	250,071
Total liabilities	\$ 1,166,103	\$ 1,374	\$ 44,996	\$ 250,071	\$ -	\$ -	\$ 1,462,544
FUND BALANCES							
Nonspendable:							
Cemetery Perpetual care	\$ -	\$ -	\$ -	\$ 1,863,993	\$ -	\$ -	\$ 1,863,993
McKenney scholarships	-	-	-	-	8,536	-	8,536
Library	-	-	-	-	-	2,000	2,000
Restricted:							
Grants	1,524,780	575,067	300,874	-	-	-	2,400,721
Total fund balances	\$ 1,524,780	\$ 575,067	\$ 300,874	\$ 1,863,993	\$ 8,536	\$ 2,000	\$ 4,275,250
Total liabilities and fund balances	\$ 2,690,883	\$ 576,441	\$ 345,870	\$ 2,114,064	\$ 8,536	\$ 2,000	\$ 5,737,794

Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2016

	Special Revenue Funds			Permanent Funds			Total
	Federal and State Projects Fund	Community Development Act Fund	Stormwater Fund	Blandford Cemetery Perpetual Care	Clara J. McKenney Memorial	Library Endowment Fund	
Revenues:							
Permits, privilege fees and regulatory licenses	\$ 59,907	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 59,907
Revenue from use of money and property	49,733	-	152	18,263	2	-	68,150
Charges for services	-	-	1,232,886	5,000	-	-	1,237,886
Miscellaneous	182,162	-	26	-	-	-	182,188
Recovered costs	27,758	-	-	-	-	-	27,758
Intergovernmental:							
Commonwealth	7,487,317	-	-	-	-	-	7,487,317
Federal	1,287,418	438,227	-	-	-	-	1,725,645
Total revenues	\$ 9,094,295	\$ 438,227	\$ 1,233,064	\$ 23,263	\$ 2	\$ -	\$ 10,788,851
Expenditures:							
Judicial administration	\$ 42,425	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 42,425
Public safety	1,876,176	-	-	-	-	-	1,876,176
Public works	5,897,254	-	435,413	-	-	-	6,332,667
Health and welfare	92,001	-	-	-	-	-	92,001
Parks, recreation and cultural	9,032	-	-	-	-	-	9,032
Community development	428,292	439,418	-	-	-	-	867,710
Debt service:							
Principal retirement	-	-	424,137	-	-	-	424,137
Interest and other fiscal charges	-	-	57,006	-	-	-	57,006
Total expenditures	\$ 8,345,180	\$ 439,418	\$ 916,556	\$ -	\$ -	\$ -	\$ 9,701,154
Excess (deficiency) of revenues over (under) expenditures	\$ 749,115	\$ (1,191)	\$ 316,508	\$ 23,263	\$ 2	\$ -	\$ 1,087,697
Other financing sources (uses):							
Transfers in	191,388	-	-	-	-	-	191,388
Transfers (out)	-	-	(15,634)	-	-	-	(15,634)
Changes in fund balances	\$ 940,503	\$ (1,191)	\$ 300,874	\$ 23,263	\$ 2	\$ -	\$ 1,263,451
Fund balances at beginning of year	584,277	576,258	-	1,840,730	8,534	2,000	3,011,799
Fund balances at end of year	\$ 1,524,780	\$ 575,067	\$ 300,874	\$ 1,863,993	\$ 8,536	\$ 2,000	\$ 4,275,250

CITY OF PETERSBURG, VIRGINIA

Nonmajor Governmental Funds
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 Special Revenue Funds
 Year Ended June 30, 2016

	<u>Federal and State Projects Fund</u>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget Positive (Negative)</u>
Revenues:				
Permits, privilege fees and regulatory licenses	\$ -	\$ 290,132	\$ 59,907	\$ (230,225)
Revenue from use of money and property	-	12,000	49,733	37,733
Charges for services	-	-	-	-
Miscellaneous	-	773,836	182,162	(591,674)
Recovered costs	-	24,792	27,758	2,966
Intergovernmental:				
Commonwealth	-	7,158,935	7,487,317	328,382
Federal	-	8,220,426	1,287,418	(6,933,008)
Total revenues	<u>\$ -</u>	<u>\$ 16,480,121</u>	<u>\$ 9,094,295</u>	<u>\$ (7,385,826)</u>
Expenditures:				
Current:				
Judicial administration	\$ -	\$ 414,619	\$ 42,425	\$ 372,194
Public safety	-	4,360,843	1,876,176	2,484,667
Public works	6,428,713	10,993,927	5,897,254	5,096,673
Health and welfare	-	216,476	92,001	124,475
Parks, recreation and cultural	-	175,310	9,032	166,278
Community development	-	566,954	428,292	138,662
Debt service:				
Principal retirement	-	-	-	-
Interest and other fiscal charges	-	-	-	-
Total expenditures	<u>\$ 6,428,713</u>	<u>\$ 16,728,129</u>	<u>\$ 8,345,180</u>	<u>\$ 8,382,949</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (6,428,713)</u>	<u>\$ (248,008)</u>	<u>\$ 749,115</u>	<u>\$ 997,123</u>
Other financing sources (uses):				
Transfers in	\$ -	\$ 240,754	\$ 191,388	\$ (49,366)
Transfers (out)	-	-	-	-
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ 240,754</u>	<u>\$ 191,388</u>	<u>\$ (49,366)</u>
Changes in fund balances	\$ (6,428,713)	\$ (7,254)	\$ 940,503	\$ 947,757
Fund balance at beginning of the year	<u>6,428,713</u>	<u>7,254</u>	<u>584,277</u>	<u>577,023</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,524,780</u>	<u>\$ 1,524,780</u>

Community Development Act Fund				Stormwater Fund			
Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	152	152
-	-	-	-	-	1,138,845	1,232,886	94,041
-	-	-	-	-	-	26	26
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
641,490	1,477,367	438,227	(1,039,140)	-	-	-	-
<u>\$ 641,490</u>	<u>\$ 1,477,367</u>	<u>\$ 438,227</u>	<u>\$ (1,039,140)</u>	<u>\$ -</u>	<u>\$ 1,138,845</u>	<u>\$ 1,233,064</u>	<u>\$ 94,219</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	488,845	435,413	53,432
-	-	-	-	-	-	-	-
-	1,477,367	439,418	1,037,949	-	-	-	-
-	-	-	-	-	650,000	424,137	225,863
-	-	-	-	-	-	57,006	(57,006)
<u>\$ -</u>	<u>\$ 1,477,367</u>	<u>\$ 439,418</u>	<u>\$ 1,037,949</u>	<u>\$ -</u>	<u>\$ 1,138,845</u>	<u>\$ 916,556</u>	<u>\$ 222,289</u>
\$ 641,490	\$ -	\$ (1,191)	\$ (1,191)	\$ -	\$ -	\$ 316,508	\$ 316,508
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	(15,634)	(15,634)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (15,634)</u>	<u>\$ (15,634)</u>
\$ 641,490	\$ -	\$ (1,191)	\$ (1,191)	\$ -	\$ -	\$ 300,874	\$ 300,874
(641,490)	-	576,258	576,258	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 575,067</u>	<u>\$ 575,067</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 300,874</u>	<u>\$ 300,874</u>

Combining Statement of Fiduciary Net Position - Agency Funds
At June 30, 2016

	<u>Special Welfare</u>	<u>Jail Inmate</u>	<u>Drug Seizure</u>	<u>Industrial Development Authority</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 54,719	\$ 63,269	\$ 70,497	\$ 69,653	\$ 258,138
Land held for resale	-	-	-	2,500,000	2,500,000
Total assets	<u>\$ 54,719</u>	<u>\$ 63,269</u>	<u>\$ 70,497</u>	<u>\$ 2,569,653</u>	<u>\$ 2,758,138</u>
LIABILITIES					
Amounts held for others	\$ 54,719	\$ 63,269	\$ 70,497	\$ 69,653	\$ 258,138
Note payable	-	-	-	2,500,000	2,500,000
Total liabilities	<u>\$ 54,719</u>	<u>\$ 63,269</u>	<u>\$ 70,497</u>	<u>\$ 2,569,653</u>	<u>\$ 2,758,138</u>

Agency Funds
Combining Statement of Changes in Assets and Liabilities
Year Ended June 30, 2016

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 54,106	\$ 17,600	\$ 16,987	\$ 54,719
Total assets	<u>\$ 54,106</u>	<u>\$ 17,600</u>	<u>\$ 16,987</u>	<u>\$ 54,719</u>
Liabilities:				
Amounts held for others	\$ 54,106	\$ 17,600	\$ 16,987	\$ 54,719
Total liabilities	<u>\$ 54,106</u>	<u>\$ 17,600</u>	<u>\$ 16,987</u>	<u>\$ 54,719</u>
Jail Inmate Fund:				
Assets:				
Cash and cash equivalents	\$ 63,269	\$ -	\$ -	\$ 63,269
Total assets	<u>\$ 63,269</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,269</u>
Liabilities:				
Amounts held for others	\$ 63,269	\$ -	\$ -	\$ 63,269
Total liabilities	<u>\$ 63,269</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,269</u>
Industrial Development Authority:				
Assets:				
Cash and cash equivalents	\$ 69,604	\$ 50,049	\$ 50,000	\$ 69,653
Land held for resale	2,500,000	-	-	2,500,000
Total assets	<u>\$ 2,569,604</u>	<u>\$ 50,049</u>	<u>\$ 50,000</u>	<u>\$ 2,569,653</u>
Liabilities:				
Amounts held for others	\$ 69,604	\$ 50,049	\$ 50,000	\$ 69,653
Note payable	2,500,000	-	-	2,500,000
Total liabilities	<u>\$ 2,569,604</u>	<u>\$ 50,049</u>	<u>\$ 50,000</u>	<u>\$ 2,569,653</u>
Drug Seizure Fund:				
Assets:				
Cash and cash equivalents	\$ 35,105	\$ 56,496	\$ 21,104	\$ 70,497
Total assets	<u>\$ 35,105</u>	<u>\$ 56,496</u>	<u>\$ 21,104</u>	<u>\$ 70,497</u>
Liabilities:				
Amounts held for others	\$ 35,105	\$ 56,496	\$ 21,104	\$ 70,497
Total liabilities	<u>\$ 35,105</u>	<u>\$ 56,496</u>	<u>\$ 21,104</u>	<u>\$ 70,497</u>
Total -- All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 222,084	\$ 124,145	\$ 88,091	\$ 258,138
Land held for resale	2,500,000	-	-	2,500,000
Total assets	<u>\$ 2,722,084</u>	<u>\$ 124,145</u>	<u>\$ 88,091</u>	<u>\$ 2,758,138</u>
Liabilities:				
Amounts held for others	\$ 222,084	\$ 124,145	\$ 88,091	\$ 258,138
Note payable	2,500,000	-	-	2,500,000
Total liabilities	<u>\$ 2,722,084</u>	<u>\$ 124,145</u>	<u>\$ 88,091</u>	<u>\$ 2,758,138</u>

This page intentionally left blank

Supporting Schedules

Governmental Funds
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2016

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 25,981,035	\$ 25,981,035	\$ 25,322,289	\$ (658,746)
Real and personal public service corporation property taxes	1,700,000	1,700,000	1,972,124	272,124
Personal property taxes	4,957,457	4,957,457	4,685,497	(271,960)
Mobile home taxes	18,079	18,079	9,812	(8,267)
Machinery and tools taxes	3,585,220	3,585,220	1,479,200	(2,106,020)
Penalties	722,204	722,204	500,543	(221,661)
Interest	-	-	526,095	526,095
Total general property taxes	<u>\$ 36,963,995</u>	<u>\$ 36,963,995</u>	<u>\$ 34,495,560</u>	<u>\$ (2,468,435)</u>
Other local taxes:				
Local sales and use taxes	\$ 3,747,000	\$ 3,747,000	\$ 3,528,238	\$ (218,762)
Consumer utility taxes	3,555,908	3,555,908	1,918,122	(1,637,786)
Business license taxes	2,845,099	2,845,099	2,659,030	(186,069)
Bank stock taxes	191,274	191,274	194,040	2,766
Motor vehicle licenses	505,000	505,000	389,349	(115,651)
Taxes on recordation and wills	187,064	187,064	181,926	(5,138)
Cigarette taxes	225,000	225,000	195,360	(29,640)
Admission and amusement taxes	7,200	7,200	6,961	(239)
Lodging taxes	278,889	278,889	320,486	41,597
Meals taxes	2,734,272	2,734,272	2,948,184	213,912
Total other local taxes	<u>\$ 14,276,706</u>	<u>\$ 14,276,706</u>	<u>\$ 12,341,696</u>	<u>\$ (1,935,010)</u>
Permits, privilege fees and regulatory licenses:				
Animal licenses	\$ 6,285	\$ 6,285	\$ 4,090	\$ (2,195)
Other permits and licenses	831,342	831,342	432,902	(398,440)
Total permits, privilege fees and regulatory licenses	<u>\$ 837,627</u>	<u>\$ 837,627</u>	<u>\$ 436,992</u>	<u>\$ (400,635)</u>
Fines and Forfeitures:				
Court fines and forfeitures	\$ 589,393	\$ 589,393	\$ 307,423	\$ (281,970)
Other fines and forfeitures	340,376	340,376	100,048	(240,328)
Total fines and forfeitures	<u>\$ 929,769</u>	<u>\$ 929,769</u>	<u>\$ 407,471</u>	<u>\$ (522,298)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 207,937	\$ 207,937
Revenue from use of property	318,594	318,594	164,450	(154,144)
Total revenue from use of money and property	<u>\$ 318,594</u>	<u>\$ 318,594</u>	<u>\$ 372,387</u>	<u>\$ 53,793</u>

Governmental Funds
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2016 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services:				
EMS transportation fees	\$ 335,000	\$ 335,000	\$ 344,921	\$ 9,921
Court costs	169,770	169,770	145,113	(24,657)
Commonwealth attorney fees	5,071	5,071	6,289	1,218
Sheriff fees	48,243	48,243	28,213	(20,030)
Fire protection services	1,280	1,280	625	(655)
Other protection	2,455	2,455	2,872	417
Sanitation and waste removal	2,687,500	2,687,500	2,156,201	(531,299)
Recycling fees	75,000	75,000	-	(75,000)
Sports complex fees	-	138,011	7,552	(130,459)
Recreation fees	22,100	22,100	41,659	19,559
Tourism charges	33,000	33,000	18,999	(14,001)
Treasurer's fees	47,420	47,420	39,409	(8,011)
Other services rendered	18,000	18,000	69,436	51,436
Library fees	25,000	25,000	42,172	17,172
Total charges for services	<u>\$ 3,469,839</u>	<u>\$ 3,607,850</u>	<u>\$ 2,903,461</u>	<u>\$ (704,389)</u>
Miscellaneous revenue:				
Payment in lieu of tax	\$ 155,000	\$ 155,000	\$ 32,026	\$ (122,974)
Other miscellaneous revenue	297,115	297,115	426,887	129,772
Total miscellaneous revenue	<u>\$ 452,115</u>	<u>\$ 452,115</u>	<u>\$ 458,913</u>	<u>\$ 6,798</u>
Recovered costs:				
Recoveries and rebates	\$ 172,000	\$ 172,000	\$ 289,529	\$ 117,529
Gasoline and other items	720,000	720,000	99,093	(620,907)
Total recovered costs	<u>\$ 892,000</u>	<u>\$ 892,000</u>	<u>\$ 388,622</u>	<u>\$ (503,378)</u>
Total revenue from local sources	<u>\$ 58,140,645</u>	<u>\$ 58,278,656</u>	<u>\$ 51,805,102</u>	<u>\$ (6,473,554)</u>
Intergovernmental:				
Commonwealth:				
Noncategorical aid:				
Mobile home titling taxes	\$ -	\$ -	\$ 465	\$ 465
Tax on deeds	60,000	60,000	45,672	(14,328)
Rolling stock tax	90,154	90,154	75,298	(14,856)
Auto rental tax	121,869	121,869	122,758	889
Communications tax	-	-	1,779,292	1,779,292
PPTRA	2,726,040	2,726,040	2,726,040	-
Total noncategorical aid	<u>\$ 2,998,063</u>	<u>\$ 2,998,063</u>	<u>\$ 4,749,525</u>	<u>\$ 1,751,462</u>

Governmental Funds
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2016 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Intergovernmental (Continued):				
Revenue from Commonwealth: (Continued)				
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 694,390	\$ 694,390	\$ 723,483	\$ 29,093
Sheriff	553,000	553,000	603,681	50,681
Commissioner of the Revenue	152,646	152,646	143,367	(9,279)
Treasurer	110,238	110,238	112,589	2,351
Registrar/electoral board	42,668	42,668	68,537	25,869
Clerk of the Circuit Court	342,559	342,559	336,334	(6,225)
Total shared expenses	<u>\$ 1,895,501</u>	<u>\$ 1,895,501</u>	<u>\$ 1,987,991</u>	<u>\$ 92,490</u>
Other categorical aid:				
Public assistance and welfare administration	\$ 2,963,237	\$ 3,300,265	\$ 2,909,649	\$ (390,616)
Comprehensive services act grant	1,881,425	1,881,425	2,738,883	857,458
Law enforcement	2,022,236	2,022,236	2,022,236	-
Street and highway maintenance	5,289,868	-	-	-
Library	145,774	145,774	181,506	35,732
E911 wireless program	-	-	368,030	368,030
Other state funds	410,091	410,091	47,054	(363,037)
Total other categorical aid	<u>\$ 12,712,631</u>	<u>\$ 7,759,791</u>	<u>\$ 8,267,358</u>	<u>\$ 507,567</u>
Total categorical aid	<u>\$ 14,608,132</u>	<u>\$ 9,655,292</u>	<u>\$ 10,255,349</u>	<u>\$ 600,057</u>
Total Commonwealth	<u>\$ 17,606,195</u>	<u>\$ 12,653,355</u>	<u>\$ 15,004,874</u>	<u>\$ 2,351,519</u>
Federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 4,659,336	\$ 4,659,336	\$ 4,563,927	\$ (95,409)
Other federal grants	23,453	23,453	16,332	(7,121)
Total federal government	<u>\$ 4,682,789</u>	<u>\$ 4,682,789</u>	<u>\$ 4,580,259</u>	<u>\$ (102,530)</u>
Total General Fund	<u><u>\$ 80,429,629</u></u>	<u><u>\$ 75,614,800</u></u>	<u><u>\$ 71,390,235</u></u>	<u><u>\$ (4,224,565)</u></u>
Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 49,217	\$ 49,217
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,217</u>	<u>\$ 49,217</u>

Governmental Funds
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2016 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
Capital Projects Fund: (Continued)				
Intergovernmental:				
Federal government:				
Categorical aid:				
Federal urban highway funds	\$ -	\$ -	\$ 26,804	\$ 26,804
Total federal government	\$ -	\$ -	\$ 26,804	\$ 26,804
Total Capital Projects Fund	\$ -	\$ -	\$ 76,021	\$ 76,021
Special Revenue Funds:				
Federal and State Projects Fund:				
Revenue from local sources:				
Permits, privilege fees and regulatory licenses:				
Other permits and licenses	\$ -	\$ 290,132	\$ 59,907	\$ (230,225)
Revenue from use of money and property:				
Revenue from use of property	-	12,000	49,733	37,733
Miscellaneous revenue:				
Miscellaneous	-	773,836	182,162	(591,674)
Recovered costs:				
Rebates and recoveries	-	24,792	27,758	2,966
Total revenue from local sources	\$ -	\$ 1,100,760	\$ 319,560	\$ (781,200)
Intergovernmental:				
Commonwealth:				
Other categorical aid:				
Criminal justice corrections grants	\$ -	\$ 314,332	\$ 317,449	\$ 3,117
Victim witness grants	-	-	201,434	201,434
VJCCCA grant	-	-	71,259	71,259
Street maintenance	-	5,289,868	5,501,186	211,318
VDOT revenue sharing	-	-	932,186	932,186
Asset forfeiture - police	-	310,614	24,153	(286,461)
Sheriff courthouse security	-	282,000	211,500	(70,500)
Other state revenue	-	962,121	228,150	(733,971)
Total Commonwealth	\$ -	\$ 7,158,935	\$ 7,487,317	\$ 328,382
Federal government:				
Categorical aid:				
POWER program	\$ -	\$ 91,561	\$ 10,933	\$ (80,628)
Other federal grants	-	8,128,865	1,276,485	(6,852,380)
Total Federal Government	\$ -	\$ 8,220,426	\$ 1,287,418	\$ (6,933,008)
Total Federal and State Projects Fund	\$ -	\$ 16,480,121	\$ 9,094,295	\$ (7,385,826)

Governmental Funds
 Schedule of Revenues -- Budget and Actual
 Year Ended June 30, 2016 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
Community Development Act Fund:				
Intergovernmental:				
Federal government:				
Categorical aid:				
Community development block grant	\$ 641,490	\$ 1,477,367	\$ 438,227	\$ (1,039,140)
Total Federal Government	\$ 641,490	\$ 1,477,367	\$ 438,227	\$ (1,039,140)
Total Community Development Act Fund	\$ 641,490	\$ 1,477,367	\$ 438,227	\$ (1,039,140)
Stormwater Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 152	\$ 152
Charges for services:				
Stormwater charges	-	1,138,845	1,232,886	94,041
Miscellaneous revenue:				
Miscellaneous	-	-	26	26
Total Stormwater Fund	\$ -	\$ 1,138,845	\$ 1,233,064	\$ 94,219
Blandford Cemetery Perpetual Care Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 18,263	\$ 18,263
Total revenue from use of money and property	\$ -	\$ -	\$ 18,263	\$ 18,263
Charges for services:				
Sale of lots	\$ -	\$ -	\$ 5,000	\$ 5,000
Total charges for services	\$ -	\$ -	\$ 5,000	\$ 5,000
Total Blandford Cemetery Perpetual Care Fund	\$ -	\$ -	\$ 23,263	\$ 23,263
Clara J. McKenney Memorial Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 2	\$ 2
Total revenue from use of money and property	\$ -	\$ -	\$ 2	\$ 2
Total Clara J. McKenney Memorial Fund	\$ -	\$ -	\$ 2	\$ 2
Total Nonmajor Funds	\$ 641,490	\$ 19,096,333	\$ 10,788,851	\$ (8,307,482)
Total Primary Government Revenues	\$ 81,071,119	\$ 94,711,133	\$ 82,255,107	\$ (12,456,026)

Governmental Funds
Schedule of Expenditures -- Budget and Actual
Year Ended June 30, 2016

Fund, Function, Activity, Element	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government:				
General Fund:				
General government administration:				
Legislative:				
City Council	\$ 231,555	\$ 231,555	\$ 258,771	\$ (27,216)
General and financial administration:				
City Manager	\$ 659,179	\$ 659,179	\$ 519,304	\$ 139,875
Hispanic liason	107,697	107,697	111,702	(4,005)
Legal services	341,355	341,355	430,990	(89,635)
Personnel	318,384	318,384	352,409	(34,025)
Commissioner of the Revenue	351,928	351,928	355,498	(3,570)
Assessor	490,115	490,115	439,184	50,931
Treasurer	482,421	482,421	523,030	(40,609)
Finance Director	686,936	686,936	620,057	66,879
Purchasing and general services	299,041	299,041	338,663	(39,622)
Information systems	1,107,281	1,107,281	1,084,699	22,582
Central garage - motor vehicle repair	1,802,003	1,802,003	1,835,227	(33,224)
Insurance - financial	122,776	122,506	117,954	4,552
Virginia Municipal League	12,280	12,280	12,112	168
National League of Cities	3,388	3,388	-	3,388
Virginia Institute of Government	1,500	1,500	-	1,500
Total general and financial administration	\$ 6,786,284	\$ 6,786,014	\$ 6,740,829	\$ 45,185
Board of Elections:				
Electoral board and officials	\$ -	\$ -	\$ 9,950	\$ (9,950)
Registrar	320,951	320,951	388,423	(67,472)
Total board of elections	\$ 320,951	\$ 320,951	\$ 398,373	\$ (77,422)
Total general government administration	\$ 7,338,790	\$ 7,338,520	\$ 7,397,973	\$ (59,453)
Judicial administration:				
Courts:				
Circuit court	\$ 75,008	\$ 75,008	\$ 98,617	\$ (23,609)
General district court	52,800	52,800	33,852	18,948
Magistrates	39,400	39,400	43,429	(4,029)
Juvenile justice	89,288	89,288	88,684	604
District J & D relations court	12,765	12,765	5,156	7,609
Clerk of the Circuit Court	704,366	704,366	729,504	(25,138)
Juvenile court services	189,040	189,040	90,672	98,368
Total courts	\$ 1,162,667	\$ 1,162,667	\$ 1,089,914	\$ 72,753
Commonwealth's attorney:				
Commonwealth's attorney	\$ 1,083,048	\$ 1,083,048	\$ 1,106,336	\$ (23,288)
Total judicial administration	\$ 2,245,715	\$ 2,245,715	\$ 2,196,250	\$ 49,465
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 9,072,178	\$ 9,072,178	\$ 9,250,682	\$ (178,504)
Emergency communications	1,784,761	1,783,761	1,901,016	(117,255)
Code compliance	844,698	844,698	628,448	216,250
Criminal justice academy	81,655	82,655	53,069	29,586
Total law enforcement and traffic control	\$ 11,783,292	\$ 11,783,292	\$ 11,833,215	\$ (49,923)
Fire and rescue services:				
Fire department	\$ 6,382,229	\$ 6,382,229	\$ 6,554,447	\$ (172,218)
Contribution to Southside VA Emergency Crew	183,000	183,000	183,000	-
Total fire and rescue services	\$ 6,565,229	\$ 6,565,229	\$ 6,737,447	\$ (172,218)

Governmental Funds
Schedule of Expenditures -- Budget and Actual
Year Ended June 30, 2016 (Continued)

Fund, Function, Activity, Element	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Public safety: (Continued)				
Correction and detention:				
City jail	\$ 1,439,430	\$ 1,439,430	\$ 1,529,465	\$ (90,035)
Juvenile detention home	498,231	498,231	475,097	23,134
Total correction and detention	<u>\$ 1,937,661</u>	<u>\$ 1,937,661</u>	<u>\$ 2,004,562</u>	<u>\$ (66,901)</u>
Other protection:				
Animal control	\$ 310,725	\$ 310,725	\$ 324,736	\$ (14,011)
Total other protection	<u>\$ 310,725</u>	<u>\$ 310,725</u>	<u>\$ 324,736</u>	<u>\$ (14,011)</u>
Total public safety	<u>\$ 20,596,907</u>	<u>\$ 20,596,907</u>	<u>\$ 20,899,960</u>	<u>\$ (303,053)</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Engineering	\$ 142,141	\$ 166,391	\$ 173,088	\$ (6,697)
Street maintenance	-	-	4,528	(4,528)
Total highways, streets, bridges and sidewalks	<u>\$ 142,141</u>	<u>\$ 166,391</u>	<u>\$ 177,616</u>	<u>\$ (11,225)</u>
Sanitation and waste removal:				
Refuse collection	\$ 1,580,000	\$ 1,555,750	\$ 1,647,130	\$ (91,380)
Total sanitation and waste removal	<u>\$ 1,580,000</u>	<u>\$ 1,555,750</u>	<u>\$ 1,647,130</u>	<u>\$ (91,380)</u>
Maintenance of general buildings and grounds:				
Building maintenance	\$ 3,124,561	\$ 3,124,561	\$ 2,892,200	\$ 232,361
Cemeteries maintenance	157,789	157,789	150,159	7,630
Total maintenance of general buildings and grounds	<u>\$ 3,282,350</u>	<u>\$ 3,282,350</u>	<u>\$ 3,042,359</u>	<u>\$ 239,991</u>
Total public works	<u>\$ 5,004,491</u>	<u>\$ 5,004,491</u>	<u>\$ 4,867,105</u>	<u>\$ 137,386</u>
Health and welfare:				
Health:				
Health department	\$ 603,258	\$ 603,258	\$ 750,128	\$ (146,870)
Central Virginia health planning	-	-	12,500	(12,500)
Total health	<u>\$ 603,258</u>	<u>\$ 603,258</u>	<u>\$ 762,628</u>	<u>\$ (159,370)</u>
Mental health and mental retardation:				
Community Services Board - District 19	\$ 193,523	\$ 193,523	\$ 193,523	\$ -
Welfare:				
Social services	\$ 8,488,906	\$ 8,825,934	\$ 7,946,660	\$ 879,274
Comprehensive services	3,093,826	3,093,826	4,292,794	(1,198,968)
Legal aid	59,200	59,200	29,600	29,600
Crater District Area Agency on Aging	2,000	2,000	2,000	-
Total welfare	<u>\$ 11,643,932</u>	<u>\$ 11,980,960</u>	<u>\$ 12,271,054</u>	<u>\$ (290,094)</u>
Total health and welfare	<u>\$ 12,440,713</u>	<u>\$ 12,777,741</u>	<u>\$ 13,227,205</u>	<u>\$ (449,464)</u>

Governmental Funds
Schedule of Expenditures -- Budget and Actual
Year Ended June 30, 2016 (Continued)

Fund, Function, Activity, Element	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Education:				
Contributions to community colleges	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Contributions to Component Unit - School Board	11,662,512	11,662,512	10,588,975	1,073,537
Total education	<u>\$ 11,667,512</u>	<u>\$ 11,667,512</u>	<u>\$ 10,593,975</u>	<u>\$ 1,073,537</u>
Parks, recreation and cultural:				
Parks and recreation:				
Parks and leisure services	\$ 1,095,606	\$ 1,095,606	\$ 1,032,946	\$ 62,660
Cultural:				
Library	\$ 1,005,989	\$ 1,005,989	\$ 922,994	\$ 82,995
Total cultural	<u>\$ 1,005,989</u>	<u>\$ 1,005,989</u>	<u>\$ 922,994</u>	<u>\$ 82,995</u>
Total parks, recreation and cultural	<u>\$ 2,101,595</u>	<u>\$ 2,101,595</u>	<u>\$ 1,955,940</u>	<u>\$ 145,655</u>
Community development:				
Planning and community development:				
Planning	\$ 404,637	\$ 404,637	\$ 310,285	\$ 94,352
Economic development	519,978	519,978	360,396	159,582
Tourist promotion program	680,125	680,125	533,912	146,213
Other community development	384,667	384,667	226,209	158,458
Contributions to other community organizations	5,455,902	5,455,902	3,850,169	1,605,733
Total planning and community development	<u>\$ 7,445,309</u>	<u>\$ 7,445,309</u>	<u>\$ 5,280,971</u>	<u>\$ 2,164,338</u>
Cooperative extension program:				
VPI nutritional services	\$ 40,000	\$ 40,000	\$ 29,185	\$ 10,815
Total community development	<u>\$ 7,485,309</u>	<u>\$ 7,485,309</u>	<u>\$ 5,310,156</u>	<u>\$ 2,175,153</u>
Nondepartmental:				
Insurance	\$ 1,292,657	\$ 1,292,927	\$ 1,169,907	\$ 123,020
Contingencies - other	8,500	8,500	146,816	(138,316)
Total nondepartmental	<u>\$ 1,301,157</u>	<u>\$ 1,301,427</u>	<u>\$ 1,316,723</u>	<u>\$ (15,296)</u>
Debt service:				
Principal retirement	\$ 2,768,390	\$ 2,768,390	\$ 4,316,906	\$ (1,548,516)
Interest and fiscal charges	1,811,937	1,811,937	1,571,262	240,675
Total debt service	<u>\$ 4,580,327</u>	<u>\$ 4,580,327</u>	<u>\$ 5,888,168</u>	<u>\$ (1,307,841)</u>
Total General Fund	<u><u>\$ 74,762,516</u></u>	<u><u>\$ 75,099,544</u></u>	<u><u>\$ 73,653,455</u></u>	<u><u>\$ 1,446,089</u></u>
Capital Projects Fund:				
Capital outlays / projects:				
General government administration:				
Farmers Market plan design renovation	\$ -	\$ 134,339	\$ 44,136	\$ 90,203
Union Station - renovations	-	145,000	-	145,000
Total general government administration	<u>\$ -</u>	<u>\$ 279,339</u>	<u>\$ 44,136</u>	<u>\$ 235,203</u>
Judicial administration:				
Husting court - roof replacement	\$ -	\$ 167,160	\$ 80,565	\$ 86,595
District court - building addition	-	270,000	11,903	258,097
Circuit court - interior renovations	-	90,000	38,145	51,855
Commonwealth Attorney - roof replacement	-	56,423	412	56,011
Husting Courthouse Clocktower	-	1,063,800	12,711	1,051,089
Total judicial administration	<u>\$ -</u>	<u>\$ 1,647,383</u>	<u>\$ 143,736</u>	<u>\$ 1,503,647</u>

Governmental Funds
Schedule of Expenditures -- Budget and Actual
Year Ended June 30, 2016 (Continued)

Fund, Function, Activity, Element	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
Capital Projects Fund: (Continued)				
Public safety:				
City Jail and Annex improvement plan	\$ -	\$ 192,500	\$ -	\$ 192,500
Jail Farm boiler replacement	-	45,000	-	45,000
Police Investigate division	-	485,366	1,923	483,443
Fire Sycamore Street bathrooms	-	128,562	128,540	22
Fire driveway	-	353,376	153,561	199,815
Total public safety	<u>\$ -</u>	<u>\$ 1,204,804</u>	<u>\$ 284,024</u>	<u>\$ 920,780</u>
Public works:				
Canal street biofilter - streets, curbs and gutters	\$ -	\$ 568,000	\$ -	\$ 568,000
Rives road - street, curbs and gutters	-	-	28,842	(28,842)
Poor creek sewer line replacement	-	1,191,000	-	1,191,000
New equipment	-	75,000	-	75,000
SCADA control system	-	65,000	-	65,000
Water / sewer GPS mapping	-	136,920	-	136,920
Check valve replacement	-	317,800	-	317,800
Pipe line replacement	-	258,313	-	258,313
Drainage and storm management plan	-	-	-	-
Stormwater projects	-	2,999,788	1,057,371	1,942,417
Total public works	<u>\$ -</u>	<u>\$ 5,611,821</u>	<u>\$ 1,086,213</u>	<u>\$ 4,525,608</u>
Health and welfare:				
Health department roof repair	\$ -	\$ 189,000	\$ -	\$ 189,000
Social Services lighting upgrade	-	100,000	-	100,000
Total health and welfare	<u>\$ -</u>	<u>\$ 289,000</u>	<u>\$ -</u>	<u>\$ 289,000</u>
Education:				
School bus replacement	\$ -	\$ 523,278	\$ 523,278	\$ -
Various capital projects	-	1,461,908	954,250	507,658
A.P. Hill Elementary - additions to buildings	-	50,000	-	50,000
Total education	<u>\$ -</u>	<u>\$ 2,035,186</u>	<u>\$ 1,477,528</u>	<u>\$ 557,658</u>
Parks, recreation and cultural:				
Seige Museum	\$ -	\$ 1,486,982	\$ 138,429	\$ 1,348,553
Other parks and recreation	-	833,000	2,480	830,520
Sports complex	-	167,000	-	167,000
Low street playground equipment	-	80,000	-	80,000
Dogwood trace - various	-	109,429	-	109,429
Dogwood trace - Golf Facility	-	293,000	-	293,000
Dogwood trace - park improvements	-	49,665	49,665	-
Blandford cemetery HVAC	-	30,000	-	30,000
Total parks, recreation and cultural	<u>\$ -</u>	<u>\$ 3,049,076</u>	<u>\$ 190,574</u>	<u>\$ 2,858,502</u>
Debt service:				
Interest and other debt costs	\$ -	\$ 87,140	\$ 87,139	\$ 1
Total debt service	<u>\$ -</u>	<u>\$ 87,140</u>	<u>\$ 87,139</u>	<u>\$ 1</u>
Total Capital Projects Fund	<u>\$ -</u>	<u>\$ 14,203,749</u>	<u>\$ 3,313,350</u>	<u>\$ 10,890,399</u>
Special Revenue Funds:				
Federal and State Projects Fund:				
Judicial administration:				
Courts:				
Courthouse construction	\$ -	\$ 177,939	\$ (691)	\$ 178,630
Law library	-	195,000	28,686	166,314
Asset forfeiture Commonwealth Attorney	-	41,680	14,430	27,250
Total judicial administration	<u>\$ -</u>	<u>\$ 414,619</u>	<u>\$ 42,425</u>	<u>\$ 372,194</u>

Governmental Funds
Schedule of Expenditures -- Budget and Actual
Year Ended June 30, 2016 (Continued)

Fund, Function, Activity, Element	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
Special Revenue Funds: (Continued)				
Federal and State Projects Fund (Continued):				
Public Safety:				
Law Enforcement and Traffic Control:				
City Police asset forfeiture program	\$ -	\$ 182,500	\$ 68,374	\$ 114,126
Police federal forfeiture program	-	70,000	-	70,000
Asset forfeiture police state	-	270,000	38,580	231,420
Computer replacement project	-	20,792	20,775	17
DMV mini grant	-	115,770	85,373	30,397
Victim witness	-	231,649	224,575	7,074
Va. Juvenile community crime control	-	191,051	183,301	7,750
POWER youth program employment	-	91,561	10,933	80,628
Community corrections	-	339,124	334,761	4,363
Sheriff Vine program	-	33,000	33,000	-
Fire service board hardware grant	-	1,000	964	36
Fire homeland security	-	65,200	-	65,200
Bio-terrorism	-	-	3,024	(3,024)
Police swat armor	-	25,000	14,473	10,527
In car camera system	-	28,000	-	28,000
Bulletproof vest grant	-	25,000	(13,658)	38,658
Police technology grant	-	168,000	457	167,543
Triad	-	2,023	1,294	729
Permit issuance fees	-	50,132	952	49,180
CBRAO historical data cleanup	-	24,975	24,975	-
Four for life - fire	-	25,000	24,592	408
Medical dispatch program - fire	-	4,080	-	4,080
Fire citizen corporation program	-	43,622	-	43,622
Fire state program	-	671,940	-	671,940
Edward Byrne S.T.E.P.S.	-	28,250	20,250	8,000
Sheriff asset forfeiture	-	372,766	-	372,766
Fire purchase of life support	-	351,508	-	351,508
Sheriff courthouse security	-	282,000	211,500	70,500
Assistant to fire fighters grant	-	625,250	572,437	52,813
Federal asset forfeiture treasury fund	-	21,650	15,244	6,406
Total public safety	\$ -	\$ 4,360,843	\$ 1,876,176	\$ 2,484,667
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Area signal coordination	\$ -	\$ 560,460	\$ -	\$ 560,460
Southside depot restoration	-	516,999	392,807	124,192
VDOT street operation	5,289,868	5,239,868	3,196,784	2,043,084
E Washington street paving	-	600,000	-	600,000
Wagner road street paving	-	600,000	-	600,000
W Washington street paving	-	650,000	549,362	100,638
Route 460 paving project	-	2,790,000	1,747,383	1,042,617
Total maintenance of general buildings and grounds	\$ 5,289,868	\$ 10,957,327	\$ 5,886,336	\$ 5,070,991

Governmental Funds
Schedule of Expenditures -- Budget and Actual
Year Ended June 30, 2016 (Continued)

Fund, Function, Activity, Element	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
Federal and State Projects Fund: (Continued)				
Sanitation and waste removal:				
Litter control	\$ -	\$ 8,055	\$ 7,480	\$ 575
Stormwater management program	1,138,845	-	3,438	(3,438)
DCR Stormwater program	-	28,545	-	28,545
Total sanitation and waste removal	<u>\$ 1,138,845</u>	<u>\$ 36,600</u>	<u>\$ 10,918</u>	<u>\$ 25,682</u>
Total public works	<u>\$ 6,428,713</u>	<u>\$ 10,993,927</u>	<u>\$ 5,897,254</u>	<u>\$ 5,096,673</u>
Health and welfare:				
Healthy living grant	\$ -	\$ 90,000	\$ 52,352	\$ 37,648
Mental health - cameron	-	126,476	39,649	86,827
Total health and welfare	<u>\$ -</u>	<u>\$ 216,476</u>	<u>\$ 92,001</u>	<u>\$ 124,475</u>
Parks, recreation and cultural:				
Willcox lake boat access and dam	\$ -	\$ 20,310	-	20,310
Library - early literacy united way	-	10,000	7,907	2,093
Library donations	-	145,000	1,125	143,875
Total parks, recreation and cultural	<u>\$ -</u>	<u>\$ 175,310</u>	<u>\$ 9,032</u>	<u>\$ 166,278</u>
Community Development:				
Petersburg History Camp	\$ -	\$ 1,823	-	1,823
Freedom House	-	166,400	241,606	(75,206)
Economic development incentive	-	218,198	71,350	146,848
Afro american adoption contribution	-	109,500	111,851	(2,351)
Economic development - AGR and consumer grant	-	50,000	-	50,000
RCAPP - Office on Youth	-	21,033	15,480	5,553
Marketing funds - FTA	-	-	(11,995)	11,995
Total community development	<u>\$ -</u>	<u>\$ 566,954</u>	<u>\$ 428,292</u>	<u>\$ 138,662</u>
Total Federal and State Projects Fund	<u>\$ 6,428,713</u>	<u>\$ 16,728,129</u>	<u>\$ 8,345,180</u>	<u>\$ 8,382,949</u>
Community Development Act Fund:				
Community Development:				
Other community development expenditures	\$ -	\$ 1,477,367	\$ 439,418	\$ 1,037,949
Total community development	<u>\$ -</u>	<u>\$ 1,477,367</u>	<u>\$ 439,418</u>	<u>\$ 1,037,949</u>
Total Community Development Act Fund	<u>\$ -</u>	<u>\$ 1,477,367</u>	<u>\$ 439,418</u>	<u>\$ 1,037,949</u>
Stormwater Fund:				
Public works:				
Sanitation and waste removal:				
Stormwater management program	\$ -	\$ 488,845	\$ 435,413	\$ 53,432
Debt service:				
Principal retirement	\$ -	\$ 650,000	\$ 424,137	\$ 225,863
Interest and fiscal charges	-	-	57,006	(57,006)
Total debt service	<u>\$ -</u>	<u>\$ 650,000</u>	<u>\$ 481,143</u>	<u>\$ 168,857</u>
Total Stormwater Fund	<u>\$ -</u>	<u>\$ 1,138,845</u>	<u>\$ 916,556</u>	<u>\$ 222,289</u>
Total Nonmajor Funds	<u>\$ 6,428,713</u>	<u>\$ 19,344,341</u>	<u>\$ 9,701,154</u>	<u>\$ 9,643,187</u>
Total Primary Government Expenditures	<u>\$ 81,191,229</u>	<u>\$ 108,647,634</u>	<u>\$ 86,667,959</u>	<u>\$ 21,979,675</u>

CITY OF PETERSBURG, VIRGINIA

Statistical Tables

<u>Section / Table #</u>	<u>Description of Section / Tables</u>
Financial Trends	These tables contain trend information to help the reader understand how the the City's financial performance and well-being have changed over time.
1	Net Position by Component
2	Changes in Net Position
3	Governmental Activities Tax Revenues by Source (Accrual Basis of Accounting)
4	Fund Balances of Governmental Funds
5	Changes in Fund Balances of Governmental Funds
6	Governmental Activities Tax Revenues by Source (Modified Accrual Basis of Accounting)
Revenue Capacity	These tables contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.
7	Assessed and Estimated Valuation of All Taxable Property
8	Property Tax Rates
9	Principal Business Taxpayers
10	Property Tax Levies and Collections
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 debt in the future.
11	Ratios of Outstanding Debt by Type
12	Ratio of Net General Bonded Obligation Bonded Debt to Assessed Value and Net Obligation Bonded Debt per Capita
13	Computation of Direct and Overlapping Bonded Debt and Legal debt Margin
14	Revenue Coverage
Demographic and Economic Information	This table offers demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.
15	Demographic, Economic and Census Statistics
Operating Information	These tables contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.
16	Major Private Employers
17	Full-time Equivalent City Government Employees by Function
18	Operating Indicators by Function
19	Capital Asset Statistics by Function

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year.

CITY OF PETERSBURG, VIRGINIA

Net Position by Component
 Last Ten Fiscal Years
 (Accrual Basis of Accounting)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental activities:				
Net investment in capital assets	\$ 11,349,587	\$ 16,802,876	\$ 16,440,386	\$ 17,879,326
Restricted	1,934,491	2,086,098	1,898,698	1,894,824
Unrestricted	12,306,724	9,695,632	16,616,660	19,403,458
Total governmental activities	<u>\$ 25,590,802</u>	<u>\$ 28,584,606</u>	<u>\$ 34,955,744</u>	<u>\$ 39,177,608</u>
Business-type activities:				
Net investment in capital assets	\$ 17,746,920	\$ 25,697,774	\$ 36,423,288	\$ 37,420,508
Restricted	5,536,340	5,151,624	4,568,423	3,861,693
Unrestricted	(2,998,388)	(3,826,030)	(5,529,579)	(5,648,711)
Total business-type activities	<u>\$ 20,284,872</u>	<u>\$ 27,023,368</u>	<u>\$ 35,462,132</u>	<u>\$ 35,633,490</u>
Primary government				
Net investment in capital assets	\$ 29,096,507	\$ 42,500,650	\$ 52,863,674	\$ 55,299,834
Restricted	7,470,831	7,237,722	6,467,121	5,756,517
Unrestricted	9,308,336	5,869,602	11,087,081	13,754,747
Total primary government	<u>\$ 45,875,674</u>	<u>\$ 55,607,974</u>	<u>\$ 70,417,876</u>	<u>\$ 74,811,098</u>

Table 1

	2011	2012	2013	2014	2015	2016
\$	15,534,169	\$ 23,120,077	\$ 18,479,417	\$ 22,461,507	\$ 20,896,406	\$ 20,071,779
	4,459,923	8,371,649	8,699,721	3,149,244	3,011,799	4,275,250
	19,465,464	4,144,437	1,133,991	7,091,332	(18,593,137)	(20,842,395)
\$	<u>39,459,556</u>	<u>\$ 35,636,163</u>	<u>\$ 28,313,129</u>	<u>\$ 32,702,083</u>	<u>\$ 5,315,068</u>	<u>\$ 3,504,634</u>
\$	38,529,251	\$ 41,540,929	\$ 40,518,560	\$ 41,072,153	\$ 39,271,737	\$ 38,557,116
	3,049,996	2,198,555	1,334,606	465,941	489,434	489,434
	(7,843,351)	(2,045,948)	(2,029,523)	(1,368,263)	(4,270,209)	(7,542,983)
\$	<u>33,735,896</u>	<u>\$ 41,693,536</u>	<u>\$ 39,823,643</u>	<u>\$ 40,169,831</u>	<u>\$ 35,490,962</u>	<u>\$ 31,503,567</u>
\$	54,063,420	\$ 64,661,006	\$ 58,997,977	\$ 63,533,660	\$ 60,168,143	\$ 58,628,895
	7,509,919	10,570,204	10,034,327	3,615,185	3,501,233	4,764,684
	11,622,113	2,098,489	(895,532)	5,723,069	(22,863,346)	(28,385,378)
\$	<u>73,195,452</u>	<u>\$ 77,329,699</u>	<u>\$ 68,136,772</u>	<u>\$ 72,871,914</u>	<u>\$ 40,806,030</u>	<u>\$ 35,008,201</u>

This page intentionally left blank

Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	2007	2008	2009	2010	2010	2012	2013	2014	2015	2016
Expenses:										
Governmental activities:										
General government administration	\$ 3,678,612	\$ 4,409,342	\$ 4,476,479	\$ 3,953,282	\$ 3,953,282	\$ 4,689,240	\$ 5,024,964	\$ 6,124,429	\$ 7,085,421	\$ 7,000,032
Judicial administration	2,060,239	2,209,742	2,384,990	2,170,832	2,170,832	2,166,314	2,329,886	2,409,720	2,392,925	2,324,844
Public safety	24,641,604	26,424,002	28,266,556	29,031,529	29,031,529	31,073,384	29,534,876	27,624,108	26,840,786	23,666,410
Public works	14,099,461	12,120,847	14,737,685	13,225,076	13,225,076	15,391,709	13,624,539	12,902,451	12,992,788	11,605,106
Health and welfare	14,564,276	16,441,259	15,835,032	14,887,566	14,887,566	13,193,886	12,472,778	13,358,082	13,703,670	13,488,320
Education	9,204,061	9,461,387	10,789,591	11,160,050	11,160,050	9,157,346	11,476,574	10,289,525	12,048,813	11,673,961
Parks, recreation, and cultural	2,685,776	3,862,492	2,453,245	2,443,712	2,443,712	2,547,419	7,557,488	2,819,867	2,445,593	2,216,162
Community development	2,727,241	2,206,472	2,238,970	3,607,676	3,607,676	3,304,525	3,277,237	3,855,151	6,152,338	6,286,581
Interest and other fiscal charges	1,327,726	1,187,375	1,186,876	1,590,337	1,590,337	1,127,482	1,228,991	1,016,546	1,541,463	1,648,599
Total governmental activities expenses	\$ 74,988,996	\$ 78,322,918	\$ 82,369,424	\$ 82,070,060	\$ 82,070,060	\$ 82,651,305	\$ 86,527,333	\$ 80,399,879	\$ 85,203,797	\$ 79,910,015
Business-type activities:										
Public Utility	\$ 7,273,942	\$ 8,393,991	\$ 8,514,037	\$ 9,127,023	\$ 9,127,023	\$ 9,292,960	\$ 9,490,563	\$ 9,095,733	\$ 10,141,929	\$ 10,248,093
Mass transit	2,923,692	3,021,131	2,919,251	3,545,881	3,545,881	4,442,057	4,233,740	4,343,710	4,429,192	5,133,570
Golf Course	-	622,377	1,176,452	1,182,589	1,182,589	1,151,540	1,110,021	1,203,286	1,256,939	1,186,181
Total business-type activities expenses	\$ 10,197,634	\$ 12,037,499	\$ 12,609,740	\$ 13,855,493	\$ 13,855,493	\$ 14,886,557	\$ 14,834,324	\$ 14,642,729	\$ 15,828,060	\$ 16,567,844
Total primary government expenses	\$ 85,186,630	\$ 90,360,417	\$ 94,979,164	\$ 95,925,553	\$ 95,925,553	\$ 97,537,862	\$ 101,361,657	\$ 95,042,608	\$ 101,031,857	\$ 96,477,859
Program revenues:										
Governmental activities:										
Charges for services:										
General government administration	\$ 191,183	\$ -	\$ 15,442	\$ -	\$ -	\$ -	\$ 350,714	\$ 228,416	\$ 177,548	\$ 108,845
Judicial administration	899,881	1,112,344	562,801	860,011	860,011	1,000,340	615,372	680,649	562,613	458,825
Public safety	768,688	967,272	799,041	461,872	461,872	619,311	461,406	536,074	723,770	973,578
Public works	1,859,992	2,116,599	2,068,003	1,878,941	1,878,941	1,581,645	2,125,662	3,042,325	3,155,209	3,394,087
Health and welfare	-	-	-	-	-	-	-	6,665	-	-
Parks, recreation, and cultural	173,847	131,968	176,435	101,789	101,789	82,202	98,246	80,473	144,757	91,383
Community development	-	188,335	1,347	32,105	32,105	35,081	307,123	209,969	473,614	18,999
Operating grants and contributions:										
General government administration	351,357	373,318	344,481	302,633	302,633	305,189	291,559	305,503	299,039	335,426
Judicial administration	1,159,862	1,209,709	1,292,166	964,332	964,332	993,434	962,643	1,051,708	1,183,964	1,271,503
Public safety	8,262,300	8,763,661	7,490,017	8,143,893	8,143,893	7,504,260	7,096,135	7,682,641	7,280,645	4,722,327
Public works	4,299,951	4,468,129	4,620,981	4,565,451	4,565,451	4,907,577	5,001,123	5,167,493	5,400,118	6,887,122
Health and welfare	10,894,743	11,737,712	11,693,590	11,128,359	11,128,359	9,757,395	8,845,264	9,667,570	9,704,194	10,212,459
Education	317,452	-	-	-	-	-	-	-	-	-
Parks, recreation, and cultural	-	602,572	185,700	195,188	195,188	141,719	274,093	145,774	145,622	181,506
Community development	220,249	392,080	748,388	534,970	534,970	505,493	1,081,150	850,812	444,873	438,227
Capital grants and contributions:										
Public works	1,075,000	3,070,207	1,311,316	2,082,199	2,082,199	763,981	1,014,283	6,312,018	3,154	26,804
Education	-	-	4,430,000	3,000,000	3,000,000	-	-	-	-	-
Parks, recreation, and cultural	-	-	-	90,000	90,000	-	-	-	-	-
Community development	1,847,112	-	500,000	-	-	-	-	19,920	-	-
Total governmental activities program revenues	\$ 32,321,617	\$ 35,133,906	\$ 36,239,708	\$ 34,341,743	\$ 34,341,743	\$ 28,197,627	\$ 28,524,773	\$ 35,988,010	\$ 29,699,120	\$ 29,121,091

Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	2007	2008	2009	2010	2010	2012	2013	2014	2015	2016
Program revenues: (Continued)										
Business-type activities:										
Charges for services:										
Public Utility	\$ 6,540,056	\$ 7,037,608	\$ 7,123,929	\$ 9,419,189	\$ 9,419,189	\$ 9,539,367	\$ 9,130,177	\$ 9,107,233	\$ 8,758,140	\$ 7,180,519
Mass Transit	453,045	512,960	437,138	413,822	413,822	474,125	536,463	528,470	579,124	617,774
Golf course	-	188,080	565,943	599,448	599,448	683,792	709,000	701,000	694,111	693,901
Operating grants and contributions:										
Mass Transit	1,209,175	1,415,667	1,751,172	971,920	971,920	1,089,908	1,403,671	1,768,821	3,144,068	2,091,584
Capital grants and contributions										
Public Utility	420,558	2,210,427	1,597,206	-	-	558,422	-	-	-	-
Mass Transit	2,121,811	7,360,969	9,396,245	2,315,371	2,315,371	1,156,832	376,333	2,003,498	158,355	784,525
Total business-type activities program revenues	\$ 10,744,645	\$ 18,725,711	\$ 20,871,633	\$ 13,719,750	\$ 13,719,750	\$ 13,502,446	\$ 12,155,644	\$ 14,109,022	\$ 13,333,798	\$ 11,368,303
Total primary government program revenues	\$ 43,066,262	\$ 53,859,617	\$ 57,111,341	\$ 48,061,493	\$ 48,061,493	\$ 41,700,073	\$ 40,680,417	\$ 50,097,032	\$ 43,032,918	\$ 40,489,394
Net (expense) / revenue										
Governmental activities	\$ (42,667,379)	\$ (43,189,012)	\$ (46,129,714)	\$ (47,728,317)	\$ (47,728,317)	\$ (54,453,678)	\$ (58,002,560)	\$ (44,411,869)	\$ (55,504,677)	\$ (50,788,924)
Business-type activities	547,011	6,688,212	8,261,893	(135,743)	(135,743)	(1,384,111)	(2,678,680)	(533,707)	(2,494,262)	(5,199,541)
Total primary government net expense	\$ (42,120,368)	\$ (36,500,800)	\$ (37,867,821)	\$ (47,864,060)	\$ (47,864,060)	\$ (55,837,789)	\$ (60,681,240)	\$ (44,945,576)	\$ (57,998,939)	\$ (55,988,465)
General Revenues and Other Change in Net Position										
Governmental activities:										
General property taxes	\$ 26,502,531	\$ 28,860,512	\$ 33,090,055	\$ 35,991,155	\$ 35,991,155	\$ 34,093,970	\$ 33,726,929	\$ 34,394,416	\$ 33,418,636	\$ 31,963,589
Local sales and use taxes	3,815,937	3,995,564	3,796,848	3,396,411	3,396,411	3,755,828	3,738,656	3,530,101	3,715,835	3,528,238
Consumer utility taxes	2,493,943	1,578,832	1,778,414	1,678,216	1,678,216	1,658,993	1,761,728	1,638,787	1,715,224	1,918,122
Business license taxes	3,029,257	2,747,595	3,144,714	2,553,424	2,553,424	2,931,183	2,876,387	2,727,728	2,797,490	2,659,030
Motor Vehicle license taxes	593,977	595,329	533,365	491,904	491,904	511,083	502,714	487,391	420,192	389,349
Lodging taxes	428,595	470,393	435,520	375,201	375,201	294,194	273,899	268,575	256,522	320,486
Meals tax	1,286,205	1,459,964	1,316,975	1,361,103	1,361,103	1,559,147	2,211,886	2,423,433	2,571,793	2,948,184
Other local taxes	1,147,339	839,751	561,595	664,274	664,274	571,077	566,682	618,970	602,467	578,287
Unrestricted revenues from use of money and property										
Miscellaneous	477,504	507,218	371,424	367,179	367,179	383,397	397,947	487,382	231,452	490,012
Grants and contributions not restricted to specific programs	218,764	114,854	2,224,312	348,002	348,002	472,304	1,285,606	861,739	1,104,557	640,843
Gain/(Loss) on sale of assets	3,851,888	5,079,475	4,417,059	4,867,141	4,867,141	4,761,896	4,835,521	4,936,135	4,828,315	4,749,525
Transfers (net)	212,697	(66,671)	-	-	-	-	-	-	-	-
Total governmental activities	(644,531)	-	109,928	(143,830)	(143,830)	(499,618)	(802,736)	(878,560)	-	(1,207,175)
Total governmental activities	\$ 43,414,106	\$ 46,182,816	\$ 51,780,209	\$ 51,950,180	\$ 51,950,180	\$ 50,493,454	\$ 51,375,219	\$ 51,496,097	\$ 51,662,483	\$ 48,978,490
Business-type activities:										
Unrestricted revenues from use of money and property										
Miscellaneous	\$ -	\$ 50,284	\$ -	\$ 163,271	\$ 163,271	\$ -	\$ 6,051	\$ 1,335	\$ 1,181	\$ 4,971
Transfers	-	-	286,799	-	-	-	-	-	-	-
Total business-type activities	644,531	50,284	176,871	307,101	307,101	499,618	808,787	879,895	1,181	1,212,146
Total primary government	\$ 44,058,637	\$ 46,233,100	\$ 51,957,080	\$ 52,257,281	\$ 52,257,281	\$ 50,993,072	\$ 52,184,006	\$ 52,375,992	\$ 51,663,664	\$ 50,190,636
Change in Net Position										
Governmental activities	\$ 746,727	\$ 2,993,804	\$ 5,650,495	\$ 4,221,863	\$ 4,221,863	\$ (3,960,224)	\$ (6,627,341)	\$ 7,084,228	\$ (3,842,194)	\$ (1,810,434)
Business-type activities	1,191,542	6,738,496	8,438,764	171,358	171,358	(884,493)	(1,869,893)	346,188	(2,493,081)	(3,987,395)
Total primary government	\$ 1,938,269	\$ 9,732,300	\$ 14,089,259	\$ 4,393,221	\$ 4,393,221	\$ (4,844,717)	\$ (8,497,234)	\$ 7,430,416	\$ (6,335,275)	\$ (5,797,829)

Governmental Activities Tax Revenues by Source
 Last Ten Fiscal Years
 (Accrual Basis of Accounting)

Fiscal Year	General Property Taxes	Local Sales and Use Taxes	Consumer Utility Taxes	Business License Taxes	Motor Vehicle License Taxes	Lodging Taxes	Meals Taxes	Other Local Taxes	Total
2007	\$ 26,502,531	\$ 3,815,937	\$ 2,493,943	\$ 3,029,257	\$ 593,977	\$ 428,595	\$ 1,286,205	\$ 1,147,339	\$ 39,297,784
2008	28,860,512	3,995,564	1,578,832	2,747,595	595,329	470,393	1,459,964	839,751	40,547,940
2009	33,090,055	3,796,848	1,778,414	3,144,714	533,365	435,520	1,316,975	561,595	44,657,486
2010	35,991,155	3,396,411	1,678,216	2,553,424	491,904	375,201	1,361,103	664,273	46,511,687
2011	34,691,569	3,667,579	1,691,546	2,489,284	493,869	340,894	1,376,528	627,076	45,378,345
2012	34,093,970	3,755,828	1,658,993	2,931,183	511,083	294,194	1,559,147	571,077	45,375,475
2013	33,726,929	3,738,656	1,761,728	2,876,387	502,714	273,899	2,211,886	566,682	45,658,881
2014	34,394,416	3,530,101	1,638,787	2,727,728	487,391	268,575	2,423,433	618,970	46,089,401
2015	33,418,636	3,715,835	1,715,224	2,797,490	420,192	256,522	2,571,793	602,467	45,498,159
2016	31,963,589	3,528,238	1,918,122	2,659,030	389,349	320,486	2,948,184	578,287	44,305,285

CITY OF PETERSBURG, VIRGINIA

Fund Balances of Governmental Funds
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)

	2007	2008	2009	2010	2011
General fund					
Nonspendable:					
Inventory and land held for resale	\$ -	\$ -	\$ -	\$ -	5,015,776
Interfund loans	-	-	-	-	8,225,957
Restricted:					
Debt service	-	-	-	-	2,631,120
Grants	-	-	-	-	-
Committed:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Parks, recreation and cultural	-	-	-	-	-
Community development	-	-	-	-	-
Land acquisition	-	-	-	-	225,000
Rives Road widening	-	-	-	-	10,000
Walnut Hill Elementary School	-	-	-	-	121,000
Employee bonuses	-	-	-	-	750,000
Petersburg Public School Operations Center	-	-	-	-	100,000
Health and welfare	-	-	-	-	63,000
Assigned:					
General government	-	-	-	-	3,658
Police Department	-	-	-	-	75,190
Fire Department	-	-	-	-	8,080
Jail	-	-	-	-	23,595
Engineering	-	-	-	-	14,080
Street maintenance	-	-	-	-	459,944
Building maintenance	-	-	-	-	44,800
Library	-	-	-	-	2,710
Tourism	-	-	-	-	1,828
Other purposes	-	-	-	-	4,525
Unassigned	-	-	-	-	6,402,849
Reserved:					
Inventory	4,695,716	4,652,161	4,900,400	4,990,308	-
Asset forfeiture	105,999	194,000	-	-	-
Capital Projects	926,096	-	-	-	-
Debt Service	515,000	-	-	-	-
Landfill closure/post-closure monitoring	1,500,000	1,750,000	-	-	-
Encumbrances	441,550	1,470,314	517,929	-	-
Unreserved, undesignated	10,227,794	11,935,086	14,837,698	15,403,526	-
Total general fund	\$ 18,412,155	\$ 20,001,561	\$ 20,256,027	\$ 20,393,834	\$ 24,183,112
All other governmental funds					
Nonspendable:					
Interfund loans - capital projects	\$ -	\$ -	\$ -	\$ -	279,781
Cemetery Perpetual care and library	-	-	-	-	1,828,803
Prepaid items	-	-	-	-	-
McKenney scholarships	-	-	-	-	19,001
Restricted:					
Grants	-	-	-	-	448,435
Capital projects	-	-	-	-	-
Assigned to:					
LT Run Watershed Study - stream restoration	-	-	-	-	638,400
Centre Hill drainage improvement	-	-	-	-	57,518
Passenger train station	-	-	-	-	164,000
Prince George PPEA project	-	-	-	-	499,540
Poor Creek Pump Station	-	-	-	-	2,368,980
Health Department	-	-	-	-	335,575
School projects	-	-	-	-	22,130
Other purposes	-	-	-	-	1,215,436
Reserved:					
Capital projects	-	1,804,898	2,252,155	3,989,903	-
Special revenue funds	535,403	122,035	136,851	277,931	-
Permanent funds	1,828,492	1,892,098	1,898,698	1,894,824	-
Unreserved, reported in:					
Non-major:					
Special revenue funds (deficit)	(99,608)	(74,801)	105,620	342,777	-
Capital projects fund	(63,717)	(5,305,826)	-	-	-
Permanent funds	-	-	-	-	-
Total all other governmental funds	\$ 2,200,570	\$ (1,561,596)	\$ 4,393,324	\$ 6,505,435	\$ 7,877,599
Total fund balances	\$ 20,612,725	\$ 18,439,965	\$ 24,649,351	\$ 26,899,269	\$ 32,060,711

The City implemented GASB 54 in FY 11 and has elected not to reclassify fund balance amounts for the previous five fiscal years.

CITY OF PETERSBURG, VIRGINIA

Changes in Fund Balances of Governmental Funds
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)

	2007	2008	2009	2010	2011
Revenues:					
General property taxes	\$ 26,546,575	\$ 28,104,541	\$ 32,299,130	\$ 34,703,935	\$ 34,039,946
Other local taxes	13,700,105	13,797,559	13,484,673	12,445,767	12,602,485
Permits, privilege fees and regulatory licenses	547,715	656,809	660,299	483,718	426,106
Fines and forfeitures	756,124	1,071,755	468,464	684,907	673,606
Revenue from use of money and property	477,504	507,218	371,424	367,179	346,203
Charges for services	2,802,449	2,787,954	2,494,305	2,166,093	1,980,201
Miscellaneous	2,308,411	2,474,098	6,654,314	3,838,002	3,928,274
Recovered costs	124,005	466,502	378,789	315,212	638,918
Intergovernmental:					
Commonwealth	21,677,880	24,218,725	22,958,947	23,278,884	21,417,443
Federal	7,593,655	7,099,686	7,727,510	7,180,048	6,567,302
Total revenues	\$ 76,534,423	\$ 81,184,847	\$ 87,497,855	\$ 85,463,745	\$ 82,620,484
Expenditures:					
General government administration	\$ 3,678,061	\$ 4,116,450	\$ 4,360,569	\$ 3,826,456	\$ 4,098,854
Judicial administration	1,895,420	2,139,494	2,184,145	1,973,393	1,967,127
Public safety	25,312,175	26,459,229	26,566,138	27,441,826	28,443,133
Public works	11,173,225	17,240,364	14,156,676	11,689,667	10,264,734
Health and welfare	14,296,165	16,225,483	15,499,383	14,668,974	14,086,084
Education	8,838,660	14,302,941	13,502,674	10,474,051	13,016,373
Parks, recreation, and cultural	5,549,782	4,153,537	2,659,418	2,431,519	2,470,427
Community development	2,861,651	2,840,006	2,192,083	3,574,257	3,497,736
Nondepartmental	707,417	803,240	959,214	1,149,019	1,247,187
Debt service:					
Principal retirement	2,590,060	2,960,058	6,248,664	6,270,000	5,998,607
Interest and other fiscal charges	1,448,255	1,449,801	1,497,372	2,400,439	1,337,602
Total expenditures	\$ 78,350,871	\$ 92,690,603	\$ 89,826,336	\$ 85,899,601	\$ 86,427,864
Excess (deficiency) of revenues over expenditures	\$ (1,816,448)	\$ (11,505,756)	\$ (2,328,481)	\$ (435,856)	\$ (3,807,380)
Other financing sources (uses):					
Transfers in	\$ 1,082,083	\$ 1,014,136	\$ 1,357,056	\$ 178,538	\$ 451,234
Transfers (out)	(1,726,614)	(1,014,136)	(1,247,128)	(322,368)	(704,170)
Proceeds from capital leases	205,500	232,996	782,997	62,106	379,650
Sale of assets	-	-	-	350,000	-
Issuance of debt	5,116,857	9,100,000	7,360,000	8,560,000	396,000
Premium on debt issued	-	-	284,941	3,035	-
Proceeds from refunding bonds	-	-	-	-	2,686,689
Payment to refunded bond escrow agent	-	-	-	-	(2,596,254)
Total other financing sources (uses)	\$ 4,677,826	\$ 9,332,996	\$ 8,537,866	\$ 8,831,311	\$ 613,149
Net changes in fund balances	\$ 2,861,378	\$ (2,172,760)	\$ 6,209,385	\$ 8,395,455	\$ (3,194,231)
Debt service as a percentage of noncapital expenditures	5.64%	4.79%	9.41%	11.06%	8.77%

Table 5

	2012	2013	2014	2015	2016
\$	33,388,519	\$ 33,787,723	\$ 33,299,800	\$ 32,558,767	\$ 34,495,560
	11,281,505	11,931,952	11,694,985	12,079,523	12,341,696
	559,870	589,836	570,939	686,551	496,899
	786,925	784,879	714,870	765,358	407,471
	383,397	397,947	487,382	231,452	489,754
	1,971,784	2,583,808	3,498,762	3,785,602	4,141,347
	472,304	1,285,606	861,739	1,104,557	641,101
	35,966	1,153,960	1,189,699	312,402	416,380
	23,474,260	23,044,851	23,487,926	23,548,977	22,492,191
	6,166,684	6,356,920	6,444,971	5,740,947	6,332,708
\$	<u>78,521,214</u>	<u>\$ 81,917,482</u>	<u>\$ 82,251,073</u>	<u>\$ 80,814,136</u>	<u>\$ 82,255,107</u>
\$	4,623,610	\$ 5,754,005	\$ 7,163,426	\$ 7,524,695	\$ 7,442,109
	1,942,608	2,179,386	2,491,818	2,463,424	2,382,411
	29,063,421	28,748,274	27,484,115	27,606,870	23,060,160
	13,148,715	11,822,628	11,417,788	10,981,210	12,285,985
	13,035,375	12,077,260	12,943,794	13,680,829	13,319,206
	10,270,452	12,464,698	10,858,309	12,162,407	12,071,503
	2,366,214	7,711,017	2,968,898	2,410,228	2,155,546
	3,422,572	3,210,767	3,845,518	6,173,516	6,177,866
	1,968,166	1,583,016	1,740,834	1,499,907	1,316,723
	3,520,535	4,422,975	2,350,820	1,274,446	4,741,043
	1,108,836	1,309,349	1,306,617	2,603,645	1,715,407
\$	<u>84,470,504</u>	<u>\$ 91,283,375</u>	<u>\$ 84,571,937</u>	<u>\$ 88,381,177</u>	<u>\$ 86,667,959</u>
\$	<u>(5,949,290)</u>	<u>\$ (9,365,893)</u>	<u>(2,320,864)</u>	<u>(7,567,041)</u>	<u>(4,412,852)</u>
\$	493,471	\$ 1,291,148	\$ 870,061	\$ 235,078	\$ 719,040
	(993,090)	(2,093,885)	(1,748,621)	(235,078)	(1,926,215)
	165,000	1,030,747	691,910	703,067	-
	-	-	-	-	-
	1,530,000	5,000,000	2,330,000	7,292,000	3,000,000
	-	-	234,035	789,515	-
	-	3,751,828	-	-	-
	-	(1,831,338)	-	-	-
\$	<u>1,195,381</u>	<u>\$ 7,148,500</u>	<u>\$ 2,377,385</u>	<u>\$ 8,784,582</u>	<u>\$ 1,792,825</u>
\$	<u>(4,753,909)</u>	<u>(2,217,393)</u>	<u>56,521</u>	<u>1,217,541</u>	<u>(2,620,027)</u>
	<u>5.89%</u>	<u>6.63%</u>	<u>4.58%</u>	<u>4.49%</u>	<u>7.81%</u>

This page intentionally left blank

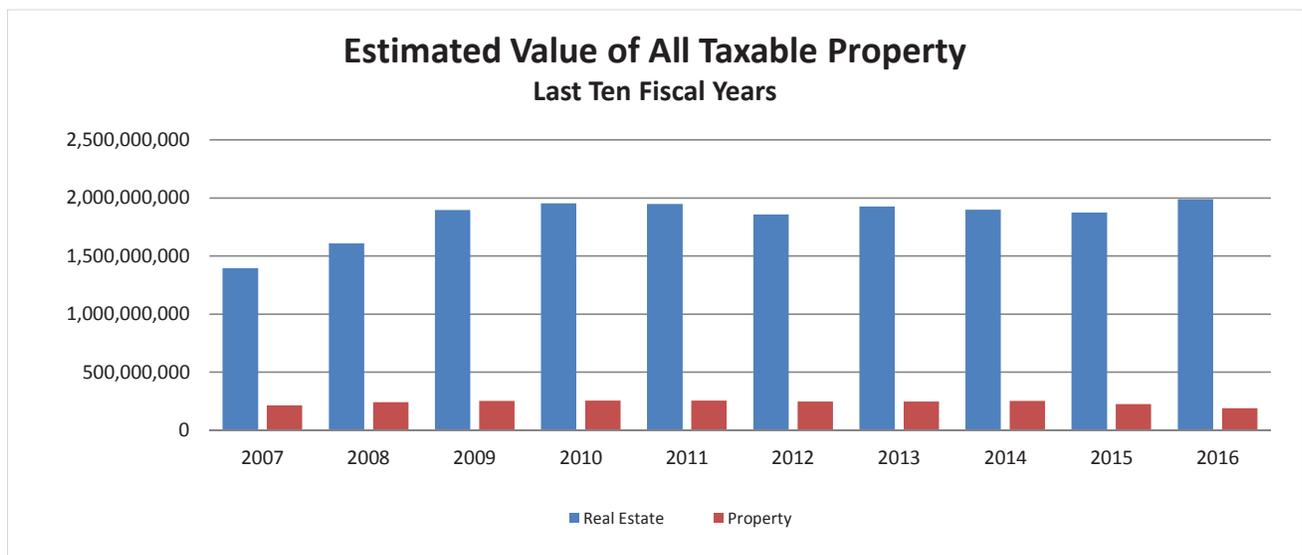
Governmental Activities Tax Revenues by Source
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)

Fiscal Year	General Property Taxes	Local Sales and Use Taxes	Consumer Utility Taxes	Business License Taxes	Motor Vehicle License Taxes	Lodging Taxes	Meals Taxes	Other Local Taxes	Total
2007	\$ 26,546,575	\$ 3,815,937	\$ 2,493,943	\$ 3,029,257	\$ 593,977	\$ 428,595	\$ 1,286,205	\$ 1,147,339	\$ 39,341,828
2008	28,104,541	3,995,564	1,578,832	2,747,595	595,329	470,393	1,459,964	839,751	39,791,969
2009	32,299,130	3,796,848	1,778,414	3,144,714	533,365	435,520	1,316,975	561,596	43,866,562
2010	34,703,935	3,396,411	1,678,216	2,553,424	491,904	375,201	1,361,103	664,274	47,149,702
2011	34,039,946	3,667,579	1,691,546	2,489,284	493,869	340,894	1,376,528	627,076	46,642,431
2012	33,388,519	3,755,828	1,658,993	2,931,183	511,083	294,194	1,559,147	571,077	44,670,024
2013	33,787,723	3,738,656	1,761,728	2,876,387	502,714	273,899	2,211,886	566,682	45,719,675
2014	33,299,800	3,530,101	1,638,787	2,727,728	487,391	268,575	2,423,433	618,970	44,994,785
2015	32,558,767	3,715,835	1,715,224	2,797,490	420,192	256,522	2,571,793	602,467	44,638,290
2016	34,495,560	3,528,238	1,918,122	2,659,030	389,349	320,486	2,948,184	578,287	46,837,256

Assessed and Estimated Valuation of All Taxable Property
Last Ten Fiscal Years

Fiscal Years Ending June 30,	Real Estate	Personal Property	Total	Total Direct Tax Rate (2)
2007	\$ 1,392,905,100	\$ 213,392,655	\$ 1,606,297,755	1.62
2008	1,606,004,199	239,757,045	1,845,761,244	1.54
2009	1,894,736,243	251,183,757	2,145,920,000	1.56
2010	1,951,398,974	252,407,922	2,203,806,896	1.56
2011	1,947,667,364	254,240,653	2,201,908,017	1.55
2012	1,857,317,235	246,651,794	2,103,969,029	1.55
2013	1,926,214,795	246,783,150	2,172,997,945	1.53
2014	1,897,715,161	251,007,184	2,148,722,345	1.54
2015	1,873,395,296	223,450,973	2,096,846,269	1.51
2016	1,987,471,782	187,871,989	2,175,343,771	1.46

Source: Commissioner of the Revenue



(2) The total direct tax rate is calculated using the weighted average method.

Property Tax Rates
Last Ten Fiscal Years

Fiscal Years Ending June 30,	Real Estate	Business and Individuals	Machinery and Tools	Mobile Homes	Total Direct Tax Rate (1)
2007	\$ 1.35	\$ 4.40	\$ 3.80	\$ 1.35	1.62
2008	1.35	4.40	3.80	1.35	1.54
2009	1.35	4.40	3.80	1.35	1.56
2010	1.35	4.40	3.80	1.35	1.56
2011	1.35	4.40	3.80	1.35	1.55
2012	1.35	4.40	3.80	1.35	1.55
2013	1.35	4.40	3.80	1.35	1.53
2014	1.35	4.40	3.80	1.35	1.54
2015	1.35	4.40	3.80	1.35	1.51
2016	1.35	4.40	3.80	1.35	1.46

Source - Commissioner of the Revenue

(1) The total direct tax rate is calculated using the weighted average method.

CITY OF PETERSBURG, VIRGINIA

Principal Business Taxpayers
Current Year and Nine Years Ago

Taxpayer	2016			Rank	Percentage of Total Assessed Valuation
	Real Property Valuation	Personal Property Valuation	Total Valuation		
Petersburg Hospital LLC	\$ 98,796,700	\$ 12,167,679	\$ 110,964,379	1	5.10%
B. I. Chemicals	-	-	-		
Virginia Electric	14,391,222	73,882,957	88,274,179	2	4.06%
Uni Tao	28,564,600	-	28,564,600	5	1.31%
The Cameron Foundation	-	-	-		
Brenco Properties	-	-	-		
Addison/At Crater Woods	34,652,600	-	34,652,600	3	1.59%
Amsted/Brenco	18,529,790	15,515,036	34,044,826	4	1.57%
1200 Aqua LLC	26,200,200	-	26,200,200	6	1.20%
Georgetown Square	14,233,000	-	14,233,000	8	0.65%
CNL Retirement DAS Petersburg Va LP	-	-	-		
Columbia Gas	656,565	14,528,121	15,184,686	7	0.70%
Verizon Virginia	1,122,532	13,017,346	14,139,878	9	0.65%
South Crater Square	13,614,800	-	13,614,800	10	0.63%
Inland Paperboard & Packing Company	-	-	-		
Boars Head	7,989,400	4,487,327	12,476,727	11	0.57%
MPT of Petg/Petg Rehab Hospital	11,241,300	1,036,360	12,277,660	12	0.56%
Wal-Mart	10,118,300	918,906	11,037,206	13	0.51%
Infra-Metals	7,757,800	912,199	8,669,999	14	0.40%
Total	<u>\$ 287,868,809</u>	<u>\$ 136,465,931</u>	<u>\$ 424,334,740</u>		<u>19.51%</u>

Source: Commissioner of the Revenue

Table 9

2007				
Real Property Valuation	Personal Property Valuation	Total Valuation	Rank	Percentage of Total Assessed Valuation
\$ -	\$ -	\$ -		
24,041,600	52,508,032	76,549,632	1	5.29%
32,927,766	64,668	32,992,434	2	2.28%
-	-	-		2.44%
32,860,900		32,860,900	3	2.27%
16,833,900	11,597,771	28,431,671	4	1.97%
-	-	-		1.85%
-	-	-		
-	-	-		
14,580,500	13,615	14,594,115	6	1.01%
8,698,200	550,956	9,249,156	9	0.64%
8,830,699	3,196	8,833,895	10	0.61%
16,510,813	5,061	16,515,874	5	1.14%
-	-	-		
5,541,500	3,944,504	9,486,004	8	0.66%
-	-	-		
-	-	-		
10,085,700	815,162	10,900,862	7	0.75%
-	-	-		
-	-	-		
<u>\$ 170,911,578</u>	<u>\$ 69,502,965</u>	<u>\$ 240,414,543</u>		<u>20.91%</u>

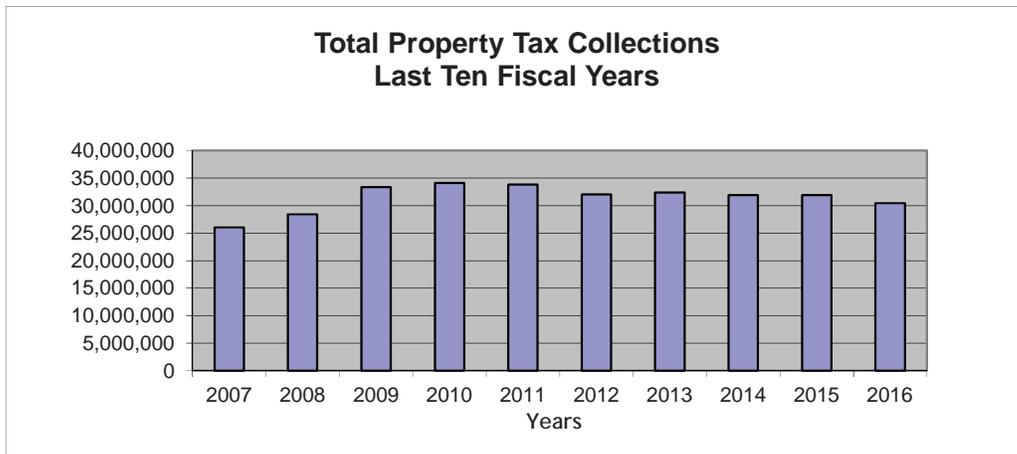
This page intentionally left blank

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ending June 30,	Total (1) Tax Levy	Current Tax (1) Collections	Percent of Levy Collected	Tax Collections			Outstanding Delinquent	
				Delinquent Computed Amount	Total Amount	As Percent of Current Levy	At End of Fiscal Year (2)	As Percent of Current Levy
2007	\$ 26,039,276	\$ 23,249,391	89.29%	\$ 2,774,849	\$ 26,024,240	99.94%	\$ 15,036	0.06%
2008	28,468,895	26,388,079	92.69%	2,032,169	28,420,248	99.83%	48,647	0.17%
2009	33,415,398	31,253,720	93.53%	2,092,908	33,346,628	99.79%	68,770	0.21%
2010	34,297,170	32,267,620	94.08%	1,824,190	34,091,810	99.40%	205,360	0.60%
2011	34,058,168	31,830,367	93.46%	1,937,953	33,768,320	99.15%	289,848	0.85%
2012	32,693,624	30,092,517	92.04%	1,888,866	31,981,383	97.82%	712,241	2.18%
2013	33,280,733	31,079,168	93.38%	1,269,642	32,348,810	97.20%	931,923	2.80%
2014	33,169,073	30,643,027	92.38%	1,262,976	31,906,003	96.19%	1,263,070	3.81%
2015	31,769,767	30,122,272	94.81%	1,769,640	31,891,912	100.38%	1,953,893	6.15%
2016	31,753,778	30,451,031	95.90%	-	30,451,031	95.90%	2,557,696	8.05%

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.



CITY OF PETERSBURG, VIRGINIA

Ratios of Outstanding Obligations by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities						School Qualified Zone Academy Bonds
	General Obligation Bonds (3)	Stormwater Revenue Bonds	State Literary Loans	Capital Leases	Notes Payable		
2007	\$ 13,985,722	\$ -	\$ 6,000,000	\$ 1,414,458	\$ 9,256,116	\$ 6,795,695	
2008	12,694,013	-	5,575,000	1,277,585	13,861,087	6,795,695	
2009	18,604,067	-	5,150,000	1,691,239	10,246,855	6,795,695	
2010	25,667,417	-	4,725,000	1,292,389	6,761,672	6,795,695	
2011	24,538,328	-	4,300,000	1,320,235	3,155,393	6,795,695	
2012	23,940,398	-	3,875,000	1,098,460	2,574,563	6,795,695	
2013	27,807,281	-	3,450,000	1,788,320	1,971,081	6,795,695	
2014	29,432,511	-	3,025,000	1,883,854	1,346,407	6,795,695	
2015	33,873,564	-	2,600,000	2,707,695	694,935	8,795,695	
2016	32,676,492	2,575,863	2,175,000	1,958,003	-	7,395,695	

(1) Table 15

(2) United States Department of Commerce, Economic and Statistics Administration, Bureau of Economic Analysis
(Dinwiddie + Colonial Heights + Petersburg)

(3) General Bond Debt

N/A - Data not available

Business-Type Activities						
General Obligation Bonds (3)	Notes Payable	Capital Leases	Total Primary Government	Population (1)	Percentage of Personal Income (2)	Net Obligations per Capita
\$ 4,092,568	\$ -	\$ 510,243	\$ 42,054,802	32,612	1.87%	\$ 1,290
3,600,988	4,000,000	650,086	48,454,454	31,810	2.03%	1,523
6,860,933	-	423,488	49,772,277	32,381	N/A	1,537
6,097,584	-	395,649	51,735,406	32,399	N/A	1,597
5,707,673	-	281,978	46,099,302	32,420	N/A	1,422
5,310,603	-	247,334	43,842,053	32,948	N/A	1,331
5,031,261	-	155,832	46,999,470	33,112	N/A	1,419
5,333,060	-	4,321,572	52,138,099	33,112	N/A	1,575
12,650,371	-	5,276,761	66,599,021	32,421	N/A	2,054
12,426,745	-	5,058,898	64,266,696	32,421	N/A	1,982

Ratio of Net General Obligation Bonded Debt to Assessed Value
 And Net Obligation Bonded Debt Per Capita
 Last Ten Fiscal Years

Fiscal Year Ended June 30,	Population (1)	Assessed Value (in thousands) (2)	General Bonded Debt	Net Bonded Debt	Percentage of Net General Obligation Debt to Assessed Value	Net General Bonded Debt per Capita
2007	33,740	\$ 1,606,297,755	\$ 18,078,290	\$ 18,078,290	1.13%	\$ 536
2008	33,740	1,845,761,244	16,295,001	16,295,001	0.88%	483
2009	33,740	2,145,920,000	25,465,000	25,465,000	1.19%	755
2010	32,909	2,203,806,896	31,765,001	31,765,001	1.44%	965
2011	32,420	2,201,908,017	30,246,001	30,246,001	1.37%	933
2012	32,420	2,103,969,029	29,251,001	29,251,001	1.39%	902
2013	32,420	2,172,997,945	32,838,542	32,838,542	1.51%	1,013
2014	32,420	2,148,722,345	34,765,571	34,765,571	1.62%	1,072
2015	32,420	2,096,846,269	46,523,935	46,523,935	2.22%	1,435
2016	32,420	2,175,343,771	45,103,237	45,103,237	2.07%	1,391

(1) United States Census

(2) From Table 7

Computation of Direct and Overlapping Bonded Debt and Legal Debt Margin
 Fiscal Year Ended June 30, 2016

	<u>Total Direct Debt (1)</u>	<u>Percentage Applicable to Government</u>	<u>Amount Applicable to Government</u>
City of Petersburg	\$ 46,781,053	100%	\$ 46,781,053
Total assessed value of real estate			\$ <u>1,987,471,782</u>
10% legal debt limit			\$ <u><u>198,747,178</u></u>

(1) Total direct debt includes the following governmental activities (no business activities are included in this computation):

General Obligation Bonds	\$ 32,676,492
Stormwater Revenue Bonds	2,575,863
State Literary Fund Loans	2,175,000
Capital leases	1,958,003
School Qualified Zone Academy Bonds	<u>7,395,695</u>
Total	<u>\$ 46,781,053</u>

The City of Petersburg has no overlapping debt.

Per the Code of Virginia, the City's legal debt margin is equal to ten percent of its total assessed value of real estate.

Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Revenues and Other Charges	Less: Operating Expenses	Net Revenue Available For Debt Service	Debt Service Requirements			Percent Coverage
				Principal	Interest	Total	
Public Utility Fund:							
2007	\$ 6,540,056	\$ 6,050,531	\$ 489,525	\$ 730,770	\$ 192,066	\$ 922,836	0.53
2008	9,248,035	7,025,763	2,222,272	491,580	213,459	705,039	3.15
2009	8,721,135	6,867,004	1,854,131	740,054	167,451	907,505	2.04
2010	9,419,189	7,564,587	1,854,602	763,349	116,092	879,441	2.11
2011	8,125,447	6,827,933	1,297,514	351,353	88,617	439,970	2.95
2012	9,539,367	7,764,599	1,774,768	378,836	69,882	448,718	3.96
2013	9,136,228	7,975,742	1,160,486	352,804	42,689	395,493	2.93
2014	9,108,568	7,497,926	1,610,642	119,539	35,715	155,254	10.37
2015	8,759,321	8,216,426	542,895	122,433	31,147	153,580	3.53
2016	7,180,524	9,854,218	(2,673,694)	126,810	324,367	451,177	-5.93
Golf Course Fund:							
2008	\$ 188,080	\$ 441,306	\$ (253,226)	\$ -	\$ 150,819	\$ 150,819	-1.68
2009	565,943	939,026	(373,083)	-	176,254	176,254	-2.12
2010	599,448	911,324	(311,876)	-	169,802	169,802	-1.84
2011	565,626	872,469	(306,843)	59,859	194,507	254,366	-1.21
2012	683,792	898,701	(214,909)	63,000	190,595	253,595	-0.85
2013	709,000	858,007	(149,007)	64,750	187,372	252,122	-0.59
2014	701,000	930,327	(229,327)	68,250	201,053	269,303	-0.85
2015	694,111	978,731	(284,620)	88,257	201,813	290,070	-0.98
2016	693,901	999,056	(305,155)	96,816	204,472	301,288	-1.01

Note: Details regarding the government's outstanding debt can be found in the notes to the financial statements.

Water charges and other includes investment earnings and other nonoperating revenues. Operating expenses do not include interest or depreciation and amortization.

Demographic, Economic and Census Statistics
Last Ten Fiscal Years & Last Six Censuses

Demographic Statistics

Fiscal Year	Registered Voters	School Enrollment	Unemployment Rate	Population (1)
2007	17,485	4,726	6.00%	32,612
2008	18,403	4,592	7.70%	31,810
2009	19,147	4,375	14.60%	32,381
2010	20,649	4,374	12.04%	32,399
2011	20,785	4,278	11.80%	32,420
2012	22,513	4,121	10.10%	32,948
2013	22,508	4,478	10.70%	33,112
2014	21,477	4,557	10.20%	33,112
2015	21,185	4,318	9.30%	32,421
2016	22,693	4,231	7.60%	32,421

Census Statistics

	Population			Per Capita Income	Median Household Income
	Age Distribution		Total		
	Under 18	18 & over			
1960	13,013	23,737	36,750 \$	1,469 \$	5,510
1970	12,548	23,555	36,103	2,544	7,815
1980	11,432	26,623	38,055	7,490	13,940
1990	8,938	29,447	38,385	10,547	21,309
2000	8,469	25,271	33,740	15,989	28,851
2010	6,711	25,709	32,420	19,142	36,449

(1) Weldon Cooper Center for Public Service.

Major Private Employers
Fiscal Year Ended June 30, 2016

Company	Description of Business	Approximate Employment	
		Current	Percentage of Total City Employment
Southside Regional Medical Center	Hospital medical services	1000+	7.54%
Amsted Rail Company, Inc.	Roller bearings	240-499	2.80%
Horizon Mental Health Management, Inc.	Medical services	240-499	2.80%
Wal-Mart	Retail sales	240-499	2.80%
Good Neighbor Homes, Inc	Nursing & residential care	240-499	2.80%
Beverly Home Care	Medical services	100-249	1.32%
Virginia Linen	Linen processing	100-249	1.32%
Rehabilitation Hospital, Inc	Medical services	100-249	1.32%
Quality Plus Service	Engineering/Construction	250-499	2.80%
McDonald's	Food Services	100-249	1.32%

Source: Individual City departments

Total Virginia Employment Commission, Quarterly Census of Employment and Wages (QCEW), 2012

People who live and work in the area	2,911
In-commuters	10,793
Total City employment	<u>13,704</u>
In-commuters	<u>9,592</u>
Total City employment	<u><u>23,296</u></u>

Data for the previous ninth year is unavailable at publication.

Full-time Equivalent Government Employees by Function
Last Ten Fiscal Years

<u>Function</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
City:										
Salaried	686	695	704	772	789	770	773	770	608	351
Part-time temporary	234	252	299	299	332	320	322	300	229	154
Public safety										
Police protection	147	130	145	160	160	160	160	166	152	92
Fire protection	94	96	95	97	97	100	98	98	98	65
Jail facilities	88	91	89	88	88	94	94	95	95	0
School Board										
Administrative personnel	54	38	38	37.5	33.5	37	37	37	37	37
Instructional personnel	429	465	447	557	529.5	617	617	617	617	592
All other personnel	403	291	287	173.5	167.5	183	183	183	183	164
Totals *	<u>1,806</u>	<u>1,741</u>	<u>1,775</u>	<u>1,839</u>	<u>1,852</u>	<u>1,927</u>	<u>1,932</u>	<u>1,907</u>	<u>1,674</u>	<u>1,298</u>

Source: Human Resources and School Board

* Does not include public safety employees as they are included in the City salaried and part-time temporary categories.

CITY OF PETERSBURG, VIRGINIA

Operating Indicators by Function
Last Ten Fiscal Years

	2007	2008	2009	2010	2011
Police protection:					
Law violations	19,190	9,666	n/a	n/a	n/a
Traffic violations	11,961	8,866	n/a	n/a	11,011
Arrests reported:					
Adults	4,428	3,433	n/a	n/a	2,679
Juveniles	315	232	n/a	n/a	105
Calls for service	55,193	53,023	n/a	n/a	70,564
Jail facility inmates:					
Jail	210	213	202	202	184
Jail annex	28	21	48	227	30
Riverside Regional	148	61	128	124	132
Community Development:					
Building permits:					
Number issued	1,336	1,444	1,249	1,021	925
Valuation	\$ 116,953,757	\$ 88,818,121	\$ 42,719,115	\$ 38,289,390	\$ 60,225,074
Public Utilities:					
Number of active consumers	10,365	11,028	10,467	11,247	11,165
Water purchased (annually)-gallons	1.7 billion	1.64 billion	1.654 billion	1.750 billion	1.900 billion

n/a = not available at publication

Source: Individual City departments

Table 18

	2012	2013	2014	2015	2016
	n/a	6,776	6,165	6,022	6,027
	11,194	8,390	6,429	6,005	5,762
	3,727	3,194	2,626	2,252	2,088
	111	95	77	45	23
	70,892	37,572	44,550	49,485	47,561
	140	191	178	n/a	n/a
	25	26	30	n/a	n/a
	115	86	100	n/a	n/a
	1,084	904	865	771	208
\$	30,400,872	38,993,367	16,068,316	31,578,787	13,906,675
	11,165	11,388	12,297	12,297	11,896
	1.800 billion	1.73 billion	1.6 billion	1.6 billion	1.8 billion

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Fire protection:										
Number of stations	4	4	4	4	4	4	4	3	3	4
Public works:										
Streets and sidewalks:										
Streets - primary - miles	107	107	107	107	107	107	107	107	107	107
Streets - secondary - miles	281	281	281	281	281	281	281	281	281	281
Sidewalks - miles	72	72	72	72	72	72	72	72	72	72
Street lights	3,090	3,090	3,090	3,090	3,090	3,090	3,090	3,335	3,335	3,335
Traffic signals:										
Signalized intersections	57	57	57	57	57	58	58	62	62	47
Lights	1,430	1,430	1,430	1,430	1,430	1,450	1,450	1,450	1,450	1,330
Heads	467	467	467	467	467	464	464	464	464	455
Curbs	39	39	39	39	39	39	39	39	39	39
School signals (flashing lights)	11	11	11	11	11	18	18	18	18	18
Other signals (flashing lights)	4	4	4	4	4	7	7	7	7	7
Caution flashing lights	17	17	17	17	17	14	14	14	14	14
Pedestrian signals	54	54	54	54	54	112	112	112	112	112
Sewers:										
Storm - miles	19	19	19	19	19	19	19	19	19	19
Sanitary - miles	191	191	191	191	191	211	211	211	211	211
Public Utilities:										
Water mains - miles	254	254	254	254	254	275	275	275	275	275
Number of hydrants	1,230	1,230	1,230	1,230	1,230	1,378	1,378	1,378	1,378	1,375
Ground level water storage tanks:										
5.6 million gallons	1	1	1	1	1	1	1	1	1	1
1.3 million gallons	1	1	1	1	1	1	1	1	1	1
1.9 million gallons	1	1	1	1	1	1	1	1	1	1
Elevated water storage tanks:										
.5 million gallons	1	1	1	1	1	1	1	1	1	1
1.0 million gallons	2	2	2	2	2	2	2	2	2	2
Culture and recreation										
Parks and recreation:										
Fishing and picnic area (350 acres)	1	1	1	1	1	1	1	1	1	2
Downtown (12.3 acres)	1	1	1	1	1	1	1	1	1	1
Playground (52.8 acres)	12	12	12	12	12	12	12	12	12	12
Golf course	1	1	1	1	1	1	1	1	1	1
Swimming pools	2	2	2	2	2	1	1	1	1	1
Tennis courts (lighted)	14	14	14	14	14	14	14	14	14	9
Recreation centers	3	3	3	3	3	3	3	3	3	1
Ballfields	4	4	4	4	4	4	4	4	4	4
Sports complex	1	1	1	1	1	1	1	1	1	1
Education:										
Schools:										
Senior high school grades 9-12	1	1	1	1	1	1	1	1	1	1
Junior high school grade 8	-	-	-	1	1	1	1	1	1	1
Middle school grades 6-7	2	2	2	1	1	1	1	1	1	1
Elementary schools K-5	7	7	7	4	4	4	4	4	4	4
Early childhood center	-	-	-	1	1	1	1	1	1	1

Source: Individual City departments

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' 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 the City Council
City of Petersburg, Virginia

We have audited, in accordance with the 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 Petersburg, Virginia as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Petersburg, Virginia's basic financial statements and have issued our report thereon dated May 31, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Petersburg, Virginia'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 of Petersburg, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Petersburg, Virginia'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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses (2016-001, 2016-002, 2016-003, 2016-004, 2016-005, 2016-006, 2016-007, 2016-008, 2016-009, 2016-010, 2016-011, 2016-012, 2016-013).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Petersburg, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2016-014, 2016-015, 2016-016, 2016-017, 2016-018, 2016-019, 2016-020, 2016-021, 2016-022, and 2016-023.

City of Petersburg, Virginia's Response to Findings

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

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.

Robinson, Farnell, Cox Associates

Charlottesville, Virginia

May 31, 2017

Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the City Council
City of Petersburg, Virginia

Report on Compliance for Each Major Federal Program

We have audited the City of Petersburg, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Petersburg, Virginia's major federal programs for the year ended June 30, 2016. City of Petersburg, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

Basis for Qualified Opinion on Assistant to Firefighters Grant and Federal Transit Cluster

As described in the accompanying schedule of findings and questioned costs, the City of Petersburg, Virginia did not comply with requirements regarding CFDA 97.044 Assistant to Firefighters Grant and CFDA 20.507 Federal Transit Cluster as described in finding numbers 2016-024 and 2016-025 for allowable costs and cash management. Compliance with such requirements is necessary, in our opinion, for the City of Petersburg, Virginia to comply with the requirements applicable to that program.

Qualified Opinion on Assistant to Firefighters Grant and Federal Transit Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City of Petersburg, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Assistant to Firefighters Grant and Federal Transit Cluster for the year ended June 30, 2016.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the City of Petersburg, 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 other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2016.

Other Matters

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

Report on Internal Control over Compliance

Management of the City of Petersburg, Virginia 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 of Petersburg, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Petersburg, Virginia's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2016-024 and 2016-025 to be material weaknesses.

Report on Internal Control Over Compliance (continued)

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.

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

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

Robinson, Farnell, Cox Associates

Charlottesville, Virginia
May 31, 2017

This page intentionally left blank

Schedule of Expenditures of Federal Awards - Primary Government and
Discretely Presented Component Unit
Year Ended June 30, 2016

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
PRIMARY GOVERNMENT:			
<u>DEPARTMENT OF AGRICULTURE:</u>			
<u>Pass through payments:</u>			
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010110	\$ 699,358
<u>DEPARTMENT OF TRANSPORTATION:</u>			
<u>Direct payments:</u>			
Highway Planning and Construction	20.205	N/A	\$ 455,579
Federal Transit Cluster:			
AARA - Federal Transit - Capital Investment Grants	20.500	N/A	47,679
Federal Transit - Formula Grants	20.507	N/A	2,041,168
Total Federal Transit Cluster			\$ 2,088,847
<u>Pass through payments:</u>			
Division of Motor Vehicles:			
Alcohol Open Container Requirements	20.607	Unknown	\$ 70,740
Total Department of Transportation			\$ 2,615,166
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>			
<u>Pass through payments:</u>			
Department of Housing and Community Development:			
Community Development Block Grants / States Program and Non-entitlements Grants in Hawaii	14.228	53505-49380	\$ 438,227
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>			
<u>Pass through payments:</u>			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950110	\$ 18,016
Temporary Assistance for Needy Families	93.558	0400111	826,280
Refugee and Entrant Assistance-State Administered Programs	93.566	0500111	820
Low-Income Home Energy Assistance	93.568	0600411	82,478
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760111	\$ 108,527
Chafee Education and Training Vouchers Program	93.599	9160110	1,068
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900110	3,970
Foster Care-Title IV-E	93.658	1100111	637,278
Adoption Assistance	93.659	1120111	675,055
Social Services Block Grant	93.667	1000111	615,408
Chafee Foster Care Independence Program	93.674	9150110	7,937
Children's Health Insurance Program	93.767	0540111	26,806
Medical Assistance Program	93.778	1200111	860,926
Total Department of Health and Human Services			\$ 3,864,569

Schedule of Expenditures of Federal Awards - Primary Government and
Discretely Presented Component Unit
Year Ended June 30, 2016 (Continued)

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Agency Identifying Number	Federal Expenditures
PRIMARY GOVERNMENT: (Continued)			
<u>DEPARTMENT OF JUSTICE:</u>			
<u>Pass through payments:</u>			
Department of Criminal Justice Services:			
Crime Victim Assistance	16.575	39001-46000	\$ 30,215
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Unknown	<u>72,623</u>
Total Department of Justice			<u>\$ 102,838</u>
<u>DEPARTMENT OF TREASURY:</u>			
<u>Direct payments:</u>			
Forfeited Assets	21.000	N/A	<u>\$ 70,072</u>
<u>Environmental Protection Agency:</u>			
<u>Direct payments:</u>			
Chesapeake Bay Program	66.466	N/A	<u>\$ 24,975</u>
<u>Department of Energy:</u>			
<u>Pass through payments:</u>			
Virginia Department of Mines, Minerals and Energy:			
State Energy Program	81.041	Unknown	<u>\$ 80,000</u>
<u>U.S. Election Assistance Commission:</u>			
<u>Pass through payments:</u>			
Virginia Election Commission:			
Help America Vote Act Requirements Payments	90.401	Unknown	<u>\$ 3,500</u>
<u>DEPARTMENT OF LABOR:</u>			
<u>Pass through payments:</u>			
Crater Regional Workforce Investment Group:			
Governor's Employment and Training Department:			
Workforce Investment Act - Youth Activities	17.259	Unknown	<u>\$ 10,933</u>
<u>DEPARTMENT OF HOMELAND SECURITY:</u>			
<u>Direct payments:</u>			
Assistance to Firefighters Grant	97.044	N/A	\$ 568,410
<u>Pass through payments:</u>			
Department of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	Unknown	12,832
Emergency Management Performance Grants	97.042	Unknown	<u>10,675</u>
Total Department of Homeland Security			<u>\$ 591,917</u>
Total Primary Government			<u><u>\$ 8,501,555</u></u>

Schedule of Expenditures of Federal Awards - Primary Government and
Discretely Presented Component Unit
Year Ended June 30, 2016 (Continued)

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Agency Identifying Number	Federal Expenditures
COMPONENT UNIT-SCHOOL BOARD:			
<u>DEPARTMENT OF AGRICULTURE:</u>			
<u>Pass through payments:</u>			
Child Nutrition Cluster:			
Department of Agriculture and Consumer Services:			
Food Distribution	10.555	Unknown	\$ 113,876
Department of Education:			
National School Lunch Program	10.555	17901-40623	1,833,027 \$ 1,946,903
School Breakfast Program	10.553	17901-40591	591,908
Total Child Nutrition Cluster			\$ 2,538,811
Fresh Fruit and Vegetable Program	10.582	17901-40599	126,388
Total Department of Agriculture			\$ 2,665,199
<u>DEPARTMENT OF DEFENSE:</u>			
<u>Direct payments:</u>			
ROTC Instruction	12.000	N/A	\$ 71,906
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>			
<u>Pass through payments:</u>			
County of Richmond, Virginia:			
Head Start	93.600	Unknown	\$ 981,755
<u>DEPARTMENT OF EDUCATION:</u>			
<u>Pass through payments:</u>			
Department of Education:			
Title I Grants to Local Educational Agencies	84.010	17901-42901	\$ 3,638,624
Special Education Cluster (IDEA):			
Special Education Grants to States	84.027	17901-43071	\$ 1,037,351
Special Education - Preschool Grants	84.173	17901-62521	16,653
Total Special Education Cluster			\$ 1,054,004
Preschool Development Grants	84.419	S419B150010	1,105,095
Career and Technical Education - Basic Grants to States	84.048	17901-61095	155,289
Education for Homeless Children and Youth	84.196	N/A	13,000
Twenty-first Century Community Learning Centers	84.287	17901-60565	579,480
School Improvement Grants	84.377	17901-43040	645,728
English Language Acquisition State Grants	84.365	17901-60512	21,203
Supporting Effective Instruction State Grant	84.367	17901-61480	371,901
Total Department of Education			\$ 7,584,324
Total Component Unit School Board			\$ 11,303,184
Total Expenditures of Federal Awards			\$ 19,804,739

See accompanying notes to the schedule of expenditures of federal awards.

CITY OF PETERSBURG, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Petersburg, Virginia under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the reporting requirements of OMB Uniform Guidance. Because the Schedule presents only a selected portion of operations of the City of Petersburg, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Petersburg, Virginia.

Note 2 - Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

(2) Pass-through entity identifying numbers are presented where available.

Note 3 - Food Donation

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

Note 4 - Relationship to Financial Statements

Federal expenditures, revenues and capital contributions are reported in the City's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:

Primary government:	
General Fund	\$ 4,580,259
Capital Projects Fund	26,804
Nonmajor governmental funds	1,725,645
Mass Transit Fund	2,168,847
Component Unit:	
School Board	<u>11,303,184</u>
Total federal expenditures per basic financial statements	<u>\$ 19,804,739</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 19,804,739</u></u>

CITY OF PETERSBURG, VIRGINIA

Schedule of Findings and Questioned Costs
 Year Ended June 30, 2016

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	Qualified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	Yes

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Qualified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR, Section 200.516 (a)?	Yes

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
84.027/84.173	Special Education Cluster
84.419	Preschool Development Grants
93.600	Head Start
20.507/20.500	Federal Transit Cluster
97.044	Assistance to Firefighters Grant

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

CITY OF PETERSBURG, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2016 (Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS

2016-001 Material Weakness - Utility Billing Reconciliation

Criteria: The Utility Billing Subsidiary System should be reconciled to the general ledger on a monthly basis.

Condition: The City was not reconciling the Utility Billing Subsidiary System to the General Ledger on a monthly basis.

Cause: The City did not have anyone in the Utility Department that was reconciling the Utility Billing Subsidiary System to the general ledger on a monthly basis.

Effect: There are unexplained, undocumented material differences between the utility billing Subsidiary System and the General Ledger at year end.

Recommendation:

We recommend the City implement procedures to ensure the Utility Billing Subsidiary System reconciles to the General Ledger and any differences noted during the reconciliation are documented and corrected.

Management Response:

We concur with the recommendation. The City will develop and implement procedures to ensure the Utility Billing Subsidiary System reconciles to the General Ledger and any differences noted during the reconciliation are documented and corrected.

2016-002 Material Weakness - Utility Billing Reconciliation System

Criteria: The Utility Billing Subsidiary System has a reconciliation feature to aid in the reconciliation of the Utility Billing Subsidiary System to the general ledger.

Condition: The Utility Billing Reconciliation System has not been interfaced properly for some time. The interface issues are related to the system's ability to reconcile the outstanding A/R amounts to what the system believes the accounting system should reflect.

Cause: When the Utility Billing System was set up initially or after changes have been made to general ledger accounts, the interfaces of the Reconciliation System was not picking up all required general ledger accounts.

Effect: As a result, the reconciliation module within the Utility Billing System had material differences at year end.

CITY OF PETERSBURG, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2016 (Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS

2016-002 Material Weakness - Utility Billing Reconciliation System: (Continued)

Recommendation:

We recommend the City correct the interfaces within the reconciliation module so that the reconciliation system is accurate.

Management Response:

We concur with the recommendation. The City will review the interface between the Utility Billing Subsidiary System and the Accounting System and correct any discrepancies identified.

2016-003 Material Weakness - Utility Billing Errors and Insufficient Edit Checks

Criteria: After the initial billing process has been completed and prior to the utility bills being finalized, sufficient edit checks should be run to minimize the amount of billing errors.

Condition: During FY16, utility bills were processed and mailed with substantial errors, whereby customers were billed for utilities in amounts that were far in excess of a reasonable bill.

Cause: Per conversations with City personnel, the presumed cause for this error was the City converted the measurement of usage to units measured in cubic feet as opposed to gallons and subsequently did not adjust rates within the utility system to the corresponding change in measurement. Sufficient edit checks were not generated prior to the utility bills being finalized, which may have prevented the material errors.

Effect: This caused utility billing efforts to be delayed and bills were mailed with substantial errors.

Recommendation:

We recommend the City implement procedures to ensure adequate edit checks are preformed prior to finalizing the billings.

Management Response:

We concur with the recommendation. The City will develop and implement procedures to ensure adequate edit checks are performed prior to finalizing the billings.

CITY OF PETERSBURG, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2016 (Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS: (CONTINUED)

2016-004 Material Weakness - Lack of Internal Controls over Adjustments to Customer Utility Accounts

Criteria: Internal Controls should be in place over adjustments to customer utility accounts to prevent unauthorized write-offs to customer accounts.

Condition: Based on our testing and pursuant to discussions with City personnel, for a majority of the fiscal year ending June 30, 2016, there were no internal controls in place over the adjustment of customer utility accounts.

Cause: The City did not limit access to making adjustments to customer utility accounts only to those who are authorized to make adjustments.

Effect: Unauthorized write-offs to customer accounts could occur.

Recommendation:

We recommend the City implement internal controls over adjustments to customer utility accounts to prevent unauthorized write-offs to customer accounts.

Management Response:

We concur with the recommendation. The City will develop and implement internal controls over adjustments to customer utility accounts to prevent unauthorized write-offs to customer accounts.

2016-005 Material Weakness- Lack of Documentation Over Adjustments to Utility Billings

Criteria: Documentation should be retained to support adjustments made to utility bills throughout the year.

Condition: During the fiscal year ending June 30, 2016, the City recorded material adjustments to utility bills, however, the City did not retain documentation supporting the purpose or reason adjustments were necessary.

Cause: After utility readings are obtained, an edit report is generated to review bills prior to sending to the customers. Work orders are then created to address the potential errors. The work orders determine if an adjustment is necessary prior to printing the bill. However, the work orders were/are not being retained to support the conclusion to adjust the utility bills.

Effect: There was no supporting documentation to substantiate material adjustments made to utility bills throughout the year.

CITY OF PETERSBURG, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2016 (Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS: (CONTINUED)

2016-005 Material Weakness- Lack of Documentation Over Adjustments to Utility Billings: (Continued)

Recommendation:

We recommend the City retain appropriate documentation to support and substantiate adjustments made to utility bills.

Management Response:

We concur with the recommendation. The City will develop and implement procedures to retain appropriate documentation to support and substantiate adjustments made to utility bills.

2016-006 Material Weakness - Insufficient Documentation for Water and Sewer Connection Charges

Criteria: Documentation should be retained to support revenues recorded in the general ledger.

Condition: It was noted during the audit that there was no documentation to support the individually significant water and sewer connection charges. Connection charges comprised a substantial amount of the total utility fund revenues.

Cause: The City did not retain documentation to support water and sewer connection charges recorded during the year.

Effect: The City had material revenues recorded in the general ledger that was not supported by the appropriate documentation.

Recommendation:

We recommend the City retain sufficient supporting documentation to support water and sewer connection charges collected.

Management Response:

We concur with the recommendation. The City will develop and implement procedures to retain sufficient supporting documentation to support water and sewer connection charges collected.

CITY OF PETERSBURG, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2016 (Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS: (CONTINUED)

2016-007 Material Weakness - Reconciliation of Property Tax Delinquent Lists to General Ledger

- Criteria: Property tax delinquent lists should be reconciled to the general ledger on a monthly basis.
- Condition: During fiscal year 2016 the City was not reconciling the property tax delinquent lists to the taxes receivable accounts as reported in the general ledger on a monthly basis or at year-end.
- Cause: The Treasurer's Office was not reconciling the delinquent lists to the receivable accounts in Fund 999.
- Effect: As a result, material adjustments to the City's general ledger were necessary.

Recommendation:

We recommend the City reconcile property tax delinquent lists to the general ledger on a monthly basis and any differences be investigated and corrected.

Management Response:

We concur with the recommendation. The City will develop and implement procedures to reconcile property tax delinquent lists to the general ledger on a monthly basis and any differences be investigated and corrected.

2016-008 Material Weakness - Insufficient Accounting and Financial Reporting Throughout the Fiscal Year

- Criteria: Accurate Accounting and Financial Reporting procedures should be in place throughout the year.
- Condition: During our audit we have observed the City's contracted audit preparation consultant was required to record a large number of adjustments at year-end. Moreover, it was necessary for the consultant to perform numerous reconciliations to prepare the City's accounting records for the audit and external reporting purposes. Many of the adjustments and reconciliations performed by the consultant should be conducted throughout the year as part of routine accounting and financial reporting procedures.
- Cause: The City finance department did not have adequate staff to ensure routine accounting and financial reporting procedures were done.
- Effect: The audit preparation consultants did not commence their duties until February 2017. Therefore the City's general ledger was not accurate or reliable for the entire fiscal year June 30, 2016 until spring 2017.

CITY OF PETERSBURG, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2016 (Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS: (CONTINUED)

2016-008 Material Weakness - Insufficient Accounting and Financial Reporting Throughout the Fiscal Year: (Continued)

Recommendation:

We recommend the City evaluate the Finance Department and develop procedures to aid in accounting and financial reporting for capital assets, long-term obligations, general property tax receivables, water and sewer receivables, other miscellaneous receivables, state and federal revenues and similar accounts that have required adjustments by the contracted consultant. We also recommend development of a monthly procedural checklist which would require a specified individual to perform reviews of budget-to-actual results for revenues and expenditures actual as well as monitoring the balance sheet accounts. By implementing procedures in the Finance Department by qualified Finance personnel the City would benefit from reliable financial data through-out the fiscal year in addition to reducing the number of adjustments required at year-end.

Management Response:

We concur with both recommendations.

- The City is currently reshaping the Finance Department in order to ensure it is staffed with the appropriated competencies and adheres to best practices. The Finance Department is currently developing procedures to aid in accounting and financial reporting for capital assets, long-term obligations, general property tax receivables, water and sewer receivables, other miscellaneous receivables, state and federal revenues and similar accounts and incorporating the reconciliation and necessary adjustments throughout the year rather than at year end.*
- The City will develop and implement a monthly procedural checklist which will require a specified Finance Department individual to perform reviews of budget-to-actual results for revenues and expenditures as well as monitoring the balance sheet accounts.*
- The City is in the process of hiring an external Internal Auditor who will be responsible to ensure that all of the check-list items developed during the audit are conducted in a timely manner.*

2016-009 Material Weakness- Material Audit Adjustments Proposed by the External Auditor

Criteria: Per Statement on Auditing Standards 115, identification of a material adjustment to the financial statements that was not detected by the entity's internal controls indicates that a material weakness may exist.

Condition: The financial statements required material adjustments by the Auditor to ensure such statements complied with Generally Accepted Accounting Principles (GAAP). Material audit adjustments were proposed to a multitude of accounts and financial statement groups including receivables, capital assets, payroll liabilities, deferred revenue, debt and revenue and expenditure accounts to be in accordance with Generally Accepted Accounting Principles.

CITY OF PETERSBURG, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2016 (Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS: (CONTINUED)

**2016-009 Material Weakness- Material Audit Adjustments Proposed by the External Auditor:
(Continued)**

Cause: The City failed to identify all year end accounting adjustments necessary for the financial statements to be prepared in accordance with current reporting standards.

Effect: There is more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal controls over financial reporting.

Recommendation:

We recommend the City implement procedures to ensure the financial statements are materially correct in accordance with General Accepted Accounting Principles.

Management Response:

We concur with the recommendation. The City will develop and implement procedures to ensure the financial statements are materially correct in accordance with General Accepted Accounting Principles.

2016-010 Material Weakness - Unrecorded Material Capital Lease

Criteria: All existing liabilities should be recorded in the financial statements in accordance with Generally Accepted Accounting Principles.

Condition: Our audit procedures disclosed a capital lease with Motorola in the amount of \$797,000 entered into during the fiscal year ending June 30, 2015 that was recorded by the City.

Cause: Management failed to identify and record all existing capital leases.

Effect: Because of the adjustment, the financial statements were materially misstated.

Recommendation:

We recommend the City implement procedures to ensure all capital leases are identified and recorded in the financial statements as required by Generally Accepted Accounting Principles.

Management Response:

We concur with the recommendation. The City will develop and implement procedures to ensure all capital leases are identified and recorded in the financial statements as required by Generally Accepted Accounting Principles.

CITY OF PETERSBURG, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2016 (Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS: (CONTINUED)

2016-011 Material Weakness - Material Reclassifications Proposed to Federal Revenues

Criteria: Federal Revenues should be appropriately recorded in the financial statements.

Condition: The Auditor proposed material adjustments to the City's recording of revenues received from federal sources - direct and pass-through federal revenues. The City had commingled and misclassified a multitude of federal revenues with state and/or local revenues within the accounting system.

Cause: The City does not have adequate staff or resources to monitor the City's posting of federal grant revenues or prevent the City's Schedule of Expenditures of Federal Awards, which is presented in the City's CAFR, from being materially misstated.

Effect: The City's Schedule of Expenditures of Federal Awards could be materially misstated.

Recommendation:

We recommend the City implement procedures to ensure the City's federal revenues are appropriately accounted for and reported. This includes maintaining a list of all federal grants received, the CFDA number for each federal grant, the amount expended for each federal grant, the amount received for each federal grant, and a review process ensuring that all federal revenues are accurately recorded in the general ledger.

Management Response:

We concur with the recommendation.

- The City is in the process of developing and implementing procedures to ensure the City's Federal revenues are appropriately accounted for, including maintaining a list of all Federal grants received, the CFDA number for each Federal grant, the amount expended for each Federal grant, the amount received for each Federal grant, and a review process ensuring that all Federal revenues are accurately recorded in the general ledger.*
- Also, the City will identify staff resources to monitor the City's posting of Federal grant revenues in order to prevent the City's Schedule of Expenditures of Federal Awards from being materially misstated in the City's CAFR.*

CITY OF PETERSBURG, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2016 (Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS: (CONTINUED)

2016-012 Golf Course Point-of-Sale System

Criteria: Documentation should be retained to support all revenues collected.

Condition: The City's Golf Course installed a new point-of-sale system in January 2016. Documentation was not retained for the first half of the fiscal year to support the detailed receipt information received at the Golf Course.

Cause: The City changed point-of-sale systems during the year and did not retain data from the old system.

Effect: Sufficient documentation was not available to support revenues collected for part of the year.

Recommendation:

We recommend the City implement procedures to ensure information is retained when system changes are made.

Management Response:

We concur with the recommendation. The City will develop and implement procedures to ensure information is retained when system changes are made.

2016-013 Material Weakness - Internal Controls over Inventory

Criteria: Internal controls over inventory should be in place to prevent misstatements in the financial statements and misappropriation of assets.

Condition: Routinely, an inventory count/verification is requested of various departments by the Finance Department. The inventory sheets are remitted to the Finance Department. There was a lack of monitoring or review process over the data and information received as part of these requests from other departments.

Cause: The City does not have sufficient internal controls over inventory to prevent misstatements in the financial statements and misappropriation of assets.

Effect: More than a remote possibility of misstatement of financial statements and misappropriation of assets.

CITY OF PETERSBURG, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2016 (Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS: (CONTINUED)

2016-013 Material Weakness - Internal Controls over Inventory: (Continued)

Recommendation:

We recommend an adequately trained and independent City staff member perform the inventory count/verification. Also staff personnel from the Finance Department monitor and review the process.

Management Response:

We concur with the recommendation. The City will take appropriate action to ensure an adequately trained and independent City staff member perform routine inventory count/verification. Also, staff personnel from the Finance Department should monitor and review the process.

2016-014 Compliance Finding - Prompt Payment of Bills by Localities

Criteria: In accordance with Virginia Code Section 2.2-4352 *Prompt Payment of Bills by Localities*, local governments that acquire goods or services, or conducts any other type of contractual business with a nongovernmental, privately owned enterprise, shall promptly pay for the completed delivered goods or services by the required payment date. The required payment date is either the due date of the invoice or, if no due date is noted, not more than forty-five days after goods or services are received or not more than forty-five days after this invoice is rendered.

Condition: As a result of the City's financial condition, there were many instances in which the City was not remitting payment to vendors for goods and services in a timely manner. Additionally, the City would process checks, but subsequently hold the checks because the City did not have sufficient funds to cover the checks. A listing of held checks was obtained from the City's Finance Department on July 29, 2016 which contained checks processed but not mailed totaling \$10,258,436.87. The dates of the checks ranged from January 14, 2016 to July 15, 2016.

Cause: The City's poor financial condition did not allow for the City to pay its vendors for goods and services in a timely manner.

Effect: Late payment to vendors can lead to payment of late fees, interest and the potential for litigation.

CITY OF PETERSBURG, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2016 (Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS: (CONTINUED)

2016-014 Compliance Finding - Prompt Payment of Bills by Localities: (Continued)

Recommendation:

We recommend the City pay its vendors in a timely manner.

Management Response:

We concur with the recommendation.

- *The City has developed and implemented procedures to comply with the Virginia Code Section 2.2-4352 Prompt Payment of Bills by Localities.*
- *The City has worked in phases to pay its bills, resulting in significantly reduced unpaid bills.*
- *The City has a policy of no longer processing and subsequently holding checks. If a check is processed, it is ready to be provided to the vendor.*

2016-015 Compliance Findings - Nonpayment of Virginia Retirement System Contributions

Criteria: Per the VRS Member requirements, contributions are to be remitted by the 10th of the following month.

Condition: At June 30, 2016 the City had \$2,355,807.70 of retirement contributions that had not been remitted to VRS. The unpaid balance represents the City's portion (employer contribution) of the contributions for the months November 2015 to April 2016 and June 2016.

Cause: The City's poor financial condition did not allow for the City to pay its VRS contributions in a timely manner.

Effect: Employers that do not pay defined benefit contributions on time may be assessed a penalty of 5% of the amount due, plus interest at the rate of 1% per month until the payment is made.

Recommendation:

We recommend the City pay its VRS contributions in a timely manner.

Management Response:

We concur with the recommendation. The City, in working with VRS, has agreed to pay by the end of December 2017 remaining unpaid VRS obligation.

CITY OF PETERSBURG, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2016 (Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS: (CONTINUED)

2016-016 Compliance Findings - Stormwater Revenue Bond

Criteria: Bond proceeds should be expended for the purpose that was listed in the bond agreement.

Condition: In August 2015 the City Issued \$3,000,000 of Stormwater Revenue Bonds to finance variance storm water system improvements and to pay for certain issuance costs of the 2015 Bond as described in the attached bond document. The document also states that the Issuer ("the City") does not expect to reimburse itself from the bond proceeds for any expenditures incurred prior to the bond closing date. These proceeds were recorded in Fund 380, Capital Project Fund. In August 2015 after bond closing, the bond closing agent deposited \$3,000,000 into a separate SunTrust account titled "FY16 Stormwater CIP." During the months of September 2015, November 2015 and February 2016, the total amount of \$2,939,938 was transferred out of the SunTrust CIP bank account into the City's operating bank account. Per the City's general ledger, only \$1,040,628 was recorded as stormwater project expenditures in Fund 380. There was also \$87,139.14 paid to Davenport and McGuire Woods for Issuance costs. As part of the audit we examined documentation supporting the transfers out of the Stormwater CIP Account (see attached for documentation). During the course of the audit procedures we noted an email dated September 10, 2015 from the Assistant Finance Director sent to the Finance Director that stated the following: "*Recommend we transfer from SW account \$600k today to meet payroll.*" We also noted an email dated November 23, 2015 from the Assistant Finance Director to the Deputy Treasurer and with a copy of the email to the Finance Director which stated "*Please transfer \$400,000 from the Storm Water account to the city concentration account. The plan is to transfer the funds back on December 1st after the state reimbursements post for Nov 30th.*" We noted that these funds were not transferred back into the Stormwater bank account during fiscal year 2016. Additionally, there were various emails requesting transfers from the Stormwater CIP bank account to the City concentration bank account that did not list the specific intent of the transfer out. Based on the correspondence found during the audit and audit procedures performed it appears the City utilized \$1,812,170.39 of the \$3,000,000 Stormwater Revenue Bonds for payroll and/or other City operating costs and not for the purpose and intent of the bond issuance.

Cause: Due to the City's poor financial condition, the city decided to use bond proceeds to cover payroll and other operating costs.

Effect: Violation of the Financing agreement could potentially lead to the revocation of the tax-exempt status of interest on the bond or could trigger an Event of Default.

Recommendation:

We recommend the City contact bond counsel to determine the consequences and required corrective action.

Management Response:

We concur with the recommendation. The City has contacted bond counsel to determine the consequences and required corrective action.

CITY OF PETERSBURG, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2016 (Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS: (CONTINUED)

2016-017 Compliance Finding - Expenditures in Excess of Appropriations

Criteria: Per the Code of Virginia, an expenditure should not be incurred until first an appropriation is made authorizing the expenditures.

Condition: The City had expenditures in excess of appropriations for the following functions in the general fund:

<u>Function</u>	<u>Expenditures in Excess of Appropriations</u>
General Government Admin	\$ 59,453
Public Safety	\$ 303,053
Health and Welfare	\$ 449,464
Debt Service	\$ 1,307,841

Cause: The City did not have procedures in place to monitor appropriations and expenditures.

Effect: The City incurred expenditures without a corresponding appropriation authorizing the expenditure.

Recommendation:

We recommend the City implement procedures to ensure an appropriation is made prior to incurring the expenditure.

Management Response:

We concur with the recommendation. The City has developed monthly reporting to City Council on budget performance to eliminate City Departments/Function expenditures exceeding appropriations.

2016-018 Compliance Findings - Establishment of a Social Services Board

Criteria: Code of Virginia Section 63.2-300 requires all Counties and Cities to establish or be a part of a joint Social Services board.

Condition: Through inquiry of the DSS Executive Director, the process of establishing a board was started in either FY2012 or FY2013 but was never implemented.

Cause: The City did not establish the required Board.

Effect: The City does not have a Social Services Board as required by the Code of Virginia.

CITY OF PETERSBURG, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2016 (Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS: (CONTINUED)

2016-018 Compliance Findings - Establishment of a Social Services Board: (Continued)

Recommendation:

We recommend the City establish a Social Services Board and maintain minutes of the Board Meetings.

Management Response:

We concur with the recommendation. The City will take appropriate action to establish a Social Services Board and maintain minutes of the Board Meetings.

2016-019 Compliance Finding- No Annual Review of Employee System Access at local Department of Social Services

Criteria: Department of Social Service employees with system access to OASIS, VaCMS, ADAPT, and Energy Assistance are required to have system access reviewed annually.

Condition: The Department currently examines access for all new; however, there is no subsequent annual review of system access after the initial hire date.

Cause: The City's Department of Social services did not have a process in place to annually review system access for employees after the initial hire date.

Effect: Potential for unauthorized access to System programs.

Recommendation:

We recommend the Department of Social Services implement procedures to ensure system access for all employees is reviewed on an annual basis.

Management Response:

We concur with the recommendation. The Department of Social Services will perform semi-annual review of system access after initial hire date. Evidence of the semi-annual review will be maintain for review and inspection as part of the annual CAFR audit process.

CITY OF PETERSBURG, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2016 (Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS: (CONTINUED)

2016-020 Compliance Finding - Special Welfare Bank Account

Criteria: Individuals/clients with sustained Special Welfare balance must be deposited in separate interest bearing accounts.

Condition: The Special Welfare bank account is not an interest bearing account.

Cause: When the Special Welfare bank account was established, it was not set up as an interest bearing account.

Effect: Individuals/clients with sustained Special Welfare balances are not earning interest as required.

Recommendation:

We recommend the City establish and interest bearing account for Special Welfare.

Management Response:

We concur with the recommendation. The City will take appropriate action to establish an interest bearing account for Special Welfare.

2016-021 Compliance Finding - Special Welfare Ledger

Criteria: The Special Welfare ledger account maintained by the Department of Social Services should be reconciled with the Special Welfare bank statement maintained by the City's Treasurer Office.

Condition: The Special Welfare ledger account maintained by the Department of Social Services does not reconcile with the Special Welfare bank statement maintained by the City's Treasurer Office.

Cause: The City did not have procedures in place to reconcile the Special Welfare ledger and the Special Welfare bank account.

Effect: Errors could occur without being detected in the Special Welfare Ledger or Special Welfare Bank Account.

Recommendation:

We recommend the Special Welfare ledger and Special Welfare bank account are reconciled on a monthly basis and that any discrepancies are investigated, documented, and corrected.

Management Response:

We concur with the recommendation. The City will develop and implement procedures to ensure the Special Welfare ledger and Special Welfare bank account are reconciled on a monthly basis and all discrepancies are investigated, documented, and/or corrected.

CITY OF PETERSBURG, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2016 (Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS: (CONTINUED)

2016-022 Compliance Finding - Virginia Resources Authority's ("VRA") Series 2015A Loan Covenant

Criteria: A provision of the terms and conditions agreed to by the City as part of the Virginia Resources Authority's (VRA) Series 2015A loan requires the City to adopt a five year water and sewer system rate plan for the Public Utilities Fund, covering fiscal years 2016 through 2020.

Condition: Pursuant to a letter obtained from VRA dated March 1, 2017, this plan has not been implemented.

Cause: The City failed to implement the five year water and sewer system rate plan for the Public Utilities Fund.

Effect: Violation of the terms and conditions could potentially trigger an Event of Default or difficulty in obtaining future funding.

Recommendation:

We recommend the City implement procedures to ensure compliance with bond agreements.

Management Response:

We concur with the recommendation. The City received approval to implement the 5th year of the last 5-year rate study in Spring 2017. The City Council is set to adopt the 1st year of the next year rate plan at the June 6, 2017 City Council Meeting. The City recognizes its responsibility to adhere to the terms and conditions agreed upon and will take appropriate action regarding compliance.

2016-023 Compliance Finding - Procurement

Criteria: For contracts of \$200,000 or more for construction of highways, roads, streets, bridges, parking lots, demolition, clearing, grading, excavating, paving, pile driving, miscellaneous drainage structures, and the installation of water, gas, sewer lines and pumping stations where portions of the contract price are to be retained by the political subdivision (City), the bid proposal must include an option for the contractor to use an escrow account procedure for utilization of the political subdivision's retainage funds. (Section 2.2-4334).

Condition: Contracts with Branscome, Inc. for Route 460 pavement overlay in the amount of \$3,140,000 and Allan Myers VA, Inc. for West Washington Street payment overlay in the amount of \$515,320 did not have this required option.

CITY OF PETERSBURG, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2016 (Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS: (CONTINUED)

2016-023 Compliance Finding - Procurement: (Continued)

Cause: The City did not have procedures in place to ensure contracts of \$200,000 or more for construction of highways, roads, streets, bridges, parking lots, demolition, clearing, grading, excavating, paving, pile driving, miscellaneous drainage structures, and the installation of water, gas, sewer lines and pumping stations where portions of the contract price are to be retained by the political subdivision (City) included this option.

Effect: The City is not complying with the Code of Virginia.

Recommendation:

We recommend the City implement procedures to ensure contracts of \$200,000 or more for construction of highways, roads, streets, bridges, parking lots, demolition, clearing, grading, excavating, paving, pile driving, miscellaneous drainage structures, and the installation of water, gas, sewer lines and pumping stations where portions of the contract price are to be retained by the political subdivision (City), the bid proposal includes an option for the contractor to use an escrow account procedure for utilization of the political subdivision's retainage funds.

Management Response:

We concur with the recommendation. The City will ensure future bid proposals include an option for the contractor to use an escrow account procedure for utilization of the political subdivision's retainage funds.

CITY OF PETERSBURG, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2016 (Continued)

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2016-024 Federal Award Finding - Allowable Activities and Cash Management

Program: Assistance to Firefighters Grant (CFDA 97.044 - Federal Emergency Management Agency)

Federal Award Number: EMW-2014-FO-02832 Year: 2014

Criteria: Federal awards should be expended only for allowable activities. When entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government.

Condition: On December 11, 2015, the City received \$385,042 in Assistant to Firefighters federal grant funds for the purchase of SCBA fire equipment. The City never paid the vendor's invoices for goods provided and as a result the vendor repossessed the equipment. On July 15, 2015, the City received \$183,368 in Assistant to Firefighters federal grant funds for the purchase of fire turnout gear. On February 19, 2016, the City received a notice from the vender demanding payment for the fire turnout gear previously received by the City.

Context: 2 of 2 reimbursement requests were tested and in both cases, the expenditures that were reimbursed were not paid by the City.

Cause: Due to the City's poor financial condition, the City was unable to pay the related invoices that were reimbursed.

Effect: The City commingled Federal funds as the expenditures were not paid after receiving the reimbursement. This poses a potential loss of grant funds.

Questioned Costs: \$568,410

Recommendation:

We recommend the City implement procedures to ensure compliance with grant funds and the related grant awards.

Management Response:

We concur with the recommendation. The City is developing and implementing procedures to ensure compliance with grant funds and the related grant awards. The repossessed items have now been returned and the vendor fully paid.

CITY OF PETERSBURG, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2016 (Continued)

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS: (CONTINUED)

2016-025 Federal Award Finding - Allowable Activities and Cash Management

Program: Federal Transit Cluster (CFDA 20.507 & 20.500 - Department of Transportation)

Federal Award Number: 42,424.00 VA-90-4433	Year: 2015
Federal Award Number: 37,231.00 VA-90-4433	Year: 2015
Federal Award Number: 63,900.00 VA-90-0415	Year: 2015
Federal Award Number: 30,762.00 VA-34-0005	Year: 2015

Criteria: Federal awards should be expended only for allowable activities. When entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government.

Condition: The City received \$66,666.68 from April 2016 through July 2016 of federal Transit Cluster grant funds as reimbursement/payment for invoices to the Greater Richmond Transit Company. The invoices were never paid and the checks were voided. These invoices were not paid until April 5, 2017.

Context: 1 of 6 reimbursement requests that were tested in which the expenditures that were being reimbursed were not paid by the City.

Cause: Due to the City's poor financial condition, the City was unable to pay the related invoices that were reimbursed.

Effect: The City comingled Federal funds as the expenditures were not paid after receiving the reimbursement. This poses a potential loss of grant funds.

Questioned Costs: \$66,666.68

Recommendation:

We recommend the City implement procedures to ensure compliance with grant funds and the related grant awards.

Management's Response:

We concur with the recommendation. The City is developing and implementing procedures to ensure compliance with grant funds and the related grant awards.